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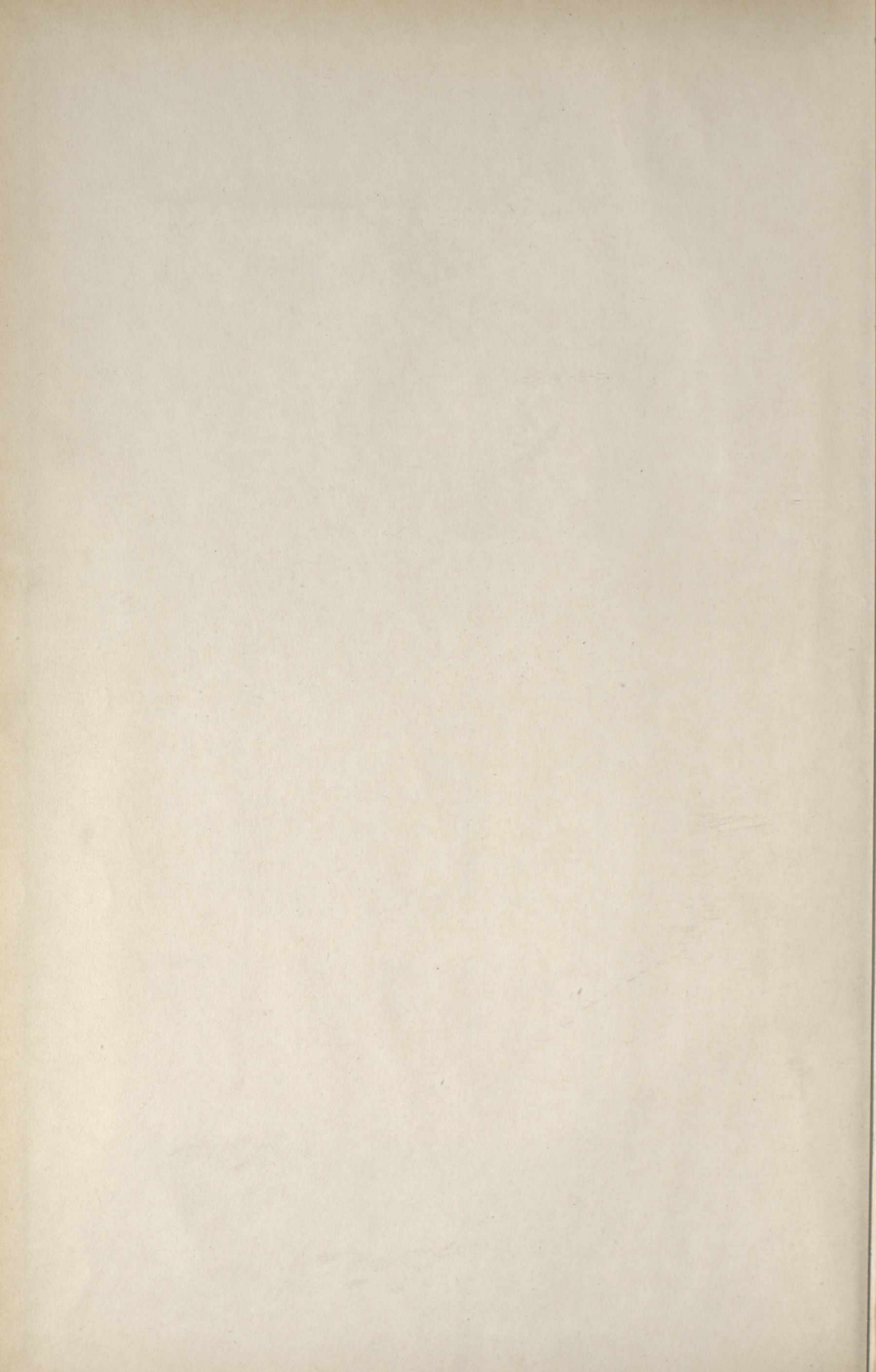
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Canada. Parl. H. of C. Sessional  
Comm. on Railways and Shipping  
Owned, Operated and Controlled by  
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SEASONAL COMMITTEE

# RAILWAYS AND SHIPPING

Special Committee on the Railways and Shipping  
Chairman: H. L. HARRIS

## MINUTES OF PROCEEDINGS AND DECISIONS

No. 3

THURSDAY, APRIL 12, 1951  
MONDAY, APRIL 16, 1951

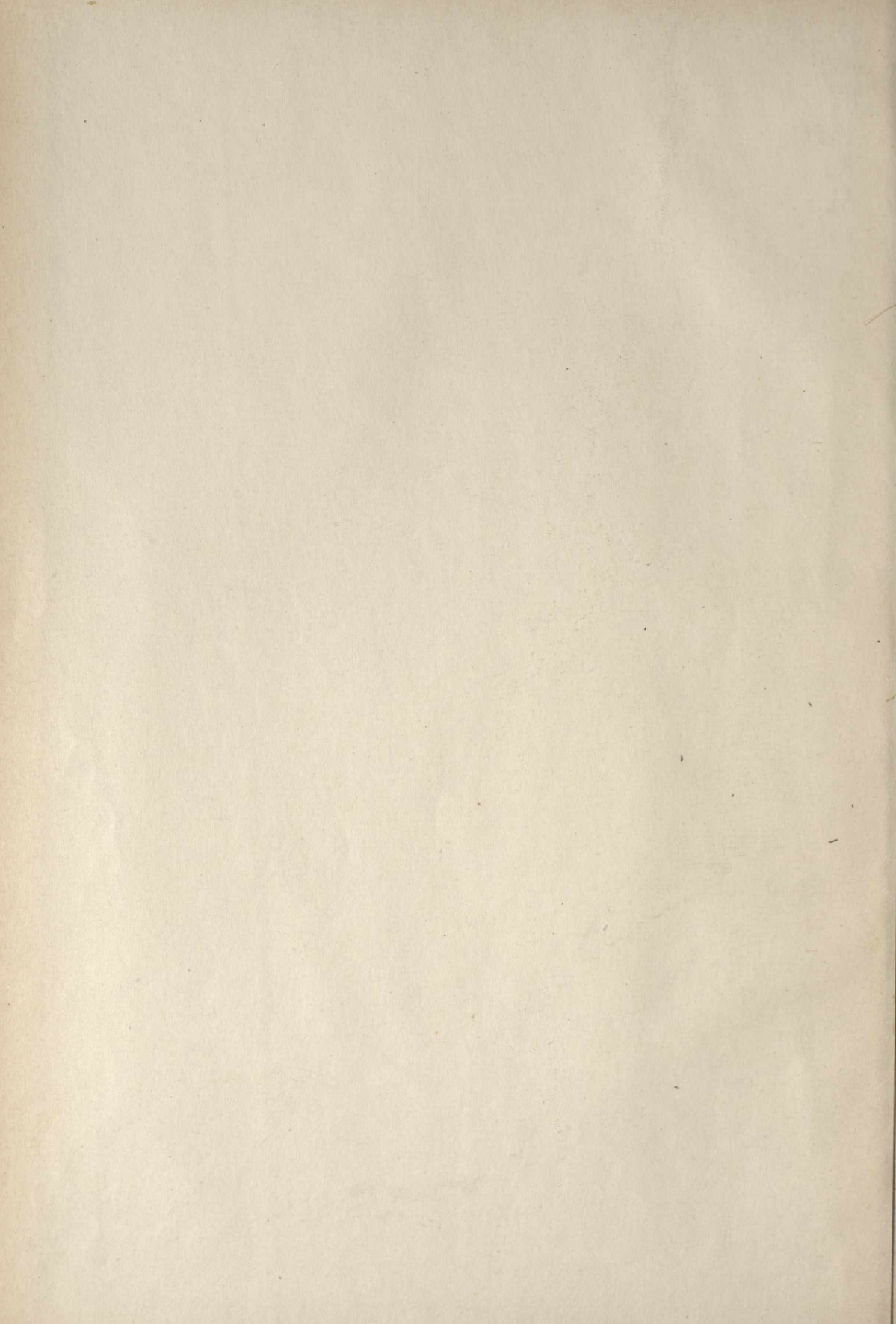
### CANADIAN NATIONAL RAILWAYS ANNUAL REPORT 1950

WITNESSED

John D. ...  
...  
...

Printed and Published by the  
Government of Canada







SESSION 1951  
HOUSE OF COMMONS

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SESSIONAL COMMITTEE

ON

**RAILWAYS AND SHIPPING**

Owned, Operated and Controlled by the Government

CHAIRMAN—MR. HUGHES CLEAVER

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

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THURSDAY, APRIL 12, 1951

MONDAY, APRIL 16, 1951

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CANADIAN NATIONAL RAILWAYS ANNUAL REPORT (1950)

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WITNESSES:

Donald Gordon, C.M.G., LL.D., Chairman and President;  
T. J. Gracey, Comptroller;  
S. F. Dingle, Vice-President.

SESSIONAL COMMITTEE  
ON  
RAILWAYS AND SHIPPING  
OWNED, OPERATED AND CONTROLLED BY THE GOVERNMENT

*Chairman:* Hughes Cleaver,  
*Vice-Chairman:* H. B. McCulloch.

Messrs.

Benidickson  
Bourget  
Carter  
Cavers  
Cleaver  
Follwell  
Fraser  
Fulton  
George

Gillis  
Gosselin  
Hatfield  
Healy  
Helme  
James  
Knight  
Macdonald  
(*Edmonton East*)

Macdonnell  
McCulloch  
McLure  
Mott  
Mutch  
Picard  
Pouliot  
Thomas

Clerk—Antonio Plouffe



## ORDERS OF REFERENCE

TUESDAY, April 10, 1951.

*Resolved*.—That a Sessional Committee on Railways and Shipping owned, operated and controlled by the Government, be appointed to consider the accounts and estimates and bills relating thereto of the Canadian National Railways, the Canadian National (West Indies) Steamships, Limited, and Trans-Canada Air Lines, saving always the powers of the Committee of Supply in relation to the voting of public moneys; and that the said Committee be empowered to send for persons, papers and records and to report from time to time, and that notwithstanding Standing Order 65, in relation to the limitation of the number of members, the said Committee consist of Messrs. Benidickson, Bourget, Carter, Cavers, Clark, Follwell, Fraser, Fulton, George, Gillis, Gosselin, Hatfield, Healy, Helme, James, Knight, Macdonald (*Edmonton East*), Macdonnell, McCulloch, McLure, Mott, Mutch, Picard, Pouliot, Thomas.

WEDNESDAY, April 11, 1951.

*Ordered*.—That the Annual Reports for 1950 of the Canadian National Railways, the Canadian National (West Indies) Steamships, Limited, the Canadian National Railways Securities Trust, and Auditor's Report to Parliament in respect to the Canadian National Railway System and the Canadian National (West Indies) Steamships, Limited, tabled on April 3, 1951, and the Budget of the Canadian National Railways and Canadian National (West Indies) Steamships, Limited, for 1951 tabled this day, be referred to the said Committee together with the following items of estimates for 1951-52:

Vote 493—Prince Edward Island Car Ferry and Terminal—Deficit

Vote 495—Canadian National (West Indies) Steamships, Limited—  
Deficit

Vote 501—Maritime Freight Rates Act—Payment of 20% reduction  
in tariff of tolls to Canadian National Railways and other  
Railways operating in territory fixed by the Act.

And that the resolution passed by the House on March 12, 1951, referring certain estimates to the Committee of Supply, be rescinded insofar as the said resolution relates to Votes Nos. 493, 495 and 501.

That the Annual Report of Trans-Canada Air Lines for the year ended December 31, 1950, tabled on March 19, 1951, and the Auditors' Report to Parliament for the year ended December 31, 1950, in respect of Trans-Canada Air Lines, tabled on March 20, 1951, be referred to the said Committee.

*Ordered*.—That the name of Mr. Cleaver be substituted for that of Mr. Clark on the said Committee.

*Ordered*.—That the quorum of the said Committee be reduced from thirteen to eight members.

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

*Ordered*.—That the said Committee be empowered to print, from day to day, 700 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

*Attest.*

LEON J. RAYMOND  
*Clerk of the House.*



## REPORT TO THE HOUSE

THURSDAY, April 12, 1951.

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

## FIRST REPORT

Your Committee recommends:

1. That its quorum be reduced from thirteen to eight members.
2. That it be granted permission to sit while the House is sitting.
3. That it be empowered to print, from day to day, 700 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

HUGHES CLEAVER  
Chairman.



## MINUTES OF PROCEEDINGS

THURSDAY, April 12, 1951.

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government held an executive meeting at 11 o'clock.

*Members present:* Messrs. Benidickson, Bourget, Carter, Cavers, Cleaver, Fraser, George, Gosselin, Healy, Helme, James, Knight, Macdonald (*Edmonton East*), McCulloch, McLure, Mott, Pouliot, Thomas (18).

The Clerk of the Committee invited nominations for the election of a chairman.

Mr. McCulloch moved, seconded by Mr. Cavers, that Mr. Cleaver be elected chairman.

The question being put, Mr. Cleaver was unanimously elected and took the chair.

On motion of Mr. Macdonald (*Edmonton East*),

*Resolved*,—That the Committee recommend that its quorum be reduced from thirteen to eight members.

On motion of Mr. Knight,

*Resolved*,—That permission be sought to sit while the House is sitting.

On motion of Mr. Fraser,

*Resolved*,—That the Committee ask leave to print 700 copies in English and 200 copies in French of its minutes of proceedings and evidence.

*Ordered*,—That the chairman report accordingly.

The election of a vice-chairman was deferred as was the appointment of a sub-committee on agenda.

It was agreed to commence the study of the annual report of the Canadian National Railways (1950) on April 16 next.

On motion of Mr. James, the Committee adjourned until Monday, April 16, at 11 o'clock.

MONDAY, April 16, 1951.

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government, met at 11 o'clock. Mr. Cleaver, the Chairman, presided.

*Members present:* Messrs. Benidickson, Carter, Cleaver, Fraser, Fulton, George, Gillis, Helme, Knight, Macdonald (*Edmonton East*), McCulloch, McLure, Mott, Mutch, Thomas (15).

*In attendance:* Honourable Lionel Chevrier, Minister of Transport; Mr. Donald Gordon, Chairman and President; Mr. S. F. Dingle, Vice-President (Operation); Mr. T. V. Gracey, Comptroller; Mr. T. H. Cooper, Vice-President (Finance); Mr. S. H. May, Assistant Comptroller; Mr. J. A. McDonald, Special Assistant to the President; Mr. G. H. Lash, Director of Public Relations; Canadian National Railways.



Mr. J. C. Lessard, Deputy Minister of Transport, Mr. F. T. Collins, Executive Assistant and Secretary, Mr. W. A. Thorton, Executive Assistant, and A. Paradis.

Mr. Donald Gordon was called. He read an introductory statement followed by the annual report of the Canadian National Railways (1950).

Mr. Gordon was assisted by Messrs. Gracey and Dingle.

It was agreed to defer his examination on the letter of transmittal.

Statistical data relating to the hire of freight cars and to payments by C.N.R. and its subsidiaries for duty, currency exchange, etc., were tabled and ordered incorporated in the evidence.

It was further ordered to include in the evidence the tables beginning at page 24 of the report.

The Minister of Transport gave forthwith the dates of the latest appointment of the directors. The dates of their original appointments will be supplied later.

The witness was questioned at some length on the question of box cars.

On motion of Mr. Macdonald,

*Resolved*,—That Mr. McCulloch be appointed Vice-Chairman.

On motion of Mr. Mutch,

*Resolved*,—That Messrs. Fulton, Fraser, Gillis, James and McCulloch do compose, with the Chairman, a committee on agenda.

At 1.05 o'clock, the Committee adjourned until 4 o'clock this day.

#### AFTERNOON SITTING

The Committee resumed at 4 o'clock. Mr. Cleaver presided.

*Members present*: Messrs. Benidickson, Carter, Cleaver, Fraser, Fulton, George, Gillis, Healy, Helme, Knight, Macdonald (*Edmonton East*) Macdonnell, McCulloch, McLure, Mott, Mutch, Thomas (17).

*In attendance*: Same as indicated at the morning sitting.

The examination of Mr. Gordon was continued.

The witness gave the dates of original appointments of the directors of the Canadian National Railways.

The Chairman informed the members that for the balance of the week the meetings would be held in Room 368 in the other place.

At 6 o'clock the Committee adjourned until 11 a.m., Tuesday, April 17.

ANTONIO PLOUFFE,  
*Clerk of the Committee.*



## EVIDENCE

HOUSE OF COMMONS,

APRIL 16, 1951.

The Sessional Committee on Railways and Shipping met this day at 11:00 a.m. The Chairman, Mr. Hughes Cleaver, presided.

The CHAIRMAN: Gentlemen, we have a quorum. Shall we take first the annual report of the Canadian National Railways? Mr. Gordon.

Mr. DONALD GORDON, C.M.G. (President, Canadian National Railways): Mr. Chairman, I would like to make a brief introductory statement in connection with the form and style of this report. I must confess I find it hard to realize that over a year has passed since I first represented the Canadian National management before this committee. It has been a busy and relatively prosperous year, but in many respects a troubled one, full of dynamic changes. Some of these changes have appeared in personnel, removing some familiar names from the roster of our senior officials. Perhaps, by way of introduction, you might turn to the listing of general officers shown on page 3 of the annual report.

The retirement of two vice-presidents is reflected here. Mr. J. P. Johnson, vice-president, Western Region, retired on 1st October, 1950, and Mr. Alistair Fraser, vice-president, traffic, on March 15 of this year. Both of these officers served the interests of this company faithfully and well over a great many years. On 22nd October, 1950, Mr. Walter S. Thompson, who I am sure is known to many of you, retired as director of public relations, in which position his loyal and effective service to the company earned the gratitude of successive managements. In my own office the death of Mr. G. W. V. Shaw, assistant to the president, was another sad loss to the company, the more so because Mr. Shaw was comparatively young in years.

I shall not take time now to deal with the other staff changes in the upper brackets, for at the appropriate place in the annual report mention is made of the managerial problem created by the unusually large number of retirements, both current and pending, among senior officers.

Before I begin to read the annual report, I think you would find it useful to have a few comments about the organization of this document and the somewhat different approach we have taken this year in presenting the material.

The report is divided functionally into three main sections, first the letter of transmittal, then the narrative of the report reviewing the year's operations, and finally the accounting and statistical data. The letter transmitting the report is designed to give scope for generalized comments relating to managerial problems and policies which could not appropriately be fitted into an analysis essentially confined to the calendar year 1950. In transmitting the report, therefore, an attempt has been made to set the 1950 record in perspective and to indicate both in retrospect and prospect the impact of a constantly changing environment on the Canadian National system, raising some of the immediate problems which are outstanding for the coming year.

The narrative of the report begins under the heading "The Review of Operations" on page 6. In the material which is given in that review greater emphasis has been placed on an explanation of the results achieved so as to assist your examination of our record for the year. Comment is made on each of the major headings of the income and capital accounts. Without unduly lengthening the report, an attempt has also been made in these pages to show the effect of various



economic events on our traffic and revenue figures, how we have been endeavouring to improve performance and keep abreast of advances in technology, and how the Canadian National System has participated in the industrial life and economic development of the country. Although the narrative is somewhat longer than in previous years, it would nevertheless require many more pages to convey adequately a sense of the physical efforts of some 113,000 employees in operating a railroad large enough to wrap itself around the globe, together with hotels, steamships, communications and a variety of other business activities. I hope, however, you will find the photographic plates are of some assistance in filling this gap.

The accounting and statistical data in the last section contain a wealth of information and you will find the main headings listed in the table of contents on page 3, for ready reference. I might also point out that the two accounting statements of fundamental importance to this report can be conveniently found by turning to the middle of the book, where you will find the balance sheet on a double page and the consolidated income statement overleaf.

I turn now to page 4 of the report and will commence with a reading of the letter of transmittal addressed to The Honourable Lionel Chevrier, Minister of Transport, Ottawa.

## CANADIAN NATIONAL RAILWAYS

Montreal, March 10, 1951.

The Honourable Lionel Chevrier, K.C., M.P.,  
Minister of Transport,  
Ottawa.

Sir: There is submitted herewith on behalf of the Board of Directors a report of the operations of Canadian National Railways for the calendar year 1950.

High levels of business activity and intensive resource development were reflected in the operations of the Canadian National System during 1950. Increased freight traffic and higher freight rates produced a new record in gross System revenues, and, despite rising prices and wage costs, net operating revenues were close to \$60,000,000. Nevertheless, income after payment of interest charges showed a deficit of \$3,261,235.

Comparatively speaking, these figures are encouraging but there are two important reasons why the results for 1950 should not be regarded as evidence that the financial problems of the Canadian National are on the verge of solution. First, the System still carries a heavy burden of fixed interest charges as a consequence of the unrealistic capital structure which has distorted the economic worth of the System since its inception in 1923. This together with the imbalance between rates and costs provides a major explanation for the anomalous fact that income deficits have been recorded in each of the post-war years 1946-50 inclusive, even though the volume of freight traffic measured in revenue ton-miles has averaged 72 per cent higher than in 1923. The second reason which demands consideration is that the System is confronted with the certain prospect of substantially increased price and wage costs during 1951. A series of major price increases has already been experienced since the year began, and the inauguration of the forty-hour week on June 1 next will add significantly to our operating costs.

The method of re-capitalization is one of the major items to be dealt with after the recommendations of the Royal Commission on Transportation are made public.

Structural changes in the Canadian economy over the past two decades, marking the progress of this country to the status of a major industrial power,



have produced important changes in the composition of railway freight traffic. This is particularly noticeable in comparing the Canadian National tonnage figures for 1929 and 1950. Under the broad classification of Manufactures and Miscellaneous the number of tons carried increased by nearly 6 million or 28 per cent, and during the same interval of time the tonnage of Mine Products increased by almost 7 million tons or 29 per cent. The two commodity groups accounted for 65 per cent of System freight tonnage in 1929 and over 70 per cent in 1950.

These structural changes were accompanied by an expansion of population, substantial advances in technology and important accretions to the recognized stock of natural resources; in brief, the base of the economy was widened as the level of economic activity reached new peaks in the post-war years.

Together these changes have presented a difficult problem to railway Management in the adjustment of capacity. The lean years have been characterized by excess capacity and financial stringency; the boom years by equipment shortages and inflated capital costs. Meanwhile freight rates have been increasingly subject to erosion by highway competition, and have proven to be inflexible at the upper levels. With heavy capital investment in highly durable equipment, sweeping changes in design are impracticable in the very short run. Industrial development in urban areas tends to surround and confine the growth of railway terminal and other operating facilities, at the same time adding to the requirements for rail service. New branch lines must almost be regarded as investments in perpetuity because of the difficulty in securing approval to make abandonments even where substitute services can be provided. In the case of the Canadian National these factors are super-imposed on others arising out of the formation of the System from a number of unrelated components.

Nevertheless, in view of the economic prospect, and in particular having regard to the vital importance of the Canadian National to Canada's security, the evidence is clear that extensive capital programs must be contemplated in the coming years in order to bring the System to an appropriate state of readiness in both equipment and facilities.

Since the Canadian National is the largest single employer of industrial labour and the largest single purchaser of industrial material in Canada, it is not surprising that the effects of inflation are written large in the accounts of the System. One of the by-products of inflation which is now engaging the earnest attention of Management is the need for adjustment of System pension plans if the decline in the value of money and its effect on retiring employees in the lower pension brackets is to be recognized.

Another important change in the economic environment as affecting railways has been the growth of highway transportation over the past two decades. The corrective measures necessary to establish road-rail competition on an equitable basis lie beyond the control of railway Management, and it is hoped the Royal Commission Report will contribute significantly to this end. Meanwhile the area of policy decision open to the Management of this System is being explored with an open mind in two directions. The first is to re-examine the rates, services and operating techniques involved in the handling of competitive traffic; the second is to collaborate with other members of the Railway Association in an intensive fact-finding program of research into common problems, one of which is the lack of comprehensive statistics on trucking operations in Canada.

In many ways the year 1950 was a difficult one for everyone serving the Canadian National System. The events of the year put to the test of adverse circumstances the capabilities of personnel at all levels and subjected to the tensions of a strike period the relations between Management and organized



employees. In the outcome it was again demonstrated that the Canadian National is a sound and effective organization with a strong cohesive spirit and the ability to measure up to the challenge of arduous times.

D. GORDON,  
*Chairman and President.*

I come now to the section dealing with review of operations which is on page 6.

### REVIEW OF OPERATIONS

The results of the System's operations for 1950 compared to 1949 are given in the following summary table:

	1949	1950
Operating revenues .....	\$553,831,581	\$500,723,386
Operating expenses .....	493,997,079	478,501,660
Net operating revenue .....	\$ 59,834,502	\$ 22,221,726
Taxes, equipment rents and other income accounts .....	17,417,730	18,163,818
Available for payment of interest .....	\$ 42,416,772	\$ 4,057,908
Interest on bonds held by the public .....	24,019,158	24,302,651
Available for payment of Government interest .....	\$ 18,397,614	\$ 20,244,743
Government interest .....	21,658,849	21,798,283
<i>Income Deficit</i> .....	<u>\$ 3,261,235</u>	<u>\$ 42,043,026</u>

The Consolidated Income Account appears on page 26.

### OPERATING REVENUES

The substantial increase in operating revenues is attributable to higher freight rates and, in a lesser degree, to an increase in the volume of freight traffic. Freight revenues increased by 13 per cent, while passenger revenues declined by 7.8 per cent and express revenues were virtually unchanged compared to 1949.

#### *Freight Rates*

On May 25 a decision of the Board of Transport Commissioners for Canada brought about a final settlement of the Railway Association's application in July, 1948 for a 20 per cent increase in freight rates. In successive judgments of the Board an increase of 8 per cent, effective October 11, 1949, was raised to 16 per cent, effective March 23, 1950 and to 20 per cent, effective June 16, 1950. These awards provided for specific increases on coal and coke totalling 15 cents per ton over the rates in effect prior to October, 1949.

The higher rates authorized by these decisions yielded additional System revenues of \$28,016,000 compared to 1949.

Pursuant to an application of the government of Newfoundland in November, 1949, the Board of Transport Commissioners on January 22, 1951, rendered a judgment ordering substantial reductions in freight rates as from March 1 on traffic within, to and from that Province. The Board recognized in the course of judgment that "unfortunately the results flowing from this decision will, in all likelihood, increase the burden of costs to be assumed by the Railway as a result of the entrustment to it of the Newfoundland Railway".

On December 21, following upon the decision rendered by the Arbitrator appointed under the Maintenance of Railway Operation Act to settle the dispute with non-operating employees, the Canadian National joined with the Railway Association in making application for a specific increase of 10 cents per ton on



coal and coke and a general increase of 5 per cent on other freight traffic, the increases to be effective immediately. Concurrently an application was made for such further increase in freight rates as may be required to offset the additional operating expenses which will result from the inauguration of the 40-hour week on June 1, 1951, the increase to take effect on that date. Hearings began on January 19 and on January 25 the Board reserved judgment on that part of the application relating to the 5 per cent increase.

Throughout the year, in an endeavour to assist the Board in carrying out the General Freight Rate Investigation ordered under Order in Council P.C. 1487 of April 7, 1948, the Canadian National and associated Railways have been engaged in studies relating to the feasibility of equalizing freight rates. Hearings on this important matter are scheduled to resume in Ottawa on May 15 next.

The 21 per cent increase in freight rates authorized by the Board of Transport Commissioners in March, 1948, together with the subsequent increase of 20 per cent, has raised the levels of maximum class rates by 45.2 per cent over those prevailing in the period 1922 to 1948. However, because of certain exceptions to the general increases, notably in the case of Crow's Nest grain rates, the effective increases have averaged approximately 35 per cent. By way of comparison, freight rates on American railroads have been generally increased by 57.3 per cent over the levels in effect prior to September, 1939, and an application for further increases is now under consideration by the Interstate Commerce Commission. Over the same period freight rates in the United Kingdom have increased by 81 per cent. It is still true that the average level of freight rates in Canada is one of the lowest of any country in the world.

#### *Volume of Rail Traffic*

The tonnage of freight carried during the year increased by 5.9 per cent, but revenue ton miles were only 3.4 per cent higher as the result of a decline in average haul.

Major increases were recorded in the movements of coal and coke, lumber, ore and concentrates and other mine products, newsprint and woodpulp, automobiles and auto parts, scrap iron, fuel oil and crude oil. The very significant increase in the revenue movement of bituminous coal is largely explained by the replenishment of industrial stockpiles following a prolonged period of intermittent production by American mines. Traffic in forest and mine products clearly reflects increased production levels in response to a higher level of business activity in Canada and the United States, while the increased carloadings of automobiles and parts can be attributed to buoyant domestic demand. For the most part, the increased rail movement of crude oil represented a passing phase, the closing months of 1950 having showed progressively the diversion of this traffic to pipelines operating from the Alberta fields.

The very considerable reduction in grain tonnage is chiefly attributable to the late harvest following severe frost damage to Western crops. Pulpwood carloadings were well below 1949 totals, paper mills having drawn their requirements from stockpiles until late in the year. A decrease of 11.4 per cent in less-than-carload tonnage is, in substantial measure, the result of truck competition.

Both the number of passengers carried and the average length of journey declined during the year, passenger-miles showing a reduction of 13.1 per cent. This is mainly attributable to interruptions in train service (discussed on page 18), in addition to reduced tourist and travel expenditures, and the increasing use of motor vehicle and airline transportation.

#### OPERATING EXPENSES

Increased freight traffic was chiefly responsible for an increase of \$15,495,419 or 3.2 per cent in operating expenses, which reached an all-time high. Higher



wage rates accounted for \$4,627,000, and higher prices for \$3,740,000 of the additional costs. Details of expenses incurred under six major headings are shown on pages 27 to 29.

The deferred maintenance reserve was completely used up by a charge of \$9,000,000 during the year.

#### Prices

An index of the prices of all railway materials based on 1936-38=100 showed a rise of 5.4 per cent during the year to a level of 201. Excluding three important materials—ties, coal and oil fuel—the prices of which were relatively stable, the index of all other material showed an increase of nearly 8 per cent between May and the end of the year. Had year-end prices been in effect throughout 1950 actual operating expenses would have been greater by almost \$6,000,000.

#### Employee Compensation

Pursuant to the award on December 18 by the Arbitrator appointed to decide on matters in disagreement between the Railway and non-operating employees, the final settlement of this dispute included provision:

- (i) For other than hotel and water transport employees; effective August 31, 1950, an increase of 3c per hour additional to the 4c per hour increase stipulated in the Maintenance of Railway Operation Act; effective June 1, 1951, a five-day forty-hour week with maintenance of take-home pay; the term of agreements to run for two years from September 1, 1950.
- (ii) For hotel and water transport employees, a one-year agreement effective September 1, 1950, incorporating the 4c per hour increase stipulated in the Maintenance of Railway Operation Act but excluding the above mentioned changes in wages and working hours.

Projected to an annual basis the additional operating cost of the direct wage increases alone amounts to \$13,076,600 per year for the employees involved in this settlement. But the major effects on operating expenses will not be experienced until the forty-hour week becomes effective on June 1, 1951. Without attempting to anticipate actual expenses, it is important to appreciate that in itself the reduction in weekly hours from 48 to 40, with weekly pay maintained, constitutes an increase of 20 per cent in *hourly* wage rates.

### OTHER INCOME ACCOUNTS

There was a reduction of \$1,169,015 in the net debit arising from this group of accounts. Increase in use of foreign lines' freight cars cost the Company \$1,936,957. The 5 per cent call premium on \$17,338,000 40-year guaranteed gold bonds called for redemption on February 1, including the charge for unamortized discount, cost \$1,025,580; this is \$2,800,676 less than the cost of a similar redemption in 1949, involving \$57.7 millions.

### CAPITAL EXPENDITURES

Capital expenditures during 1950 amounted to \$38,022,056, of which \$21,362,780 was for new equipment.

### FINANCE

Two bond issues and one issue of Equipment Trust Certificates were sold during the year.

An issue of \$40,000,000 2 $\frac{7}{8}$  per cent Twenty-one Year Bonds was made on January 16, 1950, the cost to the Company being 2.95 per cent. The proceeds



were used to finance Capital expenditures, to refund Equipment Principal payments and to redeem \$17,338,000 of 5 per cent Bonds due on February 1, 1970 which were called for redemption on February 1, 1950.

On June 15, \$6,000,000 2 $\frac{3}{4}$  per cent Twenty-five Year Bonds, payable in United States funds, were sold at a cost of 2.73 per cent. This issue was sold to refund two issues of 4 per cent Bonds, of which \$5,872,000 matured on July 1, 1950, and the balance on October 1, 1950, payable in United States funds.

These refunding operations produced an annual saving of \$404,872 in interest charges.

On March 15, 1950, a \$22,000,000 issue of 2 $\frac{1}{4}$  per cent Ten Year Serial Equipment Trust Certificates, maturing semi-annually in equal principal instalments, was sold at a cost of 2.37 per cent. This issue provided approximately 75 per cent of the cost of acquisition of new equipment.

### NEW CONSTRUCTION

Continued progress was made on a number of major projects during the year.

At the Bonaventure Freight Terminals, strategically located in downtown Montreal, the inbound shed and three transfer platforms were completed, and together with the outbound shed, were fully in operation by the year-end. Operations in this newest and largest freight terminal in Canada are being extensively mechanized. Work was begun on one of the three remaining projects, a four-storey freight office building, which when completed will permit demolition of the former Bonaventure Passenger Station and reconstruction of adjacent streets by the City. Construction of the central heating plant and shed foreman's office is to start shortly.

Improvements designed to enlarge by over 1,000 cars the capacity of yards at Mimico, on the outskirts of Toronto, were proceeded with during the year. Two-thirds of the work was completed and the trackage placed in operation for both local and through traffic. The enlargement of freight yards at Vancouver was also completed.

At the Point St. Charles shops in Montreal, the largest on the System, work was begun on the paint shop and transfer table as part of a program of general reconstruction.

The new freight shed in Edmonton, begun in 1949 to accommodate greatly increased traffic, was opened for use in November, 1950. At the end of the year only minor work remained to be done on this structure, and the necessary trackage was completed. The related project of rearrangement of Edmonton yard facilities was also advanced during the year.

An extensive two-year program for the enlargement of Turcot Yards in Montreal was authorized in mid-December, and work was begun early in 1951. The additional capacity will help to relieve the pressure experienced in handling traffic with existing facilities.

The International Aviation Building, world headquarters of the International Civil Aviation Organization and the International Air Transport Association, was formally opened on June 1. This is part of the Montreal Terminal Development Plan which, when fully completed, will include an hotel and office building. Work on another preliminary phase of this development began in October, 1950 with the rearrangement of the track structure in the Central Station area. Completion of this project will relieve some of the congestion experienced during peak hours of suburban traffic.

On all of these projects now in hand the rate of progress during 1951 will depend substantially on the availability of materials.



Before proceeding to the next heading, Mr. Chairman, the committee will observe that there is a table there giving equipment orders and deliveries which I would like to have incorporated in the report and perhaps I could be excused from reading it here.

The CHAIRMAN: Yes.

### EQUIPMENT ORDERS AND DELIVERIES

Deliveries of new equipment during 1950 were as follows:

FREIGHT CAR EQUIPMENT	490	50-ton flat cars
	5	135-ton depressed centre flat cars
	100	70-ton hopper cars
	25	30-ton automobile cars for Newfoundland
	60	30-ton box cars for Newfoundland
PASSENGER AND EXPRESS CAR EQUIPMENT	20	roomette sleepers
	25	air-conditioned coaches
	50	baggage cars
	3	baggage cars for Newfoundland
LOCOMOTIVE EQUIPMENT	8	1500 h.p. diesel-electric locomotives
	3	1000 h.p. diesel-electric switchers
	18	600 h.p. diesel-electric locomotives
	3	electric locomotives
WORK EQUIPMENT	11	steel snow plows
	6	Jordan spreaders
	1	disel industrial hoist

Orders outstanding at the end of the year covered the following equipment. Except where otherwise noted, deliveries are expected in 1951.

FREIGHT CAR EQUIPMENT	100	70-ton covered hopper cars
	5,000	50-ton box cars
	40	30-ton box cars for Newfoundland
PASSENGER AND EXPRESS CAR EQUIPMENT	*6	multiple unit motor coaches
	*12	multiple unit trailer coaches
	50	baggage cars
	5	mail and express cars
	6	sleeping cars for Newfoundland
	*3	mail cars for Newfoundland
	10	express refrigerator cars for Newfoundland
	4	baggage cars (Grand Trunk Western Railroad)
LOCOMOTIVE EQUIPMENT	22	800 h.p. diesel-electric switching locomotives
	18	1000 h.p. diesel-electric road switching locomotives
	20	1600 h.p. diesel-electric road locomotives
	28	1500 h.p. diesel-electric road locomotives



WORK EQUIPMENT	28	30 cu. yd., 50-ton air dump cars
	20	16 cu. yd., 30-ton air dump cars for Newfoundland
	2	30 cu. yd., 50-ton air dump cars (Central Vermont Ry.)
	4	steel snow plows
	1	30-ton diesel-electric locomotive crane
	1	locomotive crane and pile driver
	1	8-wheel diesel dynamatic wrecking crane for Newfoundland

\*Some of this equipment will not be delivered until 1952.

Mr. GORDON:

### TECHNOLOGICAL IMPROVEMENTS

The new facilities and equipment described on preceding pages embody recent technical advances in design and operation.

#### *Motive Power*

The acquisition of 29 more diesel locomotives during the year brought the total number in service to 177, of which 121 are used primarily in switching service. Eighteen road-switching locomotives were put into service in Prince Edward Island, completing the dieselization of operations in that territory. The eight 1,500 h.p. road locomotives received were placed in service between Montreal and the Lake St. John area, permitting a more efficient and economical handling of heavy traffic over the adverse grades encountered.

A series of experimental runs, chiefly on long distance passenger trains, were made with diesel locomotives in order to test under practical conditions the performance expected from this type of motive power.

The conversion of a further 47 steam locomotives on Western Region lines to the use of oil fuel increased the total number of these units in service to 211. No coal-burning steam locomotives are now in service on the British Columbia district nor on the main line of the Alberta District west of Edmonton.

Experiments were conducted with encouraging indications during the year by the Research and Development Department in an attempt to achieve a better utilization of fuel in existing coal-burning locomotives. The Department has also kept in close touch with progress in the development of both oil and coal-fired gas turbine locomotives, which promise to yield important advantages in operation.

Each different type of motive power offers a particular combination of advantages in terms of operating and capital cost. These relative advantages are subject to change with their component elements, including the price and availability of fuels. Because of this and the fact that a large scale investment in any one type of locomotive invites the risk of obsolescence, the Management has been careful to avoid overcommitments. An exhaustive study has now been under way for some months with the object of determining what place should be given to each of the various types of motive power in a long term program.

#### *Passenger Equipment*

The year 1950 saw the introduction, for the first time in Canada, of the duplex roomette cars, twenty of which were placed in service on principal trains.

This new type of sleeping car, providing enclosed space at moderate cost, has proved very popular with the travelling public.

The modernization of existing passenger equipment was advanced during the year by rebuilding three bedroom-buffet-lounge cars, and completing alterations to four standard sleeping cars, and six dining cars. In addition, work was proceeded with on five more sleeping cars and three dining cars.

#### *Signalling Equipment*

During 1950 work was begun on further extensions of Centralized Traffic Control, a despatching system in which centrally controlled electric signals take



the place of train orders or timetable authority. Installations are proceeding on a section of 148 miles between Hornepayne and Foleyet, Ontario, and on a section of 35 miles between Pontiac and West Durand, Michigan, on Grand Trunk Western lines.

Progress was made on plans for the eventual installation of automatic block signals on all main line track through the mountain territory from Jasper, Alta., to Port Mann, B.C. During 1950 an installation was completed between Red Pass Junction and Jackman, B.C., and work was begun on the line between Jasper and Red Pass Junction.

Work also commenced on the installation of electric interlocking plant in the yards at Mimico, Ontario, and Portage La Prairie, Manitoba. This system of terminal operation makes use of power-operated switches and signals controlled from a central point.

#### *Maintenance of Way Equipment*

Operating tests were made of a mobile ballast cleaner which shows promise of yielding substantial economies in track maintenance. The use of mechanical tie tamping machines was extended by the acquisition of four more units, in which two different types were represented.

#### *Other Research*

Research was conducted into problems of refrigeration, the design and construction of freight cars, the use of alloyed steel in locomotive motion parts, and the detection of flaws in steel by supersonic testing. Experiments established the advantages of using oil in dining car stoves and the necessary modifications will be effected. A new type of grain door was successfully developed and will be coming into general use. Control techniques were devised for the lubrication of Diesel engines, resulting in substantial operating economies.

In co-operation with the Canadian Pacific Railway, uniform specifications were developed for box cars. The possibilities of further standardization continue to be explored.

Introduction of the forty-hour standard work week will open up new possibilities for the use of time and labour-saving devices and intensify the search for economies to offset the additional wage costs.

### CONDITION OF PROPERTY

Compared with 1939 the Canadian National is operating on a new and much higher plateau of traffic, using for the most part equipment and facilities whose service life has been reduced by at least eleven years. Notwithstanding substantial additions and betterments during the intervening years, a good deal remains to be done. At the end of 1950 approximately one quarter of the System's freight equipment, half of the passenger equipment, and 72 per cent of the locomotive equipment were over thirty years of age. Despite extensive modernization and reconstruction, which has maintained the serviceability of this equipment, retirements must of necessity proceed at a high rate over the next few years. Large orders for new equipment have been placed, but because of the material shortages and congestion arising out of the defence program, deliveries will be slow and uncertain.

Meanwhile, the serious shortages of freight equipment experienced during the last half of 1950 and continuing into the new year made it clear that the existing supply is inadequate to meet the demands of seasonal traffic peaks. To cope with the situation intensive efforts were concentrated on accelerating the shopping and repair program, the tightening up of car distribution, the reduction of terminal and yard delays wherever possible, and the return of cars from foreign lines. The co-operation of shippers was sought in an effort to cut down the turn around of cars and to encourage loading to capacity. Further measures in this direction are under consideration.

In the background of the current car shortage is the inadequacy and resultant congestion of terminal and yard facilities. The rapid pace of indus-



trial development in urban centres, together with near-record levels of traffic, have severely aggravated a problem which has its roots in the fact that the component lines from which the Canadian National System was formed were not originally designed to operate as an integrated unit. Although some of these handicaps are of a permanent nature, improvements wherever feasible will be brought forward in order of priority as quickly as conditions will permit.

Some progress was made during the year in catching up arrears of maintenance and the conditions of the roadbed and track can generally be described as satisfactory.

### OPERATING PERFORMANCE

The operating performance of the railway is measured by statistical averages of many kinds, some of which measure the quantity and standard of service and others the cost of service. Some relate to physical units and others are measured in terms of money. The following selected averages highlight the more significant comparisons with 1949 performance.

The amount of traffic handled daily per mile of line—known as the freight traffic density—is a measure of the freight service performed. In 1950 it amounted to 4,172 ton miles per mile, as compared with 3,926 ton miles in 1949.

An important unit of performance is the size of the average carload freight shipment. In 1950 this was 28.7 tons, as compared with 28.9 tons in 1949. The decrease of .2 tons is due mostly to the smaller amount of grain transported from Western Canada.

The amount of use which is obtained from freight car equipment is measured by the car miles per serviceable car day. This was 45.2 in 1950, as compared with 43.5 in the previous year.

The average size of locomotive used in freight service is measured by the tractive effort in pounds. This was 50,500 pounds in 1950, as compared with 50,100 in 1949.

The effectiveness with which freight service is performed is measured by the average tonnage hauled by the locomotive, including in this figure the weight of car and contents. This average trainload in 1950 was 1,471 tons, as compared with 1,457 tons in the previous year.

The speed with which freight service is furnished is measured by the average freight train speed. In 1950 this was 16.3 miles per hour as compared with 16.1 miles per hour in 1949.

An important item of cost is the fuel consumed in the locomotives. This is measured in the number of pounds of coal consumed to move 1,000 tons of freight car and contents one mile. The figure for 1950 was 114 pounds, as compared with 117 pounds in 1949.

In passenger service, the average size of the passenger train increased from 8.7 to 8.8 cars.

The on-time performance of principal trains showed a decline from 64.9 per cent of trains on time to 61.2 per cent.

The average cost of maintaining the average locomotive was 38.96c per locomotive mile in 1950, as compared with 37.91c in 1949, and the average cost of maintaining the average freight car expressed in cents per mile was 1.728c in 1950, as compared with 1.630c in 1949, while the cost of maintenance of the average passenger car mile was 7.214c, as compared with 6.497c. The increase in these units of performance, measured in dollars, is largely due to changes in price and wage structures.

#### *Interruptions To Train Service*

The operating performance in 1950 was affected to some extent by severe flood conditions in various parts of the country. These floods caused serious disturbances to train service and involved heavy maintenance expenditures.

In the Prairie Provinces prolonged cold spells with temperatures down to 45 degrees below occurred in the early months of the year. Average January



temperatures from Regina westward to the Pacific coast were the lowest on record.

Iceing conditions, snow blockades, and rock slides in British Columbia during January and February cut communication lines and caused major interruptions to train service lasting up to 12 days.

The spring brought serious floods on the Gaspé line where two major bridge structures were lost and the track washed out in several places for distances up to one mile. In order to maintain supplies in isolated areas during a period of thirty-one days when through-train services were suspended, two small ships were chartered for 8 trips between Campbellton, Chandler, and Gaspé Town.

The flooding of the Red River during May and June was a major disaster. Early mobilization enabled the Railway to make an effective contribution during the period of emergency. Twenty-eight special trains were operated in carrying relief supplies and evacuees, and over an eight-day period trains shuttled across the only remaining bridge between Winnipeg and St. Boniface carrying more than 100,000 passengers. Damage to Railway property included the washout of 36 miles of line and was set at \$508,000.

Extensive flooding in British Columbia during the late spring interrupted train services for short periods.

These climatic excesses made unprecedented demands on the resources of the System and on the endurance and resourcefulness of railway personnel. It is gratifying to record that the response earned a full measure of praise and commendation from the public.

A coal shortage, induced by protracted strikes in American mines, resulted in some curtailment of passenger train services over a three month period ending March 9. No difficulties were experienced in rebuilding coal inventories in the latter months of the year.

## HOTELS

In providing superior facilities and service for the accommodation of tourists and delegates to international conventions the hotels and summer resorts owned by the System not only complement railway passenger service but add indirectly to Canada's earnings of American dollars. Canadian National hotels make an important contribution to the social life and business income of the communities in which they are located. The summer resorts are well known throughout the continent.

The net operating income for nine Canadian National hotels and three summer resorts amounted to \$565,853 compared to \$1,053,280 in 1949. These figures include the operating results of the Newfoundland Hotel, which was entrusted to the System in October, 1949, but exclude those of the Hotel Vancouver, which is owned by the Canadian National and operated jointly with the Canadian Pacific.

The substantial reduction in net operating income is attributable mainly to a decline in gross revenues and to a charge against operating expenses of \$174,000 for retirements, alterations and replacements in connection with extension to the Macdonald Hotel.

Excluding the Hotel Vancouver and the Newfoundland Hotel, the number of hotel guests accommodated showed a reduction of 5.7 per cent to 577,496, partly because of the employees' nine-day strike beginning August 22nd, and partly due to a general falling off in tourist and travel expenditures. Gross revenues fell by 4.3 per cent to \$7,300,740. For similar reasons patronage of summer resorts was reduced by 11.4 per cent and gross revenues declined by 9.2 per cent to \$951,225.

In addition to the retirement of facilities, operating expenses were adversely affected by a 4 cent hourly wage increase effective August 31, by substantially increased prices of supplies, and by higher taxes.



During the year steel work was completed and work progressed on the superstructure of the new sixteen-storey wing of the Macdonald Hotel in Edmonton, which will add to existing facilities 300 guest rooms, a shopping centre, a ball room, a cafeteria, and convention and banqueting halls.

### COMMUNICATIONS

The Communications Department operates an intricate and far-flung network of telegraph, telephone and radio channels providing a great number of circuits for the internal use of the System, for carrying radio programs of the Canadian Broadcasting Corporation, for meteorological services, for stock quotations, for linking offices of industrial and commercial firms by private lease wire and for the transmission of telegrams and cables. This network extends from the borders of Alaska, where the Department operates the Northwest Communication System, to Edmonton, where it joins the trans-continental land lines linking British Columbia to the Maritimes. On April 1, 1951, the Crown-owned radio connection between the mainland and Port aux Basques will be turned over to the Canadian National, completing another link with the Newfoundland communications system entrusted for operation in April, 1949.

Technological changes have played a major part in the expansion to the present operation of over half a million channel miles, more than double the number in use in 1939. This growth, which has mirrored the rapid development and closer integration of the economy over the past decade, has no more than kept pace with expanding requirements, and available facilities are assigned to practical capacity.

The volume of business conducted by the department in 1950 showed appreciable increases in services of all kinds during the year. Gross revenues increased by 14.2 per cent to a new peak of \$10,565,625.

### EMPLOYEE RELATIONS

The major events of the year centred around a dispute which originated on June 16, 1949, with the presentation of formal demands by the non-operating employees, as described in the Annual Report for 1949. This dispute culminated in a strike leading to a virtually complete suspension of System operations between the early morning of August 22 and the late evening of August 30.

At the beginning of the year the matter was being reviewed by two Boards of Conciliation and Investigation. The reports of the Boards, made public on April 11, were accepted by the Railways but rejected by the employees. Subsequent negotiations failed to achieve agreement and on August 18 the Minister of Labour appointed Dr. W. A. Mackintosh to act as Special Mediator. No basis of agreement could be found and the strike took effect at 6.00 a.m. Regional Standard Time on August 22.

Further negotiations between the disputing parties, held in Ottawa on August 25 and 26, failed to resolve the dispute. On August 30, Parliament, meeting in Special Session, passed the Maintenance of Railway Operation Act providing for a 4c per hour wage increase, a return to work within 48 hours by the striking employees, the resumption of negotiations, and, failing agreement within a specified time, the appointment of an Arbitrator with power to effect a decision binding on both parties. Subsequent meetings having failed to achieve a settlement, the Honourable Mr. Justice R. L. Kellock was appointed Arbitrator and conducted hearings in Montreal between October 27 and November 10. The Arbitrator's decision was made public on December 18.

A number of revisions were concluded in local wage agreements in the course of the year, the more important covering seagoing personnel of the Newfoundland steamship service and employees of the Newfoundland Hotel. For the most part, however, revisions were held in abeyance pending the settlement of the case of the non-operating employees. Of these the principal case concerned employees in the operating trades, with whom negotiations were



resumed during January, 1951. Mutually satisfactory agreements were concluded on March 1 with locomotive engineers on the Western Region, and on March 3 with firemen, conductors and trainmen on the Central and Atlantic Regions.

On August 27, 1950, by virtue of an Executive Order of the United States Government, the railways of the United States, including certain lines of this Company and its American subsidiaries, were placed under the control of the Federal Government. The action arose out of the wage dispute with employees of the operating trades which threatened to disrupt vital services. Subsequent interruptions to yard operations were ended on February 8, 1951, by General Order No. 2, issued by the Assistant Secretary of the Army. This Order provided for interim wage increases pending final conclusion of negotiations which are still in progress.

Negotiations with the non-operating employees in the United States were successfully concluded on March 1, 1951.

#### *Personnel Department*

Reorganization of the Personnel Department has been under way during the past year in recognition of the fact that relations with the employees—of which wage matters are only one facet—constitute a managerial responsibility of prime importance.

An important problem to which careful consideration has been given is that of selecting and developing employees capable of filling senior positions in the organization. Greater attention was also given to training programs in anticipation of the additional requirements in prospect with the introduction of the 40-hour week.

Employment bureaus were in operation at Montreal and Toronto during 1950 and preparations were made for opening offices in other large centres. Modern techniques for the testing and selection of employees are in use. The bureaus serve as a clearing house for requirements, both for new employees and those released from service in other departments.

Divisional, Regional and System conferences with employees under the Labour-Management Co-operation Plan were continued during the year with mutually beneficial results. The Plan provides a healthy atmosphere for frank discussions centring around the improvement of methods and conditions of work performance.

Tangible and encouraging results emerged during the year from the activities of the Suggestions Bureau, which provides an additional channel for the communication of constructive ideas by the employees.

### PARTICIPATION IN ECONOMIC DEVELOPMENT

Major additions to the inventory of Canada's natural resources during the past decade, together with progress towards industrial maturity, have underscored the importance of the Canadian National System in the Canadian economy. All across the country Canadian National lines skirt the edge of a newly recognized economic frontier of the North, where the potentialities of hydro-electric power developments and the exploitation of forest and mineral wealth have placed the System in the vanguard of some of the major economic developments in prospect.

The Management has a direct interest in stimulating the development of territories tributary to the railway lines of the System. To this end the Development Division of the Department of Research and Development has accumulated a valuable store of information on the economic characteristics of areas suitable for further development and is equipped to provide industry with advice on the many economic and engineering problems associated with the



decisive choice of plant location. It is estimated that over 60 per cent of industrial capital is invested on plant sites served by Canadian National Lines.

### *Immigration*

The importance of immigration and land settlement to Canada's economic growth has long been reflected in the policy of the Company, whose lines have opened up vast areas for development. The Department of Colonization and Agriculture, working in close co-operation with other interested organizations and branches of government, is well equipped to assist in the initial selection, transportation and placement of new immigrants to Canada. During the year the Department continued to encourage the largest possible movement of desirable settlers, and nearly 2,500 families were located on land served by System lines.

### THE ROYAL COMMISSION ON TRANSPORTATION

The Royal Commission on Transportation appointed on December 29, 1948, to enquire into transportation problems in Canada, concluded its public hearings in May, 1950. The hearings over the past two years have afforded an opportunity for interested parties to record their viewpoints on a number of topics ranging over a broad field, and the results of this important investigation are awaited with general interest.

Then, following the report, members of the committee will observe that on pages 24 and 25 there is the consolidated balance sheet of the system. On page 26 there will be found the details of the consolidated income account; on page 27 you will find details of the operating revenues and the operating expenses, continued on pages 28 and 29. These tables give not only the figures for the year 1950 but also the comparable figures for the year 1949. On page 30 you will find the details of the capitalization of the Canadian National Railways, and also an explanation of the major contingent liabilities. On page 32, you will find the property investment account of the railway giving the various headings and also showing a table of existing loans from the government of Canada. On page 33 is the funded debt of the System, that is the issues of securities which are in the hands of the general public. On page 34 you will find details and particulars of our financing arrangement during the year 1950; and also a table commencing in the middle half of that page showing investments in affiliated companies. On pages 36 and 37 there will be found a table showing the companies comprising the Canadian National Railway System and showing the capital stocks owned by the System or in some cases by the public. On page 40 are given the details showing the equipment on hand as at the end of the year and comparisons for the previous year and showing additions during the year 1950. This is really an inventory of the rolling stock of the railway. On page 41 there is a useful table giving a very interesting statement of rail-line operations, showing a general comparison between 1950 and 1949; the same is true of pages 43 and 44 showing the revenue tonnage by commodities for the two years, and the percentage increase or decrease under each heading. On page 44 is a table showing the operated mileage for the year; and on page 45 is a table showing disbursement of total operating revenues and expenses, and also figures giving the number of employees and the amount of their compensation for the System as a whole. Then, finally, at the back you will find a table giving all the offices which the Canadian National maintains in the various centres of the world, and a map which gives a very good illustration of the railway lines operated by the System, including branch lines; and on the reverse of that a map is to be found showing the lines operated by Trans-Canada Air Lines.



## CONSOLIDATED BALANCE SHEET AT 31st. DECEMBER, 1950

ASSETS	LIABILITIES
<b>INVESTMENTS:</b>	<b>STOCKS:</b>
Road and Equipment Property . . . \$2,156,595,140	Capital Stocks of Subsidiary Companies held by Public . . . . . \$ 4,520,890
Improvements on Leased Property . . . . . 2,585,431	
Miscellaneous Physical Property . . . . . 66,922,156	
<u>\$2,226,102,727</u>	
<b>Capital and Other Reserve Funds:</b>	<b>FUNDED DEBT UNMATURED:</b>
System Securities at par . . . . . \$ 900,000	Held by Public . . . . . \$ 643,982,250
Other Assets at cost . . . . . 4,277,634	Held in Special Funds . . . . . 15,047,991
<u>5,177,634</u>	<u>659,030,241</u>
Investments in Affiliated Companies . . . . . 63,801,917	
<b>Other Investments:</b>	<b>GOVERNMENT OF CANADA—LOANS . . . . . 739,847,514</b>
System Securities at par . . . . . \$ 205,000	
Other Assets at cost . . . . . 608,333	
<u>813,333</u>	
<u>\$2,295,895,611</u>	
<b>CURRENT ASSETS:</b>	<b>CURRENT LIABILITIES:</b>
Cash . . . . . \$ 18,074,293	Traffic and Car-Service Balances . . . . . \$ 13,113,157
Temporary Cash Investments at cost . . . . . 11,393,563	Audited Accounts and Wages Payable . . . . . 25,789,338
Special Deposits . . . . . 5,384,151	Miscellaneous Accounts Payable . . . . . 6,193,145
Net Balance Receivable from Agents and Con- ductors . . . . . 21,720,045	Government of Canada—Interest Payable . . . . . 20,990,187
Miscellaneous Accounts Receivable . . . . . 16,690,695	Interest Matured Unpaid . . . . . 4,442,916
Government of Canada—Due on Deficit Account . . . . . 3,261,235	Unmatured Interest Accrued . . . . . 5,686,422
Material and Supplies . . . . . 75,372,055	Accrued Accounts Payable . . . . . 11,918,029
Interest and Dividends Receivable . . . . . 133,422	Taxes Accrued . . . . . 5,515,437
Accrued Accounts Receivable . . . . . 4,469,919	Other Current Liabilities . . . . . 2,588,285
Other Current Assets . . . . . 119,489	<u>96,236,916</u>
<u>156,618,867</u>	
<b>DEFERRED ASSETS:</b>	<b>DEFERRED LIABILITIES:</b>
Working Fund Advances . . . . . \$ 448,835	Pension Contract Reserve . . . . . \$ 55,550,000
<b>Insurance Fund:</b>	Other Deferred Liabilities . . . . . 5,914,796
System Securities at par . . . . . \$ 5,083,991	<u>61,464,796</u>
Other Assets at cost . . . . . 7,750,998	
<u>12,834,989</u>	
<b>Pension Contract Fund:</b>	<b>RESERVES AND UNADJUSTED CREDITS:</b>
System Securities at par . . . . . \$ 8,859,000	Insurance Reserve . . . . . \$ 12,834,989
Other Assets at cost . . . . . 46,691,000	Accrued Depreciation—Canadian Lines—Equip- ment only . . . . . 141,889,446
<u>55,550,000</u>	Accrued Depreciation—U.S. Lines—Road and Equipment . . . . . 27,518,705
Other Deferred Assets . . . . . 2,170,978	Accrued Amortization of Defence Projects . . . . . 3,087,758
<u>71,004,802</u>	Unadjusted Credits . . . . . 8,160,518
	<u>193,491,416</u>



UNADJUSTED DEBITS:		
Prepayments.....	\$	992,216
Discount on Funded Debt.....		3,978,875
Other Unadjusted Debits.....		2,497,051
		<u>7,468,142</u>

GOVERNMENT OF CANADA—PROPRIETOR'S EQUITY—(See note)		
Represented by:—		
1,000,000 shares of no par value capital stock of Canadian National Railway Company.....	\$	18,000,000
5,000,000 shares of no par value capital stock of The Canadian National Railways Securities Trust.....		378,518,135
Capital Expenditures by Government of Canada on Canadian Government Railways.....		379,877,514
		<u>776,395,649</u>

CONTINGENT LIABILITIES:  
Major contingent liabilities, as shown on statement attached.

\$2,530,987,422

\$2,530,987,422

Sterling and United States currencies converted at par of exchange.

NOTE.—The Proprietor's Equity is included in the net debt of Canada and is disclosed in the historical record of Government assistance to railways as shown in the Public Accounts of Canada in accordance with The Canadian National Railways Capital Revision Act, 1937.

T. J. GRACEY,  
Comptroller.

#### CERTIFICATE OF AUDITORS

We have examined the books and records of the companies comprising the Canadian National Railway System for the year ended the 31st December, 1950. The total amount of the Investments in Fixed Properties and Equipment as brought into the System accounts at the 1st January, 1923, from the books of the several Corporations and the Canadian Government Railways was accepted by us.

On the Canadian Lines, depreciation accounting for Equipment has been applied from the 1st January, 1940, retirement accounting continuing in effect for Fixed Properties.

Subject to the foregoing, we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the System as at the 31st December, 1950, and that the relative Income Account for the year ended the 31st December, 1950, is correctly stated.

As required by The Canadian National-Canadian Pacific Act, 1936, we are reporting to Parliament in respect of our annual audit.

GEORGE A. TOUCHE & CO.,  
Chartered Accountants.

10th March, 1951.



## CONSOLIDATED INCOME ACCOUNT

	1950	1949
<b>RAILWAY OPERATING REVENUES:</b>		
Freight .....	\$445,780,004	\$394,424,463
Passenger .....	39,889,206	43,287,240
Mail .....	7,984,695	5,085,328
Express .....	26,223,206	26,378,979
Communication Systems .....	10,565,625	9,254,967
All other .....	23,388,845	22,292,409
<b>TOTAL OPERATING REVENUES .....</b>	<b>\$553,831,581</b>	<b>\$500,723,386</b>
<b>RAILWAY OPERATING EXPENSES:</b>		
Maintenance of Way and Structures .....	\$ 90,782,435	\$ 88,402,551
Maintenance and Depreciation of Equipment .....	114,166,205	106,916,137
Traffic .....	9,453,716	9,105,658
Transportation .....	250,748,104	245,715,517
Miscellaneous Operations .....	5,408,988	5,761,783
General .....	23,437,631	22,600,014
<b>TOTAL OPERATING EXPENSES .....</b>	<b>\$493,997,079</b>	<b>\$478,501,660</b>
<b>NET OPERATING REVENUE .....</b>	<b>\$ 59,834,502</b>	<b>\$ 22,221,726</b>
Taxes .....	\$ 11,944,611	\$ 11,192,273
Equipment Rents—Net Debit .....	7,209,310	5,197,970
Joint Facility Rents—Net Debit .....	236,251	284,666
<b>TOTAL TAXES AND RENTS .....</b>	<b>\$ 19,390,172</b>	<b>\$ 16,674,909</b>
<b>NET RAILWAY OPERATING INCOME .....</b>	<b>\$ 40,444,330</b>	<b>\$ 5,546,817</b>
<b>OTHER INCOMES</b>		
Income from Lease of Road and Equipment .....	\$ 102,471	\$ 77,090
Miscellaneous Rent Income .....	1,101,463	1,031,511
Income from Non-transportation Property .....	590,038	687,838
Hotel Operating Income .....	565,853	1,053,280
Dividend Income .....	214,303	167,836
Interest Income .....	2,620,540	2,845,632
Miscellaneous Income .....	1,999,278	789,974
Profit and Loss—Net .....	75,844	436,220
<b>TOTAL OTHER INCOME .....</b>	<b>\$ 7,269,790</b>	<b>\$ 7,089,381</b>
<b>DEDUCTIONS FROM INCOME:</b>		
Rent for Leased Roads and Equipment .....	\$ 696,285	\$ 699,844
Miscellaneous Rents .....	642,082	617,751
Miscellaneous Taxes .....	189,883	99,390
Results of Separately Operated Properties—Loss .....	333,267	581,817
Interest on Unfunded Debt .....	316,282	333,995
Amortization of Discount on Funded Debt .....	731,409	1,497,123
Miscellaneous Income Charges .....	2,388,140	4,748,370
<b>TOTAL DEDUCTIONS FROM INCOME .....</b>	<b>\$ 5,297,348</b>	<b>\$ 8,578,290</b>
<b>NET INCOME AVAILABLE FOR INTEREST .....</b>	<b>\$ 42,416,772</b>	<b>\$ 4,057,908</b>
Interest on Funded Debt—Public .....	24,019,158	24,302,651
Interest on Government Loans .....	21,658,849	21,798,283
<b>Income Deficit .....</b>	<b>\$ 3,261,235</b>	<b>\$ 42,043,026</b>
The Fixed Charges of the System included in the above statement are as follows:		
Rent for Leased Roads and Equipment .....	\$ 696,285	\$ 699,844
Interest on Unfunded Debt .....	316,282	333,995
Amortization of Discount on Funded Debt .....	731,409	1,497,123
Interest on Funded Debt—Public .....	24,019,158	24,302,651
Interest on Government Loans .....	21,658,849	21,798,283
<b>.....</b>	<b>\$ 47,421,983</b>	<b>\$ 48,631,896</b>



## OPERATING REVENUES

	1950	1949
Freight .....	\$438,674,682	\$388,730,693
Payments under Maritime Freight Rates Act (20%) .....	7,105,322	5,693,770
Passenger .....	39,889,206	43,287,240
Baggage .....	150,108	172,491
Sleeping Car .....	3,423,774	3,701,623
Parlor and Chair Car .....	355,747	375,760
Mail .....	7,984,695	5,085,328
Railway Express Agency .....	417,081	320,435
Express .....	25,806,125	26,058,544
Other Passenger-train .....	15,885	17,082
Milk .....	487,891	516,326
Switching .....	4,867,516	4,441,650
Water Transfers .....	1,564,583	1,408,748
Dining and Buffet .....	2,754,600	3,008,053
Restaurants .....	288,855	303,175
Station, Train, and Boat Privileges .....	359,860	397,968
Parcel Room .....	63,190	79,497
Storage—Freight .....	202,777	214,702
Storage—Baggage .....	43,418	52,065
Demurrage .....	1,376,102	1,284,441
Telegraph Commissions (U.S.) .....	9,190	9,312
Communication Systems .....	10,556,435	9,245,655
Grain Elevator .....	647,647	558,454
Rents of Buildings and Other Property .....	968,166	947,629
Miscellaneous .....	5,105,823	4,094,861
Joint Facility—Credit .....	842,562	846,144
Joint Facility—Debit .....	129,659	128,260
	<u>\$553,831,581</u>	<u>\$500,723,386</u>

## OPERATING EXPENSES

## MAINTENANCE OF WAY AND STRUCTURES

	1950	1949
Superintendence .....	\$ 6,025,974	\$ 5,916,020
Roadway Maintenance .....	11,762,480	11,798,468
Tunnels and Subways .....	128,318	278,921
Bridges, Trestles, and Culverts .....	3,821,502	4,632,641
Ties .....	10,045,214	9,987,720
Rails .....	7,779,174	6,947,780
Other Track Material .....	5,807,490	5,425,044
Ballast .....	1,608,015	1,463,274
Track Laying and Surfacing .....	23,785,402	23,145,492
Fences, Snowsheds, and Signs .....	1,008,086	1,192,849
Station and Office Buildings .....	3,908,771	3,954,335
Roadway Buildings .....	560,322	480,234
Water Stations .....	869,998	722,152
Fuel Stations .....	393,072	403,613
Shops and Enginehouses .....	2,923,431	3,002,250
Grain Elevators .....	72,411	85,740
Storage Warehouses .....	1,882	2,578
Wharves and Docks .....	266,064	296,701
Communication Systems .....	4,655,839	4,157,384
Signals and Interlockers .....	1,702,624	1,667,655
Power Plants .....	23,324	34,454
Power-Transmission Systems .....	361,438	311,041
Miscellaneous Structures .....	7,803	10,858
Road Property—Depreciation—U.S. Lines .....	936,199	921,508
Road Property—Retirements .....	2,441,980	2,160,389
Deferred Maintenance—Credit .....	9,000,000	8,000,000
Roadway Machines .....	1,228,840	1,187,804
Dismantling Retired Road Property .....	247,325	224,807
Small Tools and Supplies .....	1,587,323	1,431,656
Removing Snow, Ice, and Sand .....	4,847,832	3,756,475
Public Improvements—Maintenance .....	618,881	599,253
Injuries to Persons .....	843,036	800,960
Insurance .....	265,284	29,534
Stationery and Printing .....	101,317	97,201
Other Expenses .....	23,747	26,432
Maintaining Joint Tracks, Yards, etc.—Debit .....	1,362,143	1,245,385
Maintaining Joint Tracks, Yards, etc.—Credit .....	2,301,474	2,063,718
Right-of-Way Expenses .....	61,368	67,661
	<u>\$ 90,782,435</u>	<u>\$ 88,402,551</u>



## OPERATING EXPENSES (Continued)

## MAINTENANCE OF EQUIPMENT

	1950	1949
Superintendence .....	\$ 2,521,749	\$ 2,362,299
Shop Machinery—Repairs .....	3,467,355	3,597,618
Power-Plant Machinery—Repairs .....	250,671	214,484
Machinery—Retirements .....	221,717	341,909
Machinery—Depreciation—U.S. Lines .....	73,566	72,542
Dismantling Retired Machinery .....	12,295	7,902
Steam Locomotives—Repairs .....	33,144,615	31,868,175
Other Locomotives—Repairs .....	1,485,400	1,110,402
Freight-train Cars—Repairs .....	31,390,144	28,438,073
Passenger-train Cars—Repairs .....	14,168,444	13,407,738
Floating Equipment—Repairs .....	1,477,177	945,449
Work Equipment—Repairs .....	3,362,870	3,010,661
Express Equipment—Repairs .....	303,930	285,054
Miscellaneous Equipment—Repairs .....	254,671	247,021
Miscellaneous Equipment—Retirements .....	8,865	16,487
Dismantling Retired Equipment .....	175,942	208,899
Equipment—Depreciation .....	20,544,446	19,585,633
Express Equipment—Depreciation .....	167,181	190,961
Injuries to Persons .....	644,945	702,324
Insurance .....	342,071	53,066
Stationery and Printing .....	87,598	85,524
Other Expenses .....	38,822	79,986
Joint Maintenance of Equipment—Debit .....	301,198	338,399
Joint Maintenance of Equipment—Credit .....	279,467	254,469
	<hr/>	<hr/>
	\$114,166,205	\$106,916,137

## TRAFFIC

Superintendence .....	\$ 3,096,560	\$ 3,008,156
Outside Agencies .....	3,816,627	3,793,971
Advertising .....	1,247,466	1,061,606
Traffic Associations .....	171,956	177,187
Stationery and Printing .....	567,834	534,052
Industrial and Development .....	304,376	284,817
Colonization and Agriculture .....	248,897	245,869
	<hr/>	<hr/>
	\$ 9,453,716	\$ 9,105,658

## TRANSPORTATION

Superintendence .....	\$ 5,398,288	\$ 5,262,582
Dispatching Trains .....	2,985,174	2,923,421
Station Employees .....	33,362,761	33,305,178
Weighing, Inspection, and Demurrage Bureaus .....	147,800	142,005
Coal and Ore Wharves .....	98,174	48,559
Station Supplies and Expenses .....	2,656,899	2,655,648
Yardmasters and Yard Clerks .....	6,934,438	6,582,237
Yard Conductors and Brakemen .....	12,737,901	11,856,363
Yard Switch and Signal Tenders .....	1,217,132	1,203,313
Yard Enginemen .....	6,297,270	6,294,695
Yard Motormen .....	2,766,169	2,087,127
Yard Switching Fuel .....	7,905,981	7,830,278
Yard Switching Power Produced .....	28,469	19,379
Yard Switching Power Purchased .....	101,577	82,873
Water for Yard Locomotives .....	207,687	214,686
Lubricants for Yard Locomotives .....	145,177	135,436
Other Supplies for Yard Locomotives .....	94,190	96,112
Enginehouse Expenses—Yard .....	2,815,396	2,893,868
Yard Supplies and Expenses .....	287,907	265,201
Operating Joint Yards and Terminals—Debit .....	2,157,950	2,193,909
Operating Joint Yards and Terminals—Credit .....	2,356,758	2,314,995
Train Enginemen .....	19,765,929	19,726,772
Train Motormen .....	1,089,590	867,417
Train Fuel .....	47,213,248	47,249,322
Train Power Produced .....	13,562	5,286
Train Power Purchased .....	84,964	73,456
Water for Train Locomotives .....	1,728,524	1,774,505
Lubricants for Train Locomotives .....	842,327	870,832
Other Supplies for Train Locomotives .....	495,955	469,888



## TRANSPORTATION (Continued)

	1950	1949
Enginehouse Expenses—Train .....	\$ 8,902,996	\$ 8,532,258
Trainmen .....	24,433,996	23,890,490
Train Supplies and Expenses .....	15,515,838	15,405,952
Operating Sleeping Cars .....	2,647,750	2,734,558
Signal and Interlocker Operation .....	755,753	770,251
Crossing Protection .....	1,230,351	1,183,041
Drawbridge Operation .....	223,310	212,852
Communication System Operation .....	8,701,924	8,258,946
Operating Floating Equipment .....	4,373,106	3,556,679
Express .....	16,750,847	16,302,050
Stationery and Printing .....	1,027,786	1,064,057
Other Expenses .....	1,868,155	1,886,828
Operating Joint Tracks and Facilities—Debit .....	1,439,623	1,389,854
Operating Joint Tracks and Facilities—Credit .....	599,109	612,387
Insurance .....	284,872	18,513
Clearing Wrecks .....	614,286	607,159
Damage to Property .....	108,737	308,559
Damage to Live Stock on Right-of-Way .....	89,170	77,146
Loss and Damage—Freight .....	2,690,351	3,292,634
Loss and Damage—Baggage .....	18,205	5,435
Injuries to Persons .....	2,446,476	2,015,289
	<hr/> \$250,748,104	<hr/> \$245,715,517

## MISCELLANEOUS OPERATIONS

Dining and Buffet Service .....	\$ 4,062,216	\$ 4,218,483
Restaurants .....	308,086	294,436
Grain Elevators .....	202,220	191,072
Other Miscellaneous Operations .....	500,765	711,124
Operation Joint Miscellaneous Facilities—Debit .....	335,701	346,668
	<hr/> \$ 5,408,988	<hr/> \$ 5,761,783

## GENERAL

Salaries and Expenses of General Officers .....	\$ 730,027	\$ 632,212
Salaries and Expenses of Clerks and Attendants .....	9,000,732	8,876,678
General Office Supplies and Expenses .....	579,128	500,659
Law Expenses .....	576,347	551,079
Relief Department Expenses .....	42,500	42,500
Pensions .....	11,802,098	11,296,839
Stationery and Printing .....	385,148	369,507
Valuation Expenses .....	12,271	17,299
Other Expenses .....	217,357	226,767
General Joint Facilities—Debit .....	106,754	100,770
General Joint Facilities—Credit .....	14,731	14,296
	<hr/> \$ 23,437,631	<hr/> \$ 22,600,014



## CAPITALIZATION OF CANADIAN NATIONAL RAILWAYS

	Year 1950	Balance at 31st Dec., 1950	Percent of Total
<b>EQUITY CAPITAL:*</b>			
Government of Canada—Proprietor's Equity:—			
Capital Stock of Canadian National Railway Company .....	No change	\$ 18,000,000	
Capital Stock of The Canadian National Railways Securities Trust.....	No change	378,518,135	
Capital Expenditures by Government of Canada on Canadian Government Railways .....	\$ 1,946,933	379,877,514	
		<u>\$ 776,395,649</u>	35.7%
<b>BORROWED CAPITAL:</b>			
Funded Debt held by the Public.....	\$ 34,164,321	\$ 659,030,241	
Loans from the Government of Canada.	3,813,648	739,847,514	
		<u>\$ 1,398,877,755</u>	64.3%
		<u>\$ 2,175,273,404</u>	100.0%

\* Excluding shares of subsidiary companies held by public—\$4,520,890.

## MAJOR CONTINGENT LIABILITIES

## THE DETROIT &amp; TOLEDO SHORE LINE RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company as joint and several guarantor by indorsement of principal and interest of \$3,000,000 First Mortgage 4 per cent—50 Year Gold Bonds due 1953.

## THE TOLEDO TERMINAL RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company in respect of \$5,800,000 First Mortgage 4½ per cent—50 Year Gold Bonds due 1957. The guarantee is as to interest only and is several and not joint. Grand Trunk Western's proportion is 9.68 per cent.

## CHICAGO &amp; WESTERN INDIANA RAILROAD COMPANY:

Assumed by Grand Trunk Western Railroad Company, pursuant to joint supplemental lease dated 1st July, 1902, between Grand Trunk Western Railway Company and four other proprietary companies. Obligation is for repayment of principal of bonds at their maturity, and of interest as it falls due by way of annual rentals. The Grand Trunk Western's obligation is for one-fifth of the bonds issued for "common" property and the entire amount of bonds issued for its "exclusive" property. The bonds are Consolidated Mortgage 50 Year 4 per cent bonds due 1952 and the amounts outstanding at 31st December, 1950, are:—

Issued for "common" property .....	\$39,973,019
Issued for "exclusive" property .....	252,535

Assumed by Grand Trunk Western Railroad Company pursuant to joint supplementary lease dated 1st March, 1936, between Grand Trunk Western Railroad Company and other proprietary companies. Obligation is to pay as rental sinking fund payments sufficient to retire bonds at maturity and interest as it falls due. The Grand Trunk Western's proportion is one-fifth in the absence of default of any of four other tenant companies. The bonds are First and Refunding Mortgage 4½ per cent Series "D" Sinking Fund Bonds due 1962 and the amount outstanding at 31st December, 1950, is \$13,747,000.

## C.N.R. PENSION PLAN:

Reserves have been set up against contracts in force under the 1935 contractual plan, but not against pensions conditionally accruing under that plan or prior non-contractual plans.



## PROPERTY INVESTMENT ACCOUNT

## Expenditures Year 1950

## ROAD:

New Line Constructed .....	\$ 79,664	
Abandoned Lines .....	528,614	
Rails and Fastenings .....	1,914,807	
Tie Plates and Rail Anchors .....	2,403,382	
Ballast .....	442,829	
Large Freight Terminals .....	1,250,518	
Yard Tracks and Sidings .....	1,661,260	
Roadway Machines .....	889,226	
Bridges, Trestles and Culverts .....	1,078,588	
Tunnels .....	215,705	
Crossing Protection .....	350,418	
Stations and Station Facilities .....	1,217,542	
Water Supplies .....	110,686	
Shops, Enginehouses and Machinery .....	1,854,120	
Docks and Wharves .....	155,620	
Automatic Signals and Interlocking Plants .....	335,452	
Communication Systems .....	2,803,321	
Non-carrier Property .....	215,995	
Stores Department Buildings and Equipment .....	214,373	
General .....	895,866	\$17,560,758

## EQUIPMENT:

Equipment Purchased or Built .....	\$21,362,780	
Equipment Retirements .....	4,955,201	
General Betterments to Equipment .....	3,307,230	
Equipment Conversions .....	729,024	
Express and Miscellaneous Equipment .....	357,709	20,801,542

## HOTELS .....

907,852

## SEPARATELY OPERATED PROPERTIES .....

1,248,096

## NET ADDITIONS AND BETTERMENTS DURING 1950 .....

\$38,022,056

Ledger Balance 1st January, 1950 .....	\$2,186,133,738
Net Additions and Betterments during the year .....	38,022,056

## Capital Expenditures by Government on Canadian Government Railways:

Purchase of SS "Bar Haven" and SS "Springdale" .....	\$1,466,933	
Purchase of Temiscouata railway property .....	480,000	1,946,933

Ledger Balance at 31st December, 1950 .....

\$2,226,102,727

## LOANS FROM THE GOVERNMENT OF CANADA

	Principal Outstanding at Dec. 31, 1950	Interest Accrued 1950	Average Interest Rate
Loans for repatriation of U.K. securities .....	\$391,451,275	\$13,700,577	3.50%
Loans for debt redemption .....	276,104,887	6,416,056	2.32%
Loans for new rolling stock .....	30,589,783	823,762	2.55%
Loans for investment in T.C.A. ....	19,043,022	571,290	3.00%
Loans for capital expenditures .....	5,886,566	147,164	2.50%
Canadian Government Railways—working capital at con- solidation 1923 .....	16,771,981	—	
	<u>\$739,847,514</u>	<u>\$21,658,849</u>	<u>2.92%</u>



## FUNDED DEBT — PRINCIPAL AND INTEREST

NAME OF SECURITY	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1950	Interest Accrued 1950
GUARANTEED BY GOVERNMENT OF CANADA:					
5% Perpetual Debenture Stock	G.T.R.	1875 to 1883	Perpetual	\$ 1,016,092	\$ 50,804
5% G. W. Perp. Debtr. Stock and Bonds	G.T.R.	1858 to 1876	Perpetual	499,709	24,985
4% Perpetual Debenture Stock	G.T.R.	1883 to 1918	Perpetual	5,446,491	217,753
4% Nor. Rly. Perpetual Debtr. Stock	G.T.R.	July 31, 1884	Perpetual	22,591	904
3% 1st Mortgage Bonds	G.T.P.	July 1, 1905	Jan. 1, 1962	26,465,130	793,954
4% Sterling Bonds	G.T.P.	July 1, 1914	Jan. 1, 1962	7,999,074	319,963
3% 1st Mortgage Debenture Stock	Can. Nor.	July 29, 1903	July 10, 1953	1,162,768	34,883
3½% 1st Mortgage Debenture Stock	Can. Nor.	Mar. 1910	July 20, 1958	5,636,507	197,278
3½% 1st Mortgage Debenture Stock	C.N.A.	Mar. 22, 1911	May 4, 1960	550,727	19,275
3½% 1st Mortgage Debenture Stock	C.N.O.	Dec. 8, 1911	May 19, 1961	3,597,518	125,913
5% 30 Year Guaranteed Bonds	Can. Nat.	Feb. 1, 1924	Feb. 1, 1954	50,000,000	2,500,000
4½% 30 Year Guaranteed Gold Bonds	Can. Nat.	July 1, 1927	July 1, 1957	64,136,000	2,886,120
4½% 25 Year Guaranteed Gold Bonds	Can. Nat.	June 15, 1930	June 15, 1955	48,496,000	2,303,560
4½% 25 Year Guaranteed Gold Bonds	Can. Nat.	Feb. 1, 1931	Feb. 1, 1956	67,368,000	3,031,560
4½% 20 Year Guaranteed Gold Bonds	Can. Nat.	Sept. 1, 1931	Sept. 1, 1951	48,022,000	2,160,990
3% 20 Year Guaranteed Bonds	Can. Nat.	Jan. 15, 1939	Jan. 15, 1959	35,000,000	1,050,000
2½% 20 Year Guaranteed Bonds	Can. Nat.	Jan. 2, 1947	Jan. 2, 1967	50,000,000	1,375,000
3% 17 Year Guaranteed Bonds	Can. Nat.	Jan. 3, 1949	Jan. 3, 1966	35,000,000	1,050,000
2½% 20 Year Guaranteed Bonds	Can. Nat.	Sept. 15, 1949	Sept. 15, 1969	70,000,000	2,012,500
2½% 21 Year Guaranteed Bonds	Can. Nat.	Jan. 16, 1950	Jan. 16, 1971	40,000,000	1,073,727
2½% Guaranteed Bonds	Can. Nat.	June 15, 1950	June 15, 1975	6,000,000	83,417
Total				\$ 566,418,607	\$ 21,312,586
EQUIPMENT TRUST ISSUES:					
2½% Series "P"	Can. Nat.	Sept. 15, 1938	Ser. 15, 9, '53	\$ 1,600,000	\$ 53,739
2½% Series "G.T.W."	G.T.W.	June 1, 1941	Ser. 1, 6, '51	284,000	16,567
2% Series "R"	Can. Nat.	Dec. 1, 1947	Ser. 1, 12, '57	3,920,000	88,667
2½% Series "S"	Can. Nat.	Mar. 15, 1948	Ser. 15, 3, '58	22,400,000	488,396
2½% Series "T"	Can. Nat.	Nov. 1, 1948	Ser. 1, 11, '58	17,200,000	415,219
2½% Series "U"	Can. Nat.	Mar. 15, 1950	Ser. 15, 3, '60	20,900,000	368,382
Total				\$ 66,304,000	\$ 1,430,970



## OTHER ISSUES:

4%	Canada Atlantic 1st. Mtge. Bonds.....	G.T.R.....	Jan. 1, 1905	Jan. 1, 1955	\$ 9,947,934	\$ 397,918
4%	1st Mortgage Bonds.....	Pem. Sou...	Sept. 1, 1906	Sept. 1, 1956	150,000	6,000
4%	2nd Mtge. Bonds, Prairie "A".....	G.T.P.....	Apr. 1, 1905	Apr. 1, 1955	3,574,530	142,981
4%	2nd Mtge. Bonds, Mountain "B".....	G.T.P.....	Apr. 1, 1905	Apr. 1, 1955	3,144,906	125,796
4%	1st Mtge. Bonds, "Lake Superior".....	G.T.P.....	Apr. 1, 1905	Apr. 1, 1955	2,152,008	86,080
4%	Perpetual Cons. Debenture Stock.....	Can. Nor...	1903 to 1912	Perpetual....	3,992,930	159,717
4%	Perpetual Cons. Debenture Stock.....	C.N.O.....	June 21, 1909	Perpetual....	889,597	35,584
4%	Perpetual Cons. Debenture Stock.....	C.N.Q.....	Oct. 1906	Perpetual....	465,545	18,622
4%	1st Mtge. Perp. Debenture Stock.....	Q & L. St. J.	June 1, 1912	Perpetual....	285,342	11,414
4½%	1st Mortgage Series "A" Bonds.....	G.T.W.....	Jan. 1, 1930	Jan. 1, 1980	400,000	18,000
5%	Indebtedness to Province of New Brunswick.....	Can. Nat...	Sept. 3, 1929	Nov. 15, 1958	380,023	19,001
2½%	Registered Instalment Notes.....	Nfld. Rly..	1941 to 1944	Ser. 1, 3, '57	924,819	24,689
	Interest on Securities retired in 1950.....				—	229,800
	Total.....				\$ 26,307,634	\$ 1,275,602
	Total Debt as per Balance Sheet.....				\$ 659,030,241	\$ 24,019,158

There is included in the above \$15,047,991 par value of System Securities held in Special Funds and Accounts.

These obligations are stated in Canadian currency, Sterling and United States currencies being converted at the par of exchange.

This schedule does not include securities in the Railway treasury or those held by The Canadian National Railways Securities Trust, or by the Government of Canada as collateral.



## FINANCING

Year 1950

## FUNDED DEBT—New Issues

2 $\frac{7}{8}$ % Canadian National Railway Company 21 Year Guaranteed Bonds, due January 16, 1971.....	\$40,000,000	
2 $\frac{3}{4}$ % Canadian National Railway Company Guaranteed Bonds, due June 15, 1975.....	6,000,000	
2 $\frac{1}{4}$ % Equipment Trust Certificate Series "U" 1950, maturing serially to March 15, 1960.....	22,000,000	\$68,000,000

## FUNDED DEBT—Retirements

5% Canadian National Railway Company 40 Year Guaranteed Gold Bonds, due February 1, 1970, called February 1, 1950, at 105—par value.....	\$17,338,000	
4% Canadian Northern Pacific Railway Company First Mortgage Debenture Stock, due April 2, 1950.....	797,082	
4 $\frac{1}{2}$ % Canadian Northern Pacific Railway Company Terminal Debenture Stock, due April 2, 1950.....	1,152,763	
4% Grand Trunk Western Railway Company First Mortgage Bonds, due July 1, 1950.....	6,527,336	
4% Montreal & Province Line Railway Company First Mortgage Gold Bonds, due October 1, 1950.....	200,000	
Equipment Trusts—principal payments.....	7,678,000	
2 $\frac{1}{2}$ % Newfoundland Railway Registered Instalment Notes.....	142,206	
Securities repatriated .....	292	33,835,679
Increase in Funded Debt.....		\$34,164,321

## LOANS FROM GOVERNMENT OF CANADA—New

For repatriation of U.K. Securities.....	\$	6,543
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## LOANS FROM GOVERNMENT OF CANADA—Repaid

Loans for new rolling stock.....	\$3,819,191	
Loans for debt redemption.....	1,000	3,820,191
Decrease in Loans from Government of Canada.....		\$ 3,813,648
Increase in Capital Debt 1950.....		\$30,350,673

The issue of \$40,000,000 Canadian National Railway Company 2 $\frac{7}{8}$ % Twenty-one Year Guaranteed Bonds, dated January 16, 1950, was sold at a price of 98.83, representing an annual interest cost to the Company of 2.95%, and is callable on any interest payment date on or after January 16, 1966, at par, on 30 days' prior notice.

The issue of \$6,000,000 Canadian National Railway Company 2 $\frac{3}{4}$ % Guaranteed Bonds, dated June 15, 1950, was sold at a net price of 100.35, representing an annual interest cost to the Company of 2.73%, and is subject to redemption as a whole on or before June 14, 1954, at a premium of 2 $\frac{1}{2}$ %, or thereafter to June 14, 1970, at varying premium rates. After June 14, 1970, and until maturity, June 15, 1975, the bonds are redeemable at par.

The issue of \$22,000,000 2 $\frac{1}{4}$ % Equipment Trust Certificates Series "U" 1950, dated March 15, 1950, was made to finance to the extent of approximately 75% new equipment costing \$29,581,632. The Certificates which mature in twenty semi-annual instalments were sold at a price of 99.405, representing an annual interest cost to the Company of 2.37%.



## INVESTMENTS IN AFFILIATED COMPANIES

COMPANY	Total		Owned by Can. Nat. System		
	Par Value	Outstanding	at Dec. 31, 1950	Book Value	
<b>STOCKS:</b>					
The Belt Railway Company of Chicago..	\$ 3,120,000		\$ 240,000	\$ 240,000	
Canadian Government Merchant Marine, Limited .....	800		800	800	
Chicago & Western Indiana Railroad Company .....	5,000,000		1,000,000	1,000,000	
The Detroit & Toledo Shore Line Rail- road Company .....	3,000,000		1,500,000	1,500,000	
Detroit Terminal Railroad Company...	2,000,000		1,000,000	1,000,000	
Northern Alberta Railways Company..	12,500,000		6,250,000	6,250,000	
The Public Markets, Limited.....	1,150,000		575,000	575,000	
Railway Express Agency, Incorporated (no par value).....	1,000 shares		6 shares	600	
Shawinigan Falls Terminal Railway Company .....	300,000		150,000	62,500	
The Toronto Terminals Railway Com- pany .....	500,000		250,000	250,000	
The Toledo Terminal Railroad Com- pany .....	4,000,000		387,200	387,200	
Trans-Canada Air Lines.....	25,000,000		25,000,000	25,000,000	
Vancouver Hotel Company Limited....	150,000		75,000	75,000	\$36,341,100
<b>BONDS:</b>					
Northern Alberta Railways Co. 1st Mort- gage Bonds .....	\$21,955,000		\$10,977,500	\$10,977,500	
The Toronto Terminals Railway Co. 1st Mortgage Bonds .....	25,910,000		12,955,000	12,955,000	23,932,500
<b>ADVANCES:</b>					
The Belt Railway Company of Chicago.....			\$ 8,609		
Chicago & Western Indiana Railroad Company.....			3,261,811		
Northern Alberta Railways Company.....			50,000		
Railway Express Agency, Incorporated.....			173,493		
Shawinigan Falls Terminal Railway Company.....			32,500		
Vancouver Hotel Company Limited.....			1,904		3,528,317
Total Investments in Affiliated Companies as per Balance Sheet.....					<u>\$63,801,917</u>



## COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM

## CAPITAL STOCKS OWNED BY GOVERNMENT OF CANADA

Company Number		
1	Canadian National Railway Company.....	\$ 18,000,000
2	The Canadian National Railways Securities Trust.....	378,518,135
		<u>\$ 396,518,135</u>

## CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC

	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
3	Atlantic and St. Lawrence Railroad Company	1	\$ 6,302,340	\$ 12,240
4	The Bay of Quinte Railway Company.....	20	1,395,000	
5	The Bessemer and Barry's Bay Railway Company .....	20	125,000	
6	The Canadian Express Company.....	1	1,768,800	
7	Canadian National Electric Railways.....	20	1,750,000	
8	Canadian National Express Company.....	21	1,000,000	
9	*Canadian National Railways (France)—frances 30,000,000 .....	1	1,893,574	
10	*Canadian National Realities, Limited.....	20	40,000	
11	Canadian National Rolling Stock Limited....	1	50,000	
12	*Canadian National Steamship Company, Limited .....	40	15,000	
13	Canadian National Telegraph Company.....	20	500,000	
14	*Canadian National Transportation, Limited...	1	500	
15	The Canadian Northern Alberta Railway Company .....	20	3,000,000	
16	Canadian Northern Manitoba Railway Com- pany .....	20	250,000	
17	The Canadian Northern Ontario Railway Company .....	20	10,000,000	
18	Canadian Northern Pacific Railway Com- pany .....	20	25,000,000	
19	The Canadian Northern Quebec Railway Company .....	20	9,550,000	3,849,200
20	The Canadian Northern Railway Company...	1	18,000,000	
21	The Canadian Northern Railway Express Company, Limited .....	20	1,000,000	
22	Canadian Northern Steamships, Limited.....	20	2,000,000	
23	Canadian Northern System Terminals (Ltd.)..	20	2,000,000	
24	Canadian Northern Western Railway Company	20	2,000,000	
25	*The Centmont Corporation.....	28	176,400	
26	Central Counties Railway.....	1	500,000	12,000
27	The Central Ontario Railway.....	20	3,331,000	
28	Central Vermont Railway, Inc.....	1	10,000,000	
29	Central Vermont Terminal, Inc.....	28	5,000	
30	*Central Vermont Transit Corporation.....	25	5,000	
31	Central Vermont Transportation Company....	25, 28	200,000	
32	The Champlain and St. Lawrence Railroad Company .....	1	50,000	
33	*Consolidated Land Corporation.....	43	64,000	
34	Duluth, Rainy Lake & Winnipeg Railway Company .....	36	2,000,000	
35	Duluth, Winnipeg and Pacific Railroad Com- pany .....	36	100,000	
36	Duluth, Winnipeg and Pacific Railway Com- pany .....	20	3,100,000	
37	*Grand Trunk-Milwaukee Car Ferry Company.	43	200,000	
38	The Grand Trunk Pacific Branch Lines Com- pany .....	40	200,000	
39	The Grand Trunk Pacific Development Com- pany, Limited .....	40	3,000,000	
40	The Grand Trunk Pacific Railway Company..	1	24,940,200	
41	The Grand Trunk Pacific Saskatchewan Rail- way Company .....	40	20,000	
42	*Grand Trunk Pacific Terminal Elevator Com- pany, (Limited) .....	40	501,000	



## COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM (Cont.)

## CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC (Cont.)

Company Number	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
43	{Grand Trunk Western Railroad Company (Common) .....	1	\$ 20,000,000	
	{Grand Trunk Western Railroad Company (Preferred) .....			
44	The Great North Western Telegraph Company of Canada (Including \$331,500 held in escrow) .....	13	373,625	\$ 6,825
45	The Halifax and South Western Railway Company .....	20	1,000,000	
46	*Industrial Land Company .....	43	1,000	
47	International Bridge Company .....	1	1,500,000	
48	The James Bay and Eastern Railway Com- pany .....	20	125,000	
49	The Lake Superior Terminals Company Limited .....	20	500,000	
50	The Maganetawan River Railway Company...	1	30,000	
51	Manitoba Northern Railway Company.....	1	500,000	
52	The Marmora Railway and Mining Com- pany .....	20	128,600	
53	The Minnesota and Manitoba Railroad Com- pany .....	20	400,000	
54	The Minnesota and Ontario Bridge Company..	20	100,000	
55	*Montreal and Southern Counties Railway Com- pany .....	1	500,000	140,600
56	The Montreal and Vermont Junction Rail- way Company .....	28	197,300	
57	*Montreal Fruit & Produce Terminal Company, Limited .....	1	500	
58	*The Montreal Stock Yards Company.....	1	350,000	
59	*The Montreal Warehousing Company.....	1	236,000	10,440
60	Mount Royal Tunnel and Terminal Company, Limited .....	20	5,000,000	
61	Muskegon Railway and Navigation Company..	43	161,293	
62	*National Terminals of Canada, Limited.....	1	2,500	
63	National Transcontinental Railway Branch Lines Company .....	1	500	
64	*The Niagara, St. Catharines and Toronto Railway Company .....	20	925,000	
65	*The Niagara, St. Catharines and Toronto Navigation Company (Limited).....	64	100,000	
66	*The Oshawa Railway Company.....	1	40,000	
67	The Ottawa Terminals Railway Company.....	1	250,000	
68	The Pembroke Southern Railway Company...	1	107,800	
69	Prince George, Limited.....	1	10,000	
70	Prince Rupert, Limited.....	1	10,000	
71	The Quebec and Lake St. John Railway Com- pany .....	20	4,508,300	489,160
72	The Qu'Appelle, Long Lake and Saskatchewan Railroad and Steamboat Company.....	20	201,000	
73	Rail & River Coal Company.....	1	2,000,000	
74	St. Boniface Western Land Company.....	20	250,000	
75	The St. Charles and Huron River Railway Company .....	20	1,000	
76	St. Clair Tunnel Company.....	1	700,000	
77	*The Thousand Islands Railway Company.....	1	60,000	
78	The United States and Canada Rail Road Company .....	1	219,400	425
79	Vermont and Province Line Railroad Company	1	200,000	
80	The Winnipeg Land Company Limited.....	20	100,000	
			<u>\$ 201,821,632</u>	<u>\$ 4,520,890</u>

The Income Accounts of Companies indicated (\*) are included in the System Income Account as "Separately Operated Properties."



## RAILWAY EQUIPMENT

	Decem- ber 31, 1949	*Addi- tions during year	Retire- ments during year	Conversions during year		Decem- ber 31, 1950
				Added	Retired	
<b>LOCOMOTIVES:</b>						
Passenger—Freight.....	1,955	7	36	1		1,927
Switching.....	554		7		1	546
Electric.....	24	3				27
Diesel Electric.....	148	29				177
Total.....	2,681	39	43	1	1	2,677
<b>FREIGHT EQUIPMENT:</b>						
Box Cars.....	76,442	116	1,004		405	75,149
Flat Cars.....	5,464	521	66		36	5,883
Stock Cars.....	3,032		16	119	3	3,132
Coal Cars.....	16,598	100	492		89	16,117
Tank Cars.....	242		1		10	231
Refrigerator Cars.....	4,057		56			4,001
Caboose Cars.....	1,704	3	28	52		1,731
Other Cars in Freight Service.....	13	24				37
Total.....	107,552	764	1,663	171	543	106,281
<b>PASSENGER EQUIPMENT:</b>						
Coach Cars.....	1,126	34	28			1,132
Combination Cars.....	262	5	9	6		264
Dining Cars.....	93					93
Colonist Cars.....	166		2		6	158
Parlor Cars.....	61				1	60
Cafe Cars.....	27		1			26
Sleeping Cars.....	366	20	1		5	380
Tourist Cars.....	47		4			43
Baggage and Express Cars.....	1,133	53	20			1,166
Postal Cars.....	55					55
Unit Cars.....	28	2	1			29
Other Cars in Passenger Service.....	53	2	1		1	53
Total.....	3,417	116	67	6	13	3,459
<b>WORK EQUIPMENT:</b>						
Cars in Work Service.....	7,769	38	239	379		7,947
<b>FLOATING EQUIPMENT:</b>						
Car Ferries.....	8					8
Barges.....	6					6
Steamers.....	11	3				14
Tugs.....	5					5
Work.....	3					3

\* Includes Temiscouata Railway equipment acquired January 1, 1950—117 units.



## STATISTICS OF RAIL-LINE OPERATIONS

	1950	1949
<b>*TRAIN-MILES:</b>		
Freight Service .....	45,458,577	43,160,657
Passenger Service .....	22,387,001	23,740,378
Total .....	67,845,578	66,901,035
Work Service .....	1,660,668	1,491,904
Total .....	69,506,246	68,392,939
<b>*LOCOMOTIVE-MILES:</b>		
Freight Service .....	48,499,499	45,831,562
Passenger Service .....	22,451,088	23,805,688
Train Switching—Freight .....	3,913,276	3,790,738
—Passenger .....	148,239	152,041
Yard Switching—Freight .....	16,696,883	15,579,565
—Passenger .....	1,678,613	1,707,756
Total .....	93,387,598	90,867,350
Work Service .....	2,224,277	2,003,049
Total .....	95,611,875	92,870,399
<b>*CAR-MILES—FREIGHT SERVICE:</b>		
Loaded Freight Cars .....	1,225,840,184	1,158,838,514
Empty Freight Cars .....	530,990,013	500,340,311
Passenger Coach and Combination Cars .....	6,651,117	6,127,545
Sleeping, Parlor and Observation Cars .....	410,567	364,712
Dining Cars .....	34,650	19,667
Other Cars .....	8,026,236	7,404,387
Caboose Cars .....	44,790,469	42,570,764
Total .....	1,816,743,236	1,715,665,900
<b>*CAR-MILES—PASSENGER SERVICE:</b>		
Loaded Freight Cars .....	687,577	788,212
Empty Freight Cars .....	82,782	79,081
Passenger Coach and Combination Cars .....	56,183,679	60,709,393
Sleeping, Parlor and Observation Cars .....	50,546,895	52,896,982
Dining Cars .....	8,128,985	8,084,720
Other Cars .....	76,286,092	77,933,744
Motor Unit Cars .....	596,160	666,307
Caboose Cars .....	753,218	763,775
Total .....	193,265,388	201,922,214
Car-Miles—Total .....	2,010,008,624	1,917,588,114
Work Service .....	3,627,430	3,232,465
Total .....	2,013,636,054	1,920,820,579
<b>AVERAGE MILEAGE OF ROAD OPERATED .....</b>	<b>24,188.40</b>	<b>23,902.01</b>
<b>FREIGHT TRAFFIC:</b>		
Tons carried—Revenue freight .....	81,364,658	76,845,970
Tons carried one mile—Revenue freight .....	31,988,269,548	30,921,807,529
Freight revenue .....	\$455,780,004	\$394,424,463
Revenue per ton .....	\$5.47879	\$5.13266
Revenue per ton-mile .....	\$0.01394	\$0.01276
Miles per revenue ton .....	393.15	402.39
Ton-miles—Revenue freight per mile of road .....	1,317,500	1,288,376
Ton-miles—All freight per mile of road .....	1,451,268	1,405,767
*Gross ton-miles of cars, contents and cabooses .....	77,219,463,322	73,203,829,127
Net ton-miles of freight (Revenue and non-revenue) .....	35,103,861,182	33,600,657,164
*Train-hours in freight road service .....	2,805,604	2,681,868
<b>PASSENGER TRAFFIC:</b>		
Passengers carried .....	16,819,857	18,678,371
Passengers carried one mile .....	1,407,724,037	1,620,839,960
Passenger revenue .....	\$39,889,206	\$43,287,240
Revenue per passenger .....	\$2.37155	\$2.31751
Miles per revenue passenger .....	83.69	86.78
Revenue per passenger mile .....	\$0.02834	\$0.02671
Passenger-miles per mile of road .....	58,198	67,812
<b>NET RAILWAY OPERATING INCOME:</b>		
Gross revenue per mile of road .....	\$22,896.58	\$20,949.01
Gross railway operating charge per mile of road .....	\$21,224.52	\$20,716.94
Net railway operating income per mile of road .....	\$1,672.06	\$232.07

\*1949 figures exclude Newfoundland District.



## REVENUE TONNAGE BY COMMODITIES

	Year	Year	Increase or	
	1950	1949	Decrease	
	Tons	Tons	Tons	Per Cent
<b>AGRICULTURAL PRODUCTS:</b>				
Wheat .....	4,939,977	5,753,131	813,154	14.13
Corn .....	474,822	557,987	83,165	14.90
Oats .....	1,116,847	1,342,509	225,662	16.81
Barley .....	1,000,342	1,171,881	171,539	14.64
Rye .....	122,299	180,778	58,479	32.35
Flaxseed .....	45,771	102,362	56,591	55.29
Other Grain (including dried peas, beans, soya beans) .....	188,804	178,209	10,595	5.95
Flour .....	923,044	918,830	4,214	.46
Other Mill Products .....	1,663,433	1,667,837	4,404	.26
Hay and Straw .....	138,770	130,326	8,444	6.48
Cotton .....	93,001	81,093	11,908	14.68
Apples (fresh) .....	86,892	86,545	347	.40
Other Fruit (fresh) .....	279,946	304,038	24,092	7.92
Potatoes .....	398,191	400,370	2,179	.54
Other Fresh Vegetables .....	242,692	248,462	5,770	2.32
Other Agricultural Products .....	785,983	766,211	19,772	2.58
<b>Total</b> .....	<b>12,500,814</b>	<b>13,890,569</b>	<b>1,389,755</b>	<b>10.01</b>
<b>ANIMAL PRODUCTS:</b>				
Horses .....	32,775	22,790	9,985	43.81
Cattle and Calves .....	275,195	320,044	44,849	14.01
Sheep .....	8,783	11,642	2,859	24.56
Hogs .....	122,477	133,801	11,324	8.46
Poultry (live) .....	278	86	192	223.26
Dressed Meats or Dressed Poultry (fresh or frozen) .....	210,284	223,876	13,592	6.07
Dressed Meats (cured or salted) .....	35,871	41,094	5,223	12.71
Other Packing House Products (edible) .....	70,147	86,703	16,556	19.10
Eggs .....	12,139	35,821	23,682	66.11
Butter .....	36,578	34,950	1,628	4.66
Cheese .....	25,772	35,036	9,264	26.44
Wool .....	33,593	26,701	6,892	25.81
Hides and Leather .....	74,008	86,577	12,569	14.52
Other Animal Products (non-edible) .....	97,668	82,054	15,614	19.03
<b>Total</b> .....	<b>1,035,568</b>	<b>1,141,175</b>	<b>105,607</b>	<b>9.25</b>
<b>MINE PRODUCTS:</b>				
Anthracite Coal .....	2,543,195	2,308,810	234,385	10.15
Bituminous Coal .....	11,339,124	8,918,681	2,420,443	27.14
Sub-Bituminous Coal .....	1,340,030	1,238,632	101,398	8.19
Lignite Coal .....	723,653	593,040	130,613	22.02
Coke .....	926,845	797,968	128,877	16.15
Iron Ores and Concentrates .....	1,374,878	1,275,273	99,605	7.81
Copper Ore and Concentrates .....	236,386	248,205	11,819	4.76
Other Ores and Concentrates .....	2,598,251	2,359,510	238,741	10.12
Base Bullion, Matte, Pig and Ingot (non-ferrous metals) .....	602,087	556,352	45,735	8.22
Sand and Gravel .....	2,185,148	2,163,794	21,354	.99
Stone (crushed, ground, broken) .....	2,443,199	2,361,081	82,118	3.48
Slate, Dimension or Block Stone .....	89,378	139,120	49,742	35.75
Crude Petroleum .....	1,126,383	775,857	350,526	45.18
Asphalt (natural, by-product petroleum) .....	384,877	353,924	30,953	8.75
Salt .....	457,833	438,754	19,079	4.35
Other Mine Products (not fully processed) .....	2,210,817	1,892,538	318,279	16.82
<b>Total</b> .....	<b>30,582,084</b>	<b>26,421,539</b>	<b>4,160,545</b>	<b>15.75</b>
<b>FOREST PRODUCTS:</b>				
Logs, Posts, Poles, Piling .....	601,668	641,144	39,476	6.16
Cordwood and Other Firewood .....	257,559	274,551	16,992	6.19
Ties .....	47,009	49,434	2,425	4.91
Pulpwood .....	4,232,336	4,659,091	426,755	9.16
Lumber, Timber, Box, Crate and Cooperage Material .....	4,956,332	4,061,996	894,336	22.02
Plywood .....	95,003	69,364	25,639	36.96
Other Forest Products .....	317,578	316,918	660	.21
<b>Total</b> .....	<b>10,507,485</b>	<b>10,072,498</b>	<b>434,987</b>	<b>4.32</b>



## REVENUE TONNAGE BY COMMODITIES—Continued

	Year	Year	Increase or	
	1950	1949	Decrease	Per
	Tons	Tons	Tons	Cent
<b>MANUFACTURES AND MISCELLANEOUS:</b>				
Gasolene .....	1,992,205	1,998,091	5,886	·29
Petroleum Oils and Petroleum Products (except asphalt and gasolene) .....	1,824,254	1,554,394	269,860	17·36
Sugar .....	306,022	360,599	54,577	15·14
Iron, Pig and Bloom .....	599,476	454,026	145,450	32·04
Rails and Fastenings .....	56,724	66,193	9,469	14·31
Iron and Steel (bar, sheet, structural, pipe) ..	1,621,418	1,722,369	100,951	5·86
Castings, Machinery and Boilers .....	304,410	300,152	4,258	1·42
Cement .....	933,373	1,055,321	121,948	11·56
Brick and Artificial Stone .....	341,498	338,701	2,797	·83
Lime and Plaster .....	562,267	519,650	42,617	8·20
Sewer Pipe and Drain Tile .....	58,027	53,905	4,122	7·65
Agricultural Implements and Vehicles other than Autos .....	349,326	393,310	43,984	11·18
Automobiles, Auto Trucks and Auto Parts .....	2,461,632	1,925,530	536,102	27·84
Household Goods and Settlers Effects .....	15,497	17,392	1,895	10·90
Furniture .....	63,571	54,504	9,067	16·64
Beverages .....	305,954	368,129	62,175	16·89
Fertilizers, all kinds .....	995,762	1,122,363	126,601	11·28
Newsprint Paper .....	2,082,046	1,931,918	150,128	7·77
Other Paper .....	370,596	356,079	14,517	4·08
Paperboard, Pulpboard and Wallboard (paper) ..	637,100	513,564	123,536	24·05
Woodpulp .....	1,351,377	974,793	376,584	38·63
Fish (fresh, frozen, cured, etc.) .....	95,407	109,723	14,316	13·05
Canned Goods (all canned food products) .....	605,860	592,620	13,240	2·23
Other Manufactures and Miscellaneous .....	6,959,614	6,453,670	505,944	7·84
Merchandise (all L.C.L. Freight) .....	1,845,291	2,083,193	237,902	11·42
Total .....	26,738,707	25,320,189	1,418,518	5·60
Grand Total .....	81,364,658	76,845,970	4,518,688	5·88

## OPERATED MILEAGE, 31st DECEMBER, 1950

Territory	Owned	Leased	Trackage	Total
<b>OPERATED ROAD MILEAGE</b>				
Atlantic Region .....	* 3,792.08	6.41	82.95	3,881.44
Central Region .....	7,140.09	347.91	27.86	7,515.86
Western Region .....	11,337.74	34.84	92.54	11,465.12
Grand Trunk Western Lines .....	904.35	9.50	60.30	974.15
Central Vermont Lines .....	237.92	125.18	58.73	421.83
Total First Main Track .....	23,412.18	523.84	322.38	24,258.40
Lines in Canada .....	22,054.48	216.79	198.96	22,470.23
Lines in United States .....	1,357.70	307.05	123.42	1,788.17

\*Includes Temiscouata Railway 100.75 miles.

## OPERATED MILEAGE ALL TRACKS

First Main Track .....	23,412.18	523.84	322.38	24,258.40
Second Main Track .....	1,223.71	9.34	85.42	1,318.47
Third Main Track .....	27.95		3.49	31.44
Fourth and Other Main Tracks .....	10.78		5.09	15.87
Spurs, Sidings and Yard Tracks .....	6,062.34	169.07	1,266.87	7,498.28
Total all Tracks .....	*30,736.96	702.25	1,683.25	33,122.46

\*Includes Temiscouata Railway First Main Track 100.75 miles; Spurs, Sidings, etc., 9.79 miles.



## DISBURSEMENT OF TOTAL OPERATING REVENUES AND EXPENSES

	Operating revenues were disbursed:—		Operating expenses were disbursed:—	
	1950-%	1949-%	1950-%	1949-%
Labour .....	53.39	56.82	59.85	59.46
Fuel .....	9.95	11.00	11.16	11.51
Other Expenses .....	25.86	27.74	28.99	29.03
<b>Total Operating Expenses..</b>	<b>89.20</b>	<b>95.56</b>	<b>100.00</b>	<b>100.00</b>
Available for Taxes and Other Accounts .....	10.80	4.44		
<b>Total .....</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Maintenance of Way Accounts. Maintenance of Equipment Accounts .....	16.39	17.66	18.38	18.48
Traffic Accounts .....	20.61	21.35	23.11	22.35
Transportation Accounts .....	1.71	1.82	1.91	1.90
Miscellaneous Accounts .....	45.28	49.07	50.76	51.35
General Accounts .....	.98	1.15	1.10	1.20
<b>Total Operating Expenses..</b>	<b>89.20</b>	<b>95.56</b>	<b>100.00</b>	<b>100.00</b>

## EMPLOYEES AND THEIR COMPENSATION

Year	*Average Number of Employees	*Total Payroll	Average Per Employee
1939.....	78,129	\$122,354,101	\$1,566
1949.....	111,806	311,041,852	2,782
1950.....	112,874	318,208,185	2,819

\*Includes employees of railway, express and communication systems. Excludes hotel and subsidiary company employees.

## CANADIAN NATIONAL SERVICE IS WORLD-WIDE

The Canadian National maintains offices in the United States, Europe, Australia and New Zealand, to render helpful service and give information in connection with the traffic and other interests of the Company and of Canada generally. The principal offices of this kind are located at the following points:

## UNITED STATES

Battle Creek .....	Mich.
Birmingham .....	Ala.
Boston .....	Mass.
Buffalo .....	N.Y.
Cedar Rapids .....	Iowa
Chicago .....	Ill.
Cincinnati .....	Ohio
Cleveland .....	Ohio
*Detroit .....	Mich.
Flint .....	Mich.
Grand Rapids .....	Mich.
Kansas City .....	Mo.
Los Angeles .....	Cal.
Mason City .....	Iowa
Memphis .....	Tenn.
Milwaukee .....	Wis.
Minneapolis .....	Minn.
New Haven .....	Conn.
New Orleans .....	La.
*New York .....	N.Y.
Omaha .....	Neb.
Philadelphia .....	Pa.
Pittsburgh .....	Pa.

Portland .....	Me.
Portland .....	Ore.
St. Albans .....	Vt.
St. Louis .....	Mo.
St. Paul .....	Minn.
Saginaw .....	Mich.
San Francisco .....	Cal.
Seattle .....	Wash.
South Bend .....	Ind.
Toledo .....	Ohio
Tulsa .....	Okla.
Washington .....	D.C.

## EUROPE

Antwerp .....	Belgium
Glasgow .....	Scotland
Liverpool .....	England
*London .....	England
Paris .....	France
Southampton .....	England

## AUSTRALIA AND NEW ZEALAND

Melbourne .....	Australia
Sydney .....	Australia
Wellington ....	New Zealand

\*Industrial Development representatives located at these points.



That, I think, Mr. Chairman, completes the presentation of the report.

The CHAIRMAN: In order that our committee records may be complete, is it the wish of the committee that there should be included in Minutes of Proceedings and Evidence the financial statements and all the statistical material extending from page 24 to the end of the report?

Mr. FULTON: I think our custom in the past has been, Mr. Chairman, to take up the report page by page, and as we come to each section to include it in the minutes of evidence so that it will be there related to the discussion which may follow it.

The CHAIRMAN: That is quite satisfactory. If you would rather have it that way.

Mr. MUTCH: It may have been the practice, but I do not think it creates any precedent.

The CHAIRMAN: I just felt that for future reference it might be more convenient to anyone wanting the information to find all of the statistical information in the one place. Are you willing that that should be done, Mr. Fulton?

Mr. FULTON: Yes. I just thought we had done it in the past in the other way, but I am not prepared to argue about it. It does not seem to me to be important which way we do it.

The CHAIRMAN: Very well. All those in favour of it being introduced immediately following the narrative will please signify? Those opposed?

Carried.

In taking up the report, is it the wish of the committee that we start at page 6 and cover a heading at a time, starting with "Review of Operations" and dealing with the two sub-headings there, namely "freight rates" and "volume of rail traffic", and then carry on in that way?

Mr. FULTON: Yes, I think so except that I would like to be permitted to ask a question relative to page 3. Perhaps Mr. Gordon has not got the information at the moment and if so he might furnish it to us later. I would be interested in learning the dates of appointment of the various members of the Board of Directors.

Mr. GORDON: I do not think I have that information available at the moment but it could be obtained very readily.

The CHAIRMAN: Let us start at page 6 with "Review of Operations, freight rates".

Mr. CARTER: I notice the item "Taxes, equipment rents and other income accounts", and I notice that the amount for 1950 is lower than that for the year before.

The CHAIRMAN: I think there is an explanation about that given on page 9.

Mr. CARTER: It may be given in the report but I have missed it.

Mr. GORDON: On page 9 of the report it is pointed out that there is a reduction of \$1,169,015 in the net debit arising from this group of accounts. And it says:

"Increase in use of foreign lines' freight cars cost the company \$1,936,957."

What you are really interested in is probably the item on page 9 under the heading "Other income accounts". That difference between the cost of freight cars less what we spend in collecting premiums on unamortized discounts, etc., will net out the difference between those two figures.

Mr. FULTON: Could I suggest that we go back to pages 4 and 5 where there is an interesting letter from the president submitting his report. There are some comments by the president as to which I would like to ask some questions.



The CHAIRMAN: Would you like this to be taken up paragraph by paragraph at a time, or shall we take the whole letter under one heading?

Mr. FULTON: I think the whole thing might be taken at once, Mr. Chairman.

Mr. GILLIS: I think that a paragraph at a time would be better. It would save us a lot of time in roaming around.

Mr. MUTCH: I too have some comments to make of my own arising out of that letter. I was going to ask whether it would be desirable to deal with the letter, or to raise the points when we come to them in connection with the general report. I think we could discuss almost anything that we have in mind on the basis of this letter and it is a question of whether we are letting ourselves in for the possibility of doing so twice. I have two or three question marks on this letter, but I do not care when I ask them now.

The CHAIRMAN: I believe the whole matter could be discussed on the letter, and that is the reason I suggested we deal with the report first as we have done in other years. You see, with a few years' experience here I hesitate to change the existing practice without a pretty good cause being shown.

Mr. MUTCH: I mean to bring up the matter raised in that letter under the appropriate items of the report.

The CHAIRMAN: Perhaps Mr. Gordon might add a word here.

Mr. GORDON: As I said in my introductory remarks, Mr. Chairman, the letter of transmittal is designed to give scope for generalized comment relating to managerial problems and policies which did not fit in appropriately to the single analysis of the year 1950. Therefore, with respect, I would suggest that if your question relates to a matter affecting the 1950 report, it would not be appropriate under the letter of transmittal; but if it affects more generalized policies outside of 1950 operations, we might save time by dealing with it in relation to that letter. However, that is merely a suggestion.

The CHAIRMAN: In view of what Mr. Gordon has said, is it the wish of the committee that we should first study the actual performance, namely the narrative and then, as a final task, have general questions on the report, after we have familiarized ourselves with the details?

Mr. CARTER: I wonder if it would not save time if we deferred pages 4 and 5 until we had dealt with the letter?

The CHAIRMAN: I suggested that very thing. Let us start with "Review of Operations, freight rates."

Mr. MUTCH: Serving notice that we will come back to the letter, Mr. Chairman?

The CHAIRMAN: Oh, yes.

Mr. FRASER: In connection with this item of "Taxes, equipment rents and other income accounts," what taxes are there, and what would they cover?

Mr. GORDON: They would cover property and other taxes. I will give you the details in just a moment. They would include such items as unemployment insurance, excise stamps, and municipal taxes in a series of cities right across Canada. It also includes taxes which are payable to the United States government, where we are subject to income tax.

Mr. FRASER: That would be where your lines go into the states?

Mr. GORDON: Yes, the Grand Trunk Western and the Central Vermont particularly. It includes our payments under the Railroad Retirement Tax Act under the United States legislation and unemployment insurance there as well; and also some United States state taxes which we have to pay, where we operate through various states of the union.

Mr. FRASER: Are they very heavy?

Mr. GORDON: In the year 1950 they totalled \$1,163,659.



Mr. FRASER: Is that in Michigan?

Mr. GORDON: Michigan, Illinois, and Wisconsin are the principal ones, with a small amount in Indiana.

Mr. FRASER: But you ship into there and out again?

Mr. GORDON: We just pass through it. It is not a very heavy tax in Indiana.

Mr. FRASER: "Equipment rents"; that would be in connection with American freight cars, would it not, Mr. Gordon?

Mr. GORDON: Yes.

Mr. FRASER: What would the rentals be on our cars in the States, or would they come under a different section? Are they off-set in a contra-account?

Mr. GORDON: Perhaps Mr. Gracey will answer that question.

Mr. GRACEY: The figure shown is the net as between our system lines and foreign lines.

Mr. FRASER: You have a contra-account?

Mr. GRACEY: Yes.

Mr. FRASER: We owed them more than they owed us?

Mr. GRACEY: That is what the situation was in 1950.

Mr. FRASER: Are your rentals the same?

Mr. GRACEY: Yes. There is a standard rate on freight cars.

Mr. FRASER: But it is not the same for passenger cars?

Mr. GRACEY: Yes, but there is very little interchange between foreign lines.

Mr. FRASER: Is there a difference between wooden cars and steel cars?

Mr. GRACEY: No. It is a per diem rate. There are some exceptions on cars with a mileage basis, such as tank cars and so on.

Mr. GORDON: The per diem rate was increased starting from November 1949, but that applies in Canada as well as in the United States.

Mr. FRASER: When the cars are over in the United States on a siding, would you still get your rental for them?

Mr. GRACEY: Yes, sir.

The CHAIRMAN: May I complete Mr. Fraser's inquiry. There is a net in regard to these car rentals. It is only a composite figure which is shown in the statement.

Mr. GRACEY: The net is shown on page 26 of the report, sir.

The CHAIRMAN: Yes.

Mr. FRASER: What item would it be under?

Mr. GRACEY: "Equipment rents, not debit."

Mr. GORDON: It amounts to \$7,209,310. You will find it below the heading "Net operating revenue." You will see the headings starting with "Taxes, equipment rents—net debit, \$7,209,310."

Mr. GRACEY: There are also some smaller items of equipment rent in that total figure. I can break down the freight car figure for you, if you wish.

Mr. FRASER: No. I do not want it but you have a difference between what is paid in Canada and what the company would pay in the States. It is the same price in Canada?

Mr. GRACEY: That is right.

Mr. GORDON: Do you wish to have it?

Mr. FRASER: Yes.

Mr. GRACEY: The amount paid to foreign lines, by Canadian lines, was \$13,057,786; to United States lines \$7,196,500; making a total of \$20,254,286.

Now you wish to have what was received from the foreign lines, do you not?



Mr. FRASER: You could work it out, I suppose.

Mr. GRACEY: Yes.

Mr. GORDON: You had better give him the "Received".

Mr. GRACEY: Received from foreign lines: Canadian lines: \$12,622,168; United States lines, \$4,919,046; making a total of \$17,541,214.

Mr. FRASER: Thank you.

Mr. GRACEY: Then, in addition we make payments to private lines such as oil companies, and refrigerator lines.

Mr. FRASER: Those would be lines which own their own cars or companies which own their own cars?

Mr. GRACEY: That is right, sir.

Mr. FRASER: Yes, on those cars or tankers; you rent them from those companies in order to carry oil other than for those companies, actually?

Mr. GRACEY: We do not say that we rent them. There is a mileage paid on the cars. It is a standard arrangement between those companies and the railroad.

Mr. FULTON: What is the figure, Mr. Gracey?

Mr. GRACEY: On Canadian lines the figure is \$3,262,722; and on United States lines, it is \$777,440.

Mr. GORDON: Might I suggest that we be permitted to supply a table which could be included at this point?

The CHAIRMAN: Thank you. I think that would be very helpful.

Mr. GRACEY: Very well, Mr. Chairman. The table reads as follows:

#### HIRE OF FREIGHT CARS

	Canadian Lines	United States Lines	Total
Paid to Foreign Lines.....	\$13,057,786	\$ 7,196,500	\$20,254,286
Paid Private Car Lines .....	3,262,722	777,440	4,040,162
	<u>\$16,320,508</u>	<u>\$ 7,973,940</u>	<u>\$24,294,448</u>
Received from Foreign Lines .....	\$12,622,168	\$ 4,919,046	\$17,541,214
Net Debit Balance .....	\$ 3,698,340	\$ 3,054,894	\$ 6,753,234

Mr. McLURE: Under the heading of "Taxes", do they include the sales tax of 8 per cent?

Mr. GRACEY: No, sir.

Mr. McLURE: You do not pay any sales tax on your purchases?

Mr. GORDON: Oh, yes, we do. We pay the sales tax.

Mr. FRASER: It would be quite a material item.

Mr. McLURE: It is not separated from the cost of materials?

Mr. GORDON: No. The federal sales tax in the year 1950 was \$7,300,251; the province of Quebec sales tax was \$101,643; the city of Montreal sales tax was \$27,118; and the city of Quebec sales tax was \$1,333. The provincial tax on gasoline was \$545,267. And there are also a number of other taxes such as the diesel fuel oil tax, the educational tax in Saskatchewan, the sales tax in British Columbia and so on. If you would like to have a table, I would be glad to supply one.

The total amount paid by the Canadian National Railway system for duty, exchange and taxes in the particular year 1950 amounted to \$11,788,908. I will be glad to put that table on the record at this point.



The CHAIRMAN: Very well.

Mr. GORDON: The table reads as follows:

	1949	1950
Duty .....	\$ 2,364,654	\$ 3,262,483
Currency Exchange (General Materials only).....	96,721	345,601
Federal Sales Tax (estimated).....	8,203,036	7,300,251
Province of Quebec Sales Tax.....	101,070	101,643
City of Montreal Sales Tax.....	20,173	27,118
City of Quebec Sales Tax.....	1,000	1,333
Provincial Taxes on Gasoline (estimated).....	555,264	545,267
Province of New Brunswick Soc. Service and Educational Tax...	—	9,241
Province of Quebec Diesel Fuel Oil.....	4,507	4,936
Province of Saskatchewan Educational Tax.....	27,226	40,749
Province of British Columbia Sales Tax (Fuel only).....	31,822	31,590
Prov. of Br. Columbia Soc. Security and Mun. Aid Tax.....	60,966	39,305
<b>Total Canadian Taxes.....</b>	<b>\$ 9,005,064</b>	<b>\$ 8,101,433</b>
U.S. Federal Tax on Lubricating Oil.....	\$ 15,355	\$ 15,748
U.S. Federal Tax on Gasoline.....	4,026	4,694
U.S. State Taxes on Gasoline.....	2,400	2,929
Erie County (New York State) Use Tax.....	897	599
Connecticut Sales & Use Tax.....	—	1,925
State of Michigan Sales Tax (estimated).....	8,897	7,322
State of Illinois Occupational Tax.....	—	337
State of Michigan Use Tax.....	40,568	45,837
<b>Total United States Taxes.....</b>	<b>\$ 72,143</b>	<b>\$ 79,391</b>
<b>Total Canadian and United States Taxes.....</b>	<b>\$ 9,077,207</b>	<b>\$ 8,180,824</b>
<b>Grand Total—Duty, Exchange and Taxes.....</b>	<b>\$11,538,582</b>	<b>\$11,788,908</b>

Mr. GILLIS: What about box cars? There has been quite an argument in the House about them. Can you give us some idea of how many of our box cars were in the United States as of two weeks ago?

Mr. GORDON: I have the total right before me here.

Mr. BENEDICKSON: Mr. Chairman, I think the answer was provided in the House on Thursday or Friday.

Mr. GILLIS: That may be, but I think it is a good idea to have it here as well.

Mr. GORDON: I think it might be of interest to the committee to know that on March 1 the Canadian National had a total of box cars in the United States of 18,413, while the United States had on the Canadian National system 8,264, making an adverse balance of 10,149.

But as of April 12, which is the most recent date I have, the Canadian National in the United States had 16,018 while the United States had on the Canadian National 10,474 which shows an adverse balance of 5,544.

In other words, our adverse balance had improved to the extent of 4,600 cars. I have not got the figures before me for the Canadian Pacific.

Hon. Mr. CHEVRIER: Perhaps I could submit that information. I have before me now the figures for both railways. Beginning with the number of Canadian box cars on United States lines on February 16, the number was 29,989; while United States box cars on Canadian lines numbered 13,544; and the unfavourable balance to Canadian lines at that date was 16,445.

But on April 13, the number of Canadian box cars on United States lines was 28,620, while the number of United States cars on Canadian lines was 18,129; and the unfavourable balance to Canadian lines was 10,491.



When I put my statement on *Hansard* the other night I said that the position was almost back to normal, with an improvement of 8,000 cars. That is now amended by an additional 500, or almost 500 cars. The improvement is greater by an additional 500 cars as of April 13.

Mr. GILLIS: And it is continuing to improve?

Hon. Mr. CHEVRIER: Oh, definitely.

Mr. GORDON: It is rapidly improving now; but with other forms of equipment we have had a very substantial credit balance on our lines all through this period so that when the grand total is figured out, the adverse balance has not been very great.

Hon. Mr. CHEVRIER: If you take into consideration all cars, the balance is in our favour.

Mr. GORDON: It usually is, yes.

Hon. Mr. CHEVRIER: I had in my notes, Mr. Chairman, the names and the dates of appointment of the directors of the Canadian National. May I put them on the record now?

The CHAIRMAN: Very well.

Hon. Mr. CHEVRIER: The appointment of Mr. Donald Gordon was as of the 1st of January, 1950. Mr. Wilfrid Gagnon's appointment was extended from the 1st of October 1948 for three years. Mr. Gagnon is from Montreal. Mr. J. A. Northey's appointment was also extended from the 1st of October 1948 for three years. Mr. H. J. Symington's appointment was extended from the 1st of October 1950 for three years. Mr. B. L. Daly's appointment was extended from the 1st of October 1950 for three years; Mr. R. B. Brennan's appointment was extended from the 1st of October 1949 for three years; and Mr. W. J. Parker's appointment was made on the 1st of November 1949 for three years.

Mr. FULTON: Does your memorandum show the date when these directors were first appointed?

Hon. Mr. CHEVRIER: No, it does not, but I could get the information for you.

Mr. FULTON: Mr. Gordon said he would get us that information.

Mr. MOTT: Might I ask how these directors are appointed? Are they elected?

Hon. Mr. CHEVRIER: They are appointed by the Governor in Council on the recommendation of the Board of Directors of the Canadian National Railways.

Mr. MOTT: The farthest place west from which you have a director is Winnipeg.

Mr. GILLIS: They are not selected on a geographic basis such as the cabinet.

Hon. Mr. CHEVRIER: No.

Mr. MUTCH: After you get west of Winnipeg, what does it matter?

Mr. MOTT: With respect to these various taxes, the sales tax, the Montreal city tax, Quebec city tax, and so on, might I have those figures again? I take it there are only two cities, and they are in Quebec, which are allowed to charge a sales tax, in all Canada?

Mr. GORDON: This table gives the items in detail. Perhaps I had better go over them again. There is a province of Quebec sales tax which cost us, in the year 1950, \$101,643; then there is a city of Montreal sales tax which cost us \$27,118; and there is a city of Quebec sales tax which cost us \$1,333.

In addition there are provincial taxes on gasoline which cost us \$545,267; there is a province of New Brunswick social service and education tax which cost us \$9,241; there is a province of Quebec diesel fuel oil tax which cost us \$4,936; there is a province of Saskatchewan educational tax which cost us \$40,749; there is a province of British Columbia sales tax on fuel which cost us \$31,590; and there is a province of British Columbia social security and municipal aid tax which costs us \$39,305.



In addition there is a federal sales tax which cost us \$7,300,251. Those are the Canadian taxes.

Mr. MOTT: It was just the sales taxes, in which I was interested.

Mr. GORDON: I believe you have got them in the figures which I have given to you.

Mr. MOTT: I had the understanding that there was only one province which allowed its cities to impose a sales tax.

Mr. GORDON: Oh, there is a sales tax in British Columbia province as well.

Mr. MOTT: Yes, but it is not a city sales tax.

Mr. GORDON: No.

The CHAIRMAN: Are there any further questions in regard to taxes? I think it would be preferable if we could clear up one subject at a time and not to hark back to it because the scope of this inquiry is so wide that if we are not careful, or if we fail to keep it orderly, we shall never finish.

Mr. GILLIS: The three provinces mentioned are following a practice which discriminates against the system as compared with the other provinces. The amount of money paid to Quebec by way of sales tax by the Canadian National is quite a large amount.

The CHAIRMAN: That has nothing to do with the federal government. The federal government has nothing to do with a provincial tax levied on Canadian National Railways. That is a matter which comes under the jurisdiction of the province.

Mr. GILLIS: Except that the Canadian National Railways as a federal entity is losing that amount of money by way of provincial taxes. That is my point.

The CHAIRMAN: Under the British North America Act a province has the right to impose direct taxation and there is nothing we can do about it.

Mr. GILLIS: It might not be a bad idea for the minister to get a change made in the British North America Act.

Hon. Mr. CHEVRIER: We are having enough difficulty getting the British North America Act amended as it is now.

Mr. MOTT: It is not so much a provincial tax as a city tax.

The CHAIRMAN: The cities derive their authority from their provincial government and there is nothing we can do about it.

Mr. MOTT: There is only one province in Canada, and I think it is Quebec, where a city can charge a sales tax.

The CHAIRMAN: You will have to take that up with the provincial legislature.

Mr. MOTT: The money is being spent there and it is being charged to sales tax.

Hon. Mr. CHEVRIER: I am afraid that the Canadian National Railways have no other alternative than to pay these taxes.

Mr. MOTT: I know.

Mr. MUTCH: The cities derive their power to impose taxes from the legislature of the province. And it so happens that the only province which permits its cities to charge a sales tax is the province of Quebec. But all the other provinces have that power if they elect to use it.

Mr. MOTT: I just wanted to support Mr. Mutch on this particular point in his statement. He has explained some points which are I think important. He is right when he says—I think it is under the B.N.A. Act—that some of the provinces were allowed to continue with the sales tax while others were not; that is, those who had it were allowed to continue it; and among those were



Quebec City and the city of Montreal; and as a result of those circumstances, under the B.N.A. Act they are allowed to charge a sales tax, where it was in effect at the time, but that privilege does not extend to other parts of Canada.

Mr. GILLIS: I think, Mr. Chairman, there is a very vital principle at stake here. There are only three provinces in Canada which get a revenue from the Canadian National Railways by way of a provincial tax. In contrast, federal properties right across Canada are exempt from taxes, although in some sections of the country the federal government does pay a certain amount of money in lieu of taxes; however, that is a federal arrangement. Now, secondly, employees of the Canadian National Railways in provinces that have specific Acts with regard to wages and so forth are excluded from the wage agreement laid down provincially and come under the national code. I think this question here demands examination. I believe there has to be some general arrangement with provincial governments in this matter of taxation. You just take the figures that Mr. Gordon has put on the record and it comes to a nice little chunk of money paid to the provinces by the railway in the form of this sales tax. If all the other provinces of Canada are going to have unrestricted rights to impose taxes on the road it is going to add considerably to their operating expense.

Mr. GORDON: There is a point there. These taxes we are referring to are not applicable to the Canadian National Railway only.

Mr. GILLIS: I understand that.

Mr. GORDON: They are applicable to every company operating and doing business in the particular jurisdiction where it is applicable. I do agree with you, if there is any attempt to make a discriminatory attack against the Canadian National then there is a vital point; but so long as we are operating on the basis that we meet local conditions I think we have to co-operate with responsible taxing authorities in any of the provinces or cities in which we operate.

Mr. GILLIS: Yes, I agree with you. As far as you are concerned there is nothing you can do about it. It is a matter which I think devolves upon the federal authority; and, in view of the fact that it is a federal matter I think that some arrangement should be worked out with the provinces that would be equitable. There is no reason why a provincial government should have an unrestricted right to impose taxation. It does not do that with federal buildings in the different parts of the country. I am not going to argue that we can change it here, but I think the minister and yourself should take a look at this sales tax question. It seems to me to be a very important one where the operation of the road is concerned.

Mr. GEORGE: It seems to me, Mr. Chairman, that there are two points involved here; the first point is the investigation of the present sales tax; and the second, the right to tax all public buildings, including the C.N.R. properties, and the fact that the payment of all such taxes comes out of the consolidated revenue fund.

The CHAIRMAN: Are there any further questions or comments with regard to taxation?

Mr. McLURE: I certainly would like to say a word on the question of flat cars.

The CHAIRMAN: Just a minute, Mr. McLure; are there any further questions with regard to taxation? If not, shall I declare the item carried?

Carried.

We are not on box cars—Mr. McLure.

Mr. McLURE: Someone referred to box cars and this question of shortages. I might say, by way of appreciation at this time—in the past I have always



been complaining about reefer cars, and you will recall that I worked hard on that last year—just recently we had a new industry come to our province and we had a shortage of box cars for the hauling of pulp wood. I want to say to the minister (Hon. Mr. Chevrier) that when I took that question up with him he looked into the matter very carefully and we have had sufficient box cars up to date. It was a new industry and we had to have box cars for the purpose of enabling it to operate, and I think that during the last six weeks we have had 480 box cars loaded and shipped out. I want to make clear to the minister that we appreciated his co-operation.

The CHAIRMAN: That is very good of you, Mr. McLure. Are there any further questions with regard to box cars?

Mr. KNIGHT: Mr. Chairman, there is a statement here under operating performance, on page 17, where you say, "An important unit of performance is the size of the average carload freight shipment. In 1950 this was 28.7 tons, as compared with 28.9 tons in 1949. The decrease of .2 tons is due mostly to the smaller amount of grain transported from Western Canada." I was going to ask Mr. Gordon if there was any relationship between the shortage of box cars and the small amount of grain transported from Western Canada; in other words to what extent is the fact that a small amount of grain was transported from Western Canada due to the shortage of box cars?

Mr. GORDON: It is pretty hard to define that exactly. The major reason for the lower amount of grain transported is due to a combination of factors, the late crop and the wet and tough condition of the wheat, all of which meant that it was not available for transport at the time we had anticipated the movement would get under way. In part the movement of the western grain has been delayed by a shortage of box cars, but I think I can say safely that the Canadian National have been able to meet the requests made upon it by the wheat board.

Mr. KNIGHT: But was the lower amount transported due in any extent to the shortage of box cars at any time?

Mr. GORDON: Mr. Dingle would have more information on that than I have.

Mr. DINGLE: The best way to answer that is in this way: April first of this year we had 18,537 box cars in the west and at the same date last year we had 21,888.

Mr. BENEDICKSON: So this problem of the supply of box cars for the delivery of western grain was not as acute prior to the end of the year as it has been in recent weeks.

Mr. GORDON: It is the recent and the projected period that I am speaking of, but it is true that the last part of the year the wheat crop was delayed and that caused congestion. It came for movement later than we had expected, and that required adjustments which probably had the effect of reducing the amount that we were able to move. The figure which has been reported is the approximate figure.

Mr. KNIGHT: I understand there have been in all 2,000 fewer box cars in the west this year than a year ago. Is that right?

Mr. DINGLE: That is correct.

Mr. KNIGHT: In view of the fact that the crop this year in point of volume is much greater—

Mr. GORDON: I think it is quite fair to say that there is a very anxious problem in the matter of moving the wheat crop in the immediate future.

Mr. KNIGHT: I am well aware of that. Shall we have help?

Mr. GORDON: Yes, in the immediate future. We have had discussions with the wheat board about it and arising out of those discussions I think the minister can tell you that a special departmental committee has been set up to do everything possible to take whatever action may be open to improve that situation.



Mr. KNIGHT: Am I to take literally your statement of a few minutes ago, Mr. Gordon, that as far as the Canadian National was concerned that this condition of our inability to move the wheat is in no way attributable to a shortage of box cars on C.N.R. at least?

Mr. GORDON: I think I can say that so far as the Canadian National is concerned, that we have had box cars available as they were needed, by and large; there may have been spotty situations, but by and large we have not got complaints that we have not been able to keep our supply of cars in accord with the grain as it became available.

Mr. KNIGHT: I think that is a matter which should be made known to the farmers of western Canada, because they are certainly under the impression, and so I think are many of the elevator companies, that one of the reasons why they cannot get this grain out in order that it can be protected, or dried, is that very reason that I have been speaking of.

Mr. GORDON: I think perhaps we are getting at cross purposes. The statement I just made had reference to the situation which is referred to in this report, up to the end of 1950. We did have cars available and we were able to meet requirements without delay so far as the Canadian National was concerned. Now, it is true that since then a shortage of box cars has developed, delays that have taken place in the return of box cars from the United States lines, etc. etc. We have been short box cars recently, but that situation is being rapidly corrected, as Mr. Gillis brought out, by an increase in the return movement of box cars from the United States, which has enabled us to move them to western Canada. As a matter of fact, we have been moving large numbers of box cars to western Canada empty on an emergency basis to give, as far as we can do so, the utmost capacity for the movement of wheat.

Mr. KNIGHT: If this situation did not exist up to the end of 1950 how did it happen that it came into existence since 1950 and has continued up to date?

Mr. GORDON: It was due to the general box car shortage which was very acute.

Mr. KNIGHT: Then, the paragraph to which I refer has practically no bearing on the situation; it is due more to the situation in the United States. I take it from what you say that we are now getting it straightened out and we will be in a position to move our wheat.

Mr. GORDON: I'll put it this way, that to the extent that box cars have anything to do with the problem of the moving of the wheat crop, as far as the recent crop is concerned, that the situation is, I cannot say fully corrected, but it is certainly being rapidly corrected as we get the log jam broken in respect of the cars which were frozen in the United States.

Mr. KNIGHT: You referred to the movement of the crop and the amount of grain held in Canada, and we all know that a great deal of it falls into the two classifications of tough or wet. You are aware, of course, that there is a terrible situation there, due to weather, and due in large part to a high moisture content in the grain itself. A great deal of this grain is of the sort that would be held on the farm or at the local elevator, and unless it is moved quickly most of it may be totally destroyed. That is why I am so interested in this question of equipment being available to move it.

Mr. GORDON: I can certainly say this, speaking for the Canadian National, that there is no problem which is receiving more vital and anxious consideration than the responsibility we have in respect of the movement of the crop, and anything that man can do is being done.

Mr. KNIGHT: May I finish my remarks now, Mr. Gordon, by referring to the importance of having this crop moved to points where it can be dried and properly



stored. As you are aware, there are a number of points at which drying equipment is available. For instance, a large party went to Churchill over a recent week-end and at the port of Churchill they saw a very large installation of equipment, equipment with amazing capacity, sufficient to dry a great deal of this grain—that, would of course, depend on the moisture content—as I recall it the plant was capable of handling 20,000 bushels in a day of 24 hours. If that plant were used to capacity it would not take it long to clean up a million bushels or more. I know that it has handled a lot of the grain that has been sold and delivered to Churchill since the beginning of the year. I am assuming, of course, that the wheat which is shipped up there will be wheat of a kind which can be handled by that drying and cleaning equipment. I wonder if the minister would have anything to say about that situation?

Hon. Mr. CHEVRIER: I think, as I indicated to you in the House, Mr. Knight, that it was the Canadian Wheat Board itself which is responsible for the moving of the grain; that the Canadian National Railway would have no part in saying where the grain goes. It is the wheat board itself which calls on the Canadian National Railway with regard to the movement of its equipment, and thus far this is borne out by the fact that all requirements made on the Canadian National Railways for the moving of wheat to Vancouver have been met.

Mr. KNIGHT: Well, my whole point in this matter is to impress upon the railway the urgent necessity for the movement of this wheat, and for the use of the equipment available, and if it is not available it should be made available for the purpose; particularly in view of the emergency, the urgency of the matter—wheat is so perishable. In a normal year wheat, as we generally understand the term, is dry and in good condition. This wheat is not, the crop was late, weather conditions were bad, and much of it is very wet.

Hon. Mr. CHEVRIER: I think we all realize how important and essential it is to move the wheat crop as quickly as possible.

Mr. MUTCH: There is a question I should like to ask and it is this: in the light of the representations which have been made, and in the light of the discussion which has taken place, have representations been made by those possessing drying facilities at the head of the lakes that they have not been able to operate at capacity because of their inability to get grain?

Hon. Mr. CHEVRIER: I understand that these requests were made to the wheat board; not to the operators of the railway.

Mr. MUTCH: The point I am getting at is as to whether or not the drying plants are operating to capacity, or have they been idle for some hours each day.

Hon. Mr. CHEVRIER: Mr. Knight pointed out that the Churchill plant has been idle.

Mr. KNIGHT: What I am concerned about is conditions at the present time.

Hon. Mr. CHEVRIER: The information I have is that they are being fully used.

Mr. KNIGHT: If they are, then that particular matter is being taken care of.

Hon. Mr. CHEVRIER: I am sure that is the case.

Mr. HELME: On this matter of box cars, if you will refer to the statement on railway equipment, page 40, you will see it shows that the system, as of December 31, 1950, had a decrease of 1,293 box cars, as compared to what it had the year previously. On page 12 it shows, for new equipment, that orders had been placed for 5,000 box cars. And now, according to this statement on page 40 (railway equipment) you acquired some 116 new cars during the year, that there were some 116 additions made. The figures also show the shortage of 1,290 box cars, and a page of it shows that you have on order some 5,000 box cars. I wonder,



Mr. Gordon, if you could tell us what the prospects are of getting at least a proportion of that new order for box cars available for handling the present crop? They would have a capacity of roughly two and a half million bushels.

Mr. GORDON: I can tell you this. We placed this order in July or August last year, for 5,000 new box cars. We have been doing everything possible to try to get some of these box cars delivered but we have not received any yet. The companies with whom the orders were placed have not been able to deliver on account of shortages, for instance in steel and other materials they need with which to produce these cars. We hope they will commence delivery to us very shortly. Mr. Dingle reminds me that probably I should not make any commitment on this because we have been disappointed so often in the past. We hope to receive delivery of some of these cars this summer. With regard to the retirements during the year, we show we have retired 1,004 box cars, etcetera. You should keep in mind that when we retire cars they are more or less non-serviceable in any event, and it does not really mean the loss of rolling stock to that extent.

Mr. HELME: One of the big things we are up against in the west is this matter of box cars, and their replacement as quickly as possible is of great importance.

Mr. GORDON: I just say this, that when we come to our budget, and we show you the orders we have placed for equipment, I am sure that this committee will find that they will have no complaint about our not asking for enough.

Mr. HELME: But here you asked for 5,000 cars last year and you did not get any.

Mr. GEORGE: Have any of these cars been made in your own work shop?

Mr. GORDON: We do not ordinarily build new box cars. We use our workshop for keeping them serviceable, they are fully extended on that job now. We have no facilities for building new cars; or, may I put it this way, that we could build new cars if we had nothing else to do in our shop, but our shops at the present time are fully occupied in keeping our rolling stock serviceable.

Mr. HELME: But I see here that you had 116 additions during the year.

Mr. GORDON: Those are deliveries made during the year. I can get you the details of that.

Mr. HELME: On page 12 it says that 490 box cars were delivered; that is not so.

Mr. FULTON: That probably does not relate to the order for 5,000 box cars, of which Mr. Gordon said no deliveries had been received as yet.

Mr. HELME: But there were additions in 1949.

Mr. GORDON: Did you say that was on page 12?

Mr. HELME: No, on page 40.

Mr. GORDON: You said something about the difference between page 12 and this other page?

Mr. HELME: Yes, there at the top of the page—deliveries of new equipment during 1950 were as follows: freight car equipment 490 50-tons box cars.

The CHAIRMAN: Yes, that is under freight car equipment.

Mr. HELME: Yes, freight car equipment received during 1950, and on page 40, it does not show any box cars received at all. Apparently the additions for 1949, as shown at page 40, were 116 box cars; that was for the year 1949, it does not show any additions for the year 1950.

Mr. GORDON: No; that is not right. Where is the statement on the 1949 box cars? Those figures are for the year 1950: additions during the year 1950 it should read; and the retirement during the year and the conversions during the year. Reading the whole thing the figures show that December 31, 1950—



Mr. FRASER: What does that mean?

Mr. GORDON: It is the first item, passenger-freight: 1,955 December 31, 1949; we added 7, we retired 36 and we converted 1, that leaves us with 1,927 as of December 31, 1950. Your point I understand is that, using the same analysis as for box cars, it shows that we lost 1,200 cars.

Mr. HELME: Approximately 1,200.

Mr. GORDON: Yes.

The CHAIRMAN: And the point is that during that year you had additions of 116 box cars, that is shown on page 40.

Mr. HELME: Will that include any equipment you acquired from the Temiscouata Railway on the first of January last year? I see there is a footnote there on page 40 which says you acquired 117 units; of course, that would not be new.

Mr. GORDON: No, it is not new.

The CHAIRMAN: Yes, and I think if you will look at page 12 you will see that there were 60 for Newfoundland.

Mr. GORDON: Yes. I think the real point is this. These are accounting figures, adjusting our stock. The real point is, I think, that we did retire over 1,000 cars during the year 1950. We had orders placed for 5,000 box cars and if we had had normal deliveries they would have been sufficient to compensate our retirement. Now, in placing our orders for box cars we have to keep in mind the exigencies of traffic and the number of box cars due for retirement; and the number of box cars due for retirement was one of the factors that led to our conclusion that we needed 5,000 box cars when we looked at the situation last year.

Hon. Mr. CHEVRIER: I think the overall position is that the Canadian National Railways has improved their number of box cars since the end of the war by about 5,000. The figures I have indicate that in 1945 they had 61,345 and in 1949 they had 69,960.

Mr. HELME: For the last 25 years I remember that we always had difficulty in getting stock and box cars, particularly box cars with which to handle the harvest. We always had difficulty along around the end of the year.

Mr. GORDON: There is always a back log which will cause difficulty, no matter what system you may have.

Mr. HELME: Yes, when you have your harvest in the very best of shape it frequently happens that you are short of cars for loading. I had some 16 years in that particular kind of business myself, and I know that we have always had difficulty in meeting the situation out there.

Mr. GORDON: Of course, when you take a 25 year period you will also get situations where during a period of depression you have a large surplus of box cars. It is always quite difficult to keep rolling stock available for a peak demand. If you were to keep your eye on the peak you would very much over-stock your railways.

Mr. HELME: But we seem to have had particular difficulty this year. There has got to be an improvement somewhere if we are going to get this crop out.

Mr. GORDON: I repeat, there is nothing here that shows that as far as the Canadian National is concerned there is a shortage of box cars, or that that is a material factor in the emergency situation. Each year we have a big problem in moving the grain crop. That is one of our big problems, there is no doubt about that. It is a big problem moving grain at any time.

Mr. KNIGHT: As I said, Mr. Chairman, it is a more or less chronic condition, particularly in years when you have a big crop. I do not want to go back too far, but I remember vividly in 1916 the huge piles of wheat out on the stubble



with the horses pawing it over, and so on. Wheat was not so valuable that year, that was wheat that could be rained on, and snowed on, and pawed over, and it still would be not suffering any particular damage. Wheat this year is different, this is a bad year. I think Mr. Helme and I are vitally interested in urging upon the railroad, and upon this government, that this is an urgent situation, a situation which needs attention.

Hon. Mr. CHEVRIER: I think my comment in the House the other evening showed that it was getting more than ordinary attention when I said that a committee of transportation agencies had been established for the purpose of dealing with the movement of wheat both by the railways and by steamships; and because of the representations made by the Minister of Trade and Commerce to us arrangements are now available for the movement of wheat on the lakes just as soon as the navigation season opens.

Mr. KNIGHT: I think the minister made that statement. I hope he will forgive me for stressing the urgency of the situation.

Mr. GORDON: May I just make this point. I was not discussing the general problem of the western wheat crop. That is being handled by the wheat board. The only question for which the C.N.R. is answerable is whether or not our facilities have been adequate to meet the request of the wheat board. I say to you that by and large it has been; there have been periods when that has not been the case. I can also tell you that during the latter part of last year we had over 2,500 box cars tied up full of grain we could not unload because of the congestion at the lakehead elevators, and there was nothing we could do about that. I am simply pointing out to you, as I have already said, that wheat constitutes one of our greatest problems; it is one of our biggest headaches. And I say, so far as my responsibility to this committee is concerned, I am simply pointing out to you that in dealing with the requests that have been made for our equipment we have a good record, but there are other difficulties in connection with it that are not our responsibility.

Mr. KNIGHT: Mr. Chairman, may I be permitted one more observation? I see it is almost one o'clock. Reference has been made to the fact that it is difficult to obtain box cars; I mean, due to the shortage of materials, and so on. Might I ask the minister what action the government is taking to see that the car companies who are supplying the railroads get the steel?

Hon. Mr. CHEVRIER: My deputy minister is chairman of a committee which is handling that matter and he is going to Washington this week to deal with that very matter, so the question is being carefully looked into by the government.

Mr. KNIGHT: That is fine.

The CHAIRMAN: Gentlemen, we will adjourn until 4 o'clock.

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#### AFTERNOON MEETING

The CHAIRMAN: Gentlemen, we have a quorum.

Mr. McLURE: Before you start, Mr. Chairman, I would like to ask one question of the president. Who was responsible for the artistic design of this report?

Mr. GORDON: The artistic design of this report was worked out by the Public Relations department in charge of Mr. Lash. He has under him two or three very talented individuals, particularly Mr. A. B. Smith and Mr. Bernard Holmes, who are responsible for all of the layout and printing work in relation to the report. I am very glad you mentioned the matter because, personally, I think it is an excellent presentation.



Mr. McLURE: I can agree with you.

Hon. Mr. CHEVRIER: The gentleman is here.

Mr. GORDON: Mr. Lash, please stand up and take a bow.

Mr. McLURE: I think he should.

The CHAIRMAN: Some questions were asked of you this morning. Have you any material ready, Mr. Gordon?

Mr. GORDON: I have the information in regard to the original date of appointment of the Canadian National Railways directors. Mr. Wilfrid Gagnon was originally appointed on October 1, 1936. Mr. H. J. Symington, on October 1, 1936. Mr. B. L. Daly, on October 1, 1936. Mr. J. A. Northey, on July 12, 1939. Mr. R. B. Brennan, on November 1, 1944. Mr. W. J. Parker on November 1, 1949, and Mr. D. Gordon, on January 1, 1950.

Mr. FULTON: Thank you, Mr. Gordon.

The CHAIRMAN: If there are no further questions in regard to box cars, shall we carry on with "Operating Revenues, freight rates."

Mr. FRASER: Mr. Gordon, in regard to box cars there is an item at the bottom of "Operating Revenues", entitled "Government Interest". I notice there is a drop this year as a result of a drop in the interest rate. Is that owing to your refunding, or to what?

Mr. GORDON: That merely represents the fact that the amount of loans from the government is less than the average during 1950 than it was in 1949. Certain of these loans that we have direct from the government matured in various forms, such as in hire-purchase agreements. The same rate of interest was charged; but the amount of money which we borrowed from the government was less than before.

The CHAIRMAN: I know that many members of the committee will want to ask questions in regard to the present capital structure of the railway. In looking over the material I would suggest that that discussion should come under paragraph 3 of the forwarding letter, and that we should reserve all our questions until we reach that paragraph.

Mr. FULTON: There is a possibility, is there not, of discussing that matter under the paragraph having to do with the Royal Commission on Transportation, which occurs just before that.

The CHAIRMAN: Yes, but we might get involved in other discussions if we left it to come under the Royal Commission on Transportation. So, if the members of the committee are agreeable to that suggestion, I would ask you to hold your questions.

Mr. FRASER: Very well, Mr. Chairman. I shall let it go, and Mr. Gordon can answer it at that time.

The CHAIRMAN: "Freight rates."

Mr. FULTON: On the freight rates section, Mr. Gordon, can you tell us what the total percentage of increase will be for the year, if the application of the Railway association of December 21 is granted? You have given us the percentage up to the present as compared with the percentages for the United Kingdom and the United States. Can you tell us what the total percentage would be?

Mr. GORDON: In the sentence immediately before that, the effective increase—

Mr. FULTON: Yes.

Mr. GORDON: —has averaged about 35 per cent. Now, with the 5 per cent increase, the best figure we can give at the moment is that the nominal percentage is 45.2 per cent, and 5 per cent of that would give a further nominal



increase of 7.26 per cent above 1922-48 levels. What that will mean in effective figures we cannot tell until we see how the 5 per cent is distributed. But I would guess, roughly, it would be of the order of 2½ per cent effective increase.

Mr. FULTON: You have other increases averaged. I am looking at the paragraph at the bottom of page 6 where you say:

On December 21, following upon the decision rendered by the arbitrator appointed under the Maintenance Railway Operation Act to settle the dispute with non-operating employees, the Canadian National joined with the Railway Association in making application for a specific increase of 10 cents per ton on coal and coke and a general increase of 5 per cent on other freight traffic, the increases to be effective immediately. Concurrently an application was made for such further increase in freight rate as may be required to off-set the additional operating expenses which will result from the inauguration of the 40 hour week on June 1, 1951, the increase to take effect on that date.

Mr. GORDON: That is quite correct.

Mr. FULTON: Are you able to attach a percentage figure to it?

Mr. GORDON: We made our application before the Board of Transport Commissioners in two parts. Part I was for a specific increase of 5 per cent; and in Part II we reserved our right to make an application for a freight rate increase when we established what the 40 hour week would cost us. We are not quite ready for that case yet. Our committee is still studying the effects of different economies and different operations arising out of the 40 hour week. But we intend to press for a hearing as soon as possible before the Board of Transport Commissioners and at that time we will put the percentage figure before them.

Mr. FULTON: Would you not, perhaps, want to modify your statement that an application was made? Should you not say, that, perhaps, notice was given of an application?

Mr. GORDON: Well, it is a matter of expression. Perhaps that would have been more correct. But, in point of fact, the form of the application was that we did split it in two parts. We made an application for a specific increase, and we made an application for an increase which was to be determined when the 40 hour week figures were available.

Hon. Mr. CHEVRIER: You did so in order not to have to make a further application later on?

Mr. GORDON: That is right.

Mr. FULTON: Does that mean that the decision on the 5 per cent application will be deferred?

Mr. GORDON: We hope not. You will observe that at the top of page 7 I stated that the board reserved judgment. We had hoped that they would deal with the 5 per cent case immediately, and would deal with the second part of our application as being a part of the same case.

Mr. FULTON: Have they given you any date yet, or any indication as to when you may expect it?

Mr. GORDON: No. They have not named a date for the second part. But early in May we expect they will hold a hearing when they will listen to us and when a date may be set.

Mr. FULTON: But they have not given any indication as to when you might expect their judgment on the other part?

Mr. GORDON: There has been no official indication, I think.

Mr. FULTON: Have you figures which would tell us what a percentage increase of 10 cents a ton on coal and coke would be if allowed?



Mr. GORDON: You mean expressed in percentage of freight rates over-all?

Mr. FULTON: Yes.

Mr. GORDON: Or of that particular freight rate?

Mr. FULTON: It has always been kept separate, so perhaps it should be of that particular freight rate.

Mr. GORDON: It should be for the particular freight rate. Yes, we could get that information for you. The difficulty is that there is a great variety of coal rates, you see, depending on the quality and the kind of coal in the different areas in which the operations take place. If you are interested, we could get an average figure of what the ten cent increase means.

Mr. FULTON: If it would not make too much work. You will see figures comparing percentage increases in the United States and the United Kingdom, and they are frequently used. So if we could have it expressed in a percentage form, I think it would be helpful.

Mr. GORDON: If you would leave it with me on the basis of my establishing what I would call a sensible reply to your question, I shall do that, because I know there are some qualifications which will have to be made in respect of making an over-all percentage. I shall undertake to get you a statistical answer which should give you the material you are looking for.

Mr. FRASER: I wonder if Mr. Gordon could tell us the estimated loss of revenue on account of the reduced freight rates in Newfoundland?

Mr. GORDON: Yes, I have that.

Mr. FRASER: That is, for 1951?

Mr. GORDON: I think it is around \$1 million, but I shall check that. The best estimate we have now is \$768,000 per annum.

Mr. FRASER: \$768,000 per annum?

Mr. GORDON: Yes, \$768,000 per annum.

Mr. FRASER: That is, with the present equipment, or with new equipment that you will be putting in there? There would be a difference, would there not?

Mr. GORDON: I do not follow that.

Mr. FRASER: Well, if you put new equipment in there, which is something which you are constantly doing, that would increase it, would it not?

Mr. GORDON: It does not necessarily follow. We are basing our estimate on being able to handle all the volume of traffic available to us.

Mr. FRASER: With the new equipment?

Mr. GORDON: Yes. We take all the traffic that we can handle and we figure on that basis that the loss would be somewhere around that order, on the present volume of traffic. If the volume of traffic substantially increases, we would handle it with new or old equipment; then the amount of reduced revenue, so to speak, will increase.

Mr. CARTER: Has the Newfoundland government made any representations for reimbursement on account of the overcharge, before the new rates went into effect?

Mr. GORDON: "Overcharge"? I am not aware of any overcharge.

Mr. CARTER: Did not the Board of Transport Commissioners rule, after considering a brief, as I understand it, that the rates charged were higher than was constitutional under the terms of union?

Mr. GORDON: No. What actually took place was that the Canadian National Railways applied charges to the best of their knowledge and ability at the time of Confederation and those charges, those freight rate charges, were considered by the Board of Transport Commissioners at that time and approved. But later on an application was made by the Newfoundland government, and in



the light of further information and evidence, up to that date, the Board reversed the other decision and established a new scale of rates which was lower than the scale of rates before. But there is no question in law or in fact that there was an overcharge which was recoverable. It was merely a new decision in regard to the freight rate level.

MR. CARTER: But I understood that at the time of Confederation, when these terms were being worked out, the people who negotiated the terms on behalf of Newfoundland understood that the Maritime freight rates would apply to Newfoundland and that after Confederation became a fact, these Maritime freight rates did not apply. The rates charged were higher. Is not that correct?

HON. MR. CHEVRIER: Perhaps I might say that under the terms of union it was envisaged that the maritime freight rates structure would apply, and that is what the Canadian National Railways attempted to put into effect. The Board of Transport Commissioners held that it should have been a lower rate; but the fact is, and the law I think, that freight rate adjustments are never retroactive; and this is illustrated by the 21 per cent increase granted back in 1948. In that matter an appeal was made from the decision of the board to the Governor in Council, and the Governor in Council instructed the board to review its decision. The board did review its decision and revised the 21 per cent award downward, and there was no question there of retroactivity so far as the increase was concerned or of reimbursement by the Canadian National or the Canadian Pacific so far as the revision was concerned.

MR. GORDON: If I may just add to that, the board in its decision emphasized that in ordering the reduction they did not wish to imply that the Canadian National was being criticized in any way for their interpretation of the terms of union.

MR. CARTER: I am glad to have that cleared up. Has Mr. Gordon any further information on the results of the operation of the Newfoundland Railway?

MR. GORDON: Yes. For the year 1950 our total deficit for the Newfoundland district, as a result of operations, shows \$3,002,314. That does not include the subsidiary of \$1,250,000 which was paid to the railway on the coastal operations. Without that subsidy our deficit instead of being \$3 million odd would have been \$4,252,314.

MR. CARTER: Can you tell me what valuation was put on the Newfoundland property?

MR. GORDON: There is no valuation in the books of the company respecting the Newfoundland railway, that is, as we took it over at the time of Confederation. Anything we spent on it since would be shown on our records.

MR. CARTER: Don't you consider the Newfoundland railway as part of your property?

MR. GORDON: Yes, but we did not transfer onto the books of the Canadian National Railway system any figures for the property; in other words, the government did not charge us for the railway, they just turned it over to us.

MR. CARTER: That is right, but still what they turned over represented something, it had some value.

MR. GORDON: I do not know what the valuation is on an asset that loses money.

MR. CARTER: We were losing money on its operation too, but in the property you took over there was a certain physical property in the form of cars, engines, rail lines and associated property.

MR. GORDON: That is right, but if it loses money I do not know how you can capitalize its value.



Mr. FULTON: After all, all the railways which now go to make up the Canadian National system were losing money, they were bankrupt.

Mr. GORDON: I beg your pardon, that is not so. The Canadian National Railway has never lost money on its operating expenses. Our trouble is in this burden of debt. What we are talking about here is the operating result. The Newfoundland railway on all its operations has shown a deficit. Now the Newfoundland railway, as a part of the terms of union, was turned over to the Canadian National for operation without cost and we did not set up in our books any valuation for it.

Mr. FULTON: I would like to keep the record correct. I did not say that the Canadian National Railway is showing a deficit. I said that the Canadian National system came into existence as the result of the amalgamation of a number of railways many of which were or were about to become bankrupt.

Mr. GORDON: That is right.

Mr. FULTON: They were in terrible state, but surely there was some valuation placed on their assets, was there not?

Mr. GORDON: That is exactly the point we got to when we were talking about re-capitalization proposals before the royal commission, these particular debts of the bankrupt railways to which you refer which were moved over onto the balance sheet of the Canadian National Railways; and that is one of the reasons that today we say that our fixed interest burden is unfair. That does not apply in the case of the Newfoundland railways which were transferred to us without cost or debts. We took over the physical assets and commenced operations. In respect of the 1923 amalgamation of the C.N.R. however there were three kinds of debt outstanding in the hands of the public and elsewhere for these bankrupt railways, and on being taken over by the Canadian National Railways system the holders of these particular bonds were paid.

Mr. FULTON: And in your argument you make a distinction between the situation and that of the Newfoundland railway. In the one case the debt taken over is shown while in the other case you just took over and were ready to operate it and therefore you have no capital entry with respect to it.

Mr. GORDON: That is correct. If there had been, for instance, any outstanding debt in connection with the Newfoundland railway there might have arisen a question as to whether or not that could have been transferred to the books of the Canadian National. I would have thought that if an attempt had been made to do that the Canadian National Railways might have objected; but in connection with this case no objection arose because the railway came over to Canada under the terms of the union and the physical property was turned over without cost to the Canadian National for management and operation; these are the operating results to which I am referring; and without allowing or attempting to get any interest on the money invested, the actual operation of the railway for the year 1950, the money we spent in running it less the revenue which we obtained for the operation, showed a deficit of \$3,002,314, and in addition we were subsidized to the extent of \$1,250,000 for the coastal service.

Mr. CARTER: Do you not think the railway itself, the rolling stock and so on, which you took over, should be shown at some value?

Mr. GORDON: We show it in our physical inventory as part of the railway's rolling stock. We include what we have in Newfoundland, as a matter of statistical record, but it does not get into our balance sheet as showing any value as far as the balance sheet is concerned.

Mr. CARTER: What about the steamships? Do you include those? You took them over to operate too, did you not?



Mr. GORDON: They were shown on our inventory on the same basis as the rolling stock. You will see that in our annual report on page 40, under floating equipment; you will see 14 steamers and they include the Newfoundland boats or vessels.

Mr. CARTER: Surely these represent some other value, do they not?

Mr. GORDON: I think we are talking of two different things somehow or other. I don't quite follow your question, Mr. Carter. What we did was, we took over the railway, the government gave us a number of locomotives and rolling stock and so forth, and gave them over to us to operate. There is the system, the Newfoundland railway system; and they said to us: you operate it. And these are the results which I have just given you.

Mr. CARTER: Surely that gift the government of Newfoundland gave the Canadian National Railways at that time represents something in the way of monetary value, it increased the value of your property did it not?

Mr. GORDON: No, not as a result of operating; it represents a loss.

Mr. CARTER: I cannot follow that. If I owned a steamer and if I operate that steamer at a loss and still if I can sell that steamer for a quarter of a million dollars or a half a million dollars, it has that much value, does it not?

Mr. GORDON: Well, now you are talking about liquidation values, winding it up.

Mr. CARTER: I do not care what you call it. The government of Newfoundland turned over the property to the Canadian National Railway, surely it has some monetary value. Whether you operate it at a profit or not I still maintain that it has some value.

Mr. GORDON: Perhaps I might make it clear in this way, from the bookkeeping point of view. If the Dominion of Canada had paid Newfoundland a sum of money for this property, then in turning it over to us that amount of money would appear on our books. Now, to the extent that they bought any properties they would appear in our books, but in this case, in accordance with the terms of union, we took over the railway without cost and operated it, the railway and the ships, and there was no money exchanged between the Dominion of Canada and the government of Newfoundland; therefore, there was no book entry to make. Now, when we bought ships to increase the coastal services there was money paid; the government paid some money at that point, and there is an entry shown in our books. When we pay out any sum of money there is always an entry in our books.

Mr. CARTER: I understand that.

Mr. GORDON: When this railway was turned over to us there was no money paid and therefore there is no book entry.

Mr. CARTER: I cannot follow you on that. Don't you set up any value in your books with respect to property which you acquire; has it no value?

Mr. GORDON: I am not saying it has no value. I am merely saying that a valuation as such is not recorded on our books.

Mr. CARTER: I am not worried whether it is recorded on your books or not. I am trying to find out what it would be worth if you had had to buy it and it represented a capital investment. Surely it represented a capital investment on the part of someone?

Mr. GORDON: That would call for an evaluation of the existing railroad, rolling stock and so forth. That would be a big job and it would accomplish nothing, apart from satisfying a certain amount of curiosity.

Mr. CARTER: No evaluation has been made on the property?



Mr. GORDON: No evaluation as I said, so far as I know, has been made on it. There was no evaluation of it, nor was there any valuation on the books on the Newfoundland government, nor did they express any valuation when they took over from the Reid-Newfoundland Company.

Mr. CARTER: In any case, before it was taken over by the Canadian National Railway it represented capital value to the Newfoundland government, their capital outlay did not disappear; I mean, that the Newfoundland government put money into it; it cost somebody money to build the railway and to keep it going.

Mr. GORDON: No, it was carried at no real value in the books of the Newfoundland government so far as we know.

Mr. CARTER: That is a very strange state of affairs.

Mr. GORDON: Perhaps I could answer that by saying that there are strange things happen in Newfoundland.

Mr. KNIGHT: Would Mr. Gordon be prepared to say what the Canadian National is worth?

Mr. GORDON: Certainly not, no. I mean, the books of the Canadian National in regard to its property investment account is an historic figure which stands at whatever was on the books of the bankrupt companies when we took them over—to put a valuation on the Canadian National system, I suggest, would be a colossal undertaking.

Mr. CARTER: Does it not appear on your inventory?

Mr. GORDON: The equipment does appear on our inventory, yes.

Mr. CARTER: I mean, its value.

Mr. GORDON: No, we show on our inventory all the physical assets, the number of items—box cars and so on—

Mr. CARTER: But part of that is new equipment, the new equipment would be shown as having value?

Mr. GORDON: Oh yes, as equipment delivered or received, that would be on our inventory. It goes into our books when we spend money for it. Anything that costs the Canadian National system money when we buy it is shown in our books.

Mr. CARTER: Whether you show it in your books or not it cost somebody a lot of money; they didn't just go out and pick it up—it is worth something to someone. I see from the report here, that in your operations 80 per cent of your revenue is from freight. I was wondering with regard to freight if you could tell me how much of the Newfoundland freight was re-routed over other lines last year?

Mr. GORDON: How much of the Newfoundland freight was re-routed over other lines?

Mr. CARTER: Yes.

Mr. GORDON: You mean steamship lines?

Mr. CARTER: Yes. I understand there was a considerable amount of freight that the Canadian National Railways could not deliver at North Sydney, did not deliver, and instead of sending it over your own lines you took it to Halifax and then transferred it to other shipping companies who brought it in and landed it at St. John's and made the Canadian National Railways liable for rates, claims and damages, et cetera.

Mr. GORDON: I did not quite understand what you were getting at at first but I think there was a period of congestion at North Sydney so that we were forced to re-route some traffic through Halifax and have it handled by private steamship companies on a deal as to rates and so forth. I have not that figure before me but perhaps we could obtain it, I do not know. You see, that is



equivalent to the sort of thing that goes on all the time in regard to interchange of traffic. We interchange traffic with a number of railways across the North American continent. We do not tie these things down into separate compartments but if you are particularly interested in obtaining this figure—

Mr. CARTER: I am not particularly interested in the figure, but it does represent a charge on the Canadian National Railways which otherwise would not have occurred?

Mr. GORDON: It does represent a charge in that we have to pay part of our rate to private steamship companies, and we would have that money if we could have handled the traffic ourselves, but we could not do that without additional equipment which would have cost us large capital expenditures.

Mr. CARTER: But it did contribute to the debt figures?

Mr. GORDON: Well, it reduced the revenues, yes.

Mr. CARTER: I am just about finished. There are one or two other comments I would like to make. The wording of this paragraph 4 I think is a little unfortunate. The quotation there that is taken from the report of the Board of Transport Commissioners, I presume, singles out the Newfoundland railways as a burden quite apart from other operations. What I mean is it reflects on the province of Newfoundland, it alludes to the railway's operations as an extra burden. I do not think that is the only burden or the only operation that you have that is not a paying one.

Mr. GORDON: That is a question of fact, that the board recognizes in its judgment, that is all.

Mr. CARTER: Then is it a fact that the Newfoundland operation is the only one that does not pay, the only one which is a burden to the Canadian National Railways?

Mr. BENEDICKSON: No. You used the term yourself, an extra burden.

Hon. Mr. CHEVRIER: Is that not the reason why the Royal Commission recommended that the financial requirements be taken out of the Canadian National Railways' accounts and voted in the estimates?

Mr. CARTER: I still think it is an unfortunate wording because there are other factors to be balanced against that and one factor is that whether the Canadian National Railways recognizes it or not the Newfoundland government did at some time put considerable investment in the Canadian National Railways which, had the Canadian National Railways to buy or replace it, would require a considerable investment and the interest on that would amount to a considerable sum. And there are other factors too. I think one of the factors contributing to this deficit is your remote control from Moncton. Now, Newfoundland has problems that do not exist in other provinces and especially in the coastal operations and I do not think you can expect an organization centred in Moncton to be familiar with these problems, and to operate as efficiently as it could be operated under the old system where it was a separate operation entirely managed from St. John's. I think your remote control, your particular organization framework is responsible for some of that deficit. Another point is that the quality or the frequency of the service is such that commercial firms find it more profitable to go out and bring down their freight in small schooners—freight that should be carried by the Canadian National Railways. But they cannot have their freight lying on a wharf in Port aux Basques for a week or two and so they go to Halifax and Sydney and bring it in themselves. If, however, the frequency was doubled you would be carrying more freight and that would decrease the deficit of the Newfoundland railways.

Mr. GORDON: I do not know just what is intended here, whether it is a criticism of the management or is intended to be a general dissertation in regard to Newfoundland operations. If it is the first, then I say that I must reserve



to Canadian National Railways management the right to determine the best way to run our operations in Newfoundland. There can be endless arguments and differences of opinion about that, but all I can do is to say that in the opinion of my officials and in my own opinion after looking very carefully at the organization that the method of organization we now have which involves divisional supervision from Moncton but nevertheless includes local Newfoundland management as well is the best and most efficient method we see of running the railway. I think I must ask the committee to accept that or else expose us to the criticism of bad management. I do not think we will ever agree on it because I think the views of Mr. Carter and our officials will never meet.

Mr. FULTON: But I am sure you are always ready to listen to representations.

Mr. GORDON: Of course, and I think that Mr. Carter will agree we do that in great detail. The second is in respect to the service I can say in a general way that the service on the Newfoundland railway and what we have in mind for improvement in the service has already shown a very marked improvement compared to what we inherited. We inherited a situation, we spent a terrific amount of money improving the service, the roadbed and so forth, and there are large expenditures in connection with the ferry and other facilities which certainly cause Newfoundland no legitimate or valid reason for complaint at all. I took occasion, as a matter of interest, to look over our capital expenditures. In looking at the Newfoundland district especially, the amount of money which we are budgeting for in respect to the Newfoundland district is very much greater than we are expending in any other part of the system on a relative basis. Certainly there can be no suggestion that we are starving Newfoundland. The reverse is the case.

Mr. CARTER: I think that Mr. Gordon quite misunderstood me. I am not criticizing the management. I am just saying that here you make a statement or at least you take a quotation from the report of the Board of Transport Commissioners and you incorporate it in this report which goes across the nation and it looks as though the Canadian National Railways have been saddled with all this extra burden as a result of Newfoundland coming into confederation. I tried to point out that there are other factors to be considered, too, which are not stated here. I mean, you do not give the other side of the story, and it is possible that some of this deficit is not entirely due to the nature of the operation itself but is due to the other factors which I have tried to enumerate.

You admitted yourself that the re-routing of this traffic through the other ports also increased the deficit.

Mr. GORDON: There is hardly a section of the railways where in one way or another we do not have to adopt emergency measures. In British Columbia, for example, we have rock slides which mean the re-routing of trains and substantial additional expenses for operation have to be incurred. We deal with geographical and climatic factors as we find them. There is always something happening on the railroad and sometimes I often think it is something wrong; but there is always something happening, I can assure you of that. But if we have in British Columbia a rock slide we do not hesitate to re-route over the Canadian Pacific Railway and the Canadian Pacific does the same with us all of which involves the expenditure of extra money. The same thing is true in your case. Due to the severity of the winter or the lack of equipment we could not handle the volume of Newfoundland traffic. The traffic reached unprecedented size immediately following confederation and we decided that we would use all the other facilities we could find to handle the traffic just as we do in British Columbia. That statement is not a reflection on Newfoundland. It is merely a statement of fact.



Mr. FULTON: Perhaps there is an offsetting advantage to any difficulties you encounter in Newfoundland because you are able to advertise as being the only railway that serves all ten provinces. You certainly use that statement. It is printed and published all across the country.

Mr. GILLIS: Is it not true that there are other sections of the system that have handicapped the Canadian National Railways to a greater extent than the Newfoundland railway? For instance on other lines you took over all the funded and bonded debt on which interest is accumulating in fact all over the system, but when you took over the Newfoundland system you took over no bonded debt or no interest.

Mr. GORDON: We have never hesitated to point that out, and if you look at my submission to the Royal Commission on Transportation, I referred very specifically to the burdens put on the Canadian National Railways in fixed charges, et cetera. That went out all over the country and it was a perfectly honest statement. There was no intention of making any invidious comparison.

Mr. GILLIS: I think that is what worries Mr. Carter. He thinks you got a good deal in taking that railway over without any bonded debt or interest in comparison with other sections.

Mr. GORDON: If I have been a little too defensive in my answers, Mr. Carter, I apologize. I am sensitive with regard to Newfoundland because we have heard such an awful lot about it.

Mr. CARTER: And you are going to hear a lot more.

The CHAIRMAN: Any further questions on freight rates?

Mr. FULTON: Could I come back to the question of the five per cent increase for which the railways have applied. It is stated in the report that on January 25 the board reserved judgment on that part of the application which related to the five per cent increase. Could you tell us whether you have an estimate of the monthly loss which you are incurring as a result of not receiving that five per cent increase?

Mr. GORDON: It would run roughly, I am informed, to about \$1,100,000 per month.

Mr. FULTON: And judgment has now been reserved for nearly three months?

Mr. GORDON: Yes.

Mr. FULTON: I draw attention to that because my recollection of the report of the Royal Commission on Transportation is that, while perhaps it was not directly critical, it left no doubt that in the opinion of the commissioners the Board of Transport Commissioners itself had not given judgements with the speed that the importance of the economic factors warranted. Are you aware of any steps being taken to correct that situation?

HON. Mr. CHEVRIER: The report has been drawn to the attention of the chairman of the Board of Transport Commissioners and therefore he is advised of the recommendations. Of course, the Board of Transport Commissioners, as Mr. Fulton knows, is a court of record. They may decide to throw out the application altogether. They may decide to grant two per cent of it. They may decide that an interim judgment is not warranted—under all the circumstances. It is pretty hard to gauge or guess what is in their minds, but they have the report of the Royal Commission on Transportation and they know what observations were made in the 21 per cent case, where a judgment was not handed down for almost two years.

Mr. FULTON: The minister used the term interim judgment. I understand that with respect to the five per cent increase, when the judgment is given it will be a final judgment.



Hon. Mr. CHEVRIER: I mean interim judgment as far as the application is concerned. The application is for five per cent plus what might be additional because of the implementation of the forty-hour week. If they deliver a judgment on the five per cent case, that part of the application is an interim judgment to my mind.

Mr. FULTON: I understand that with respect to the five per cent case it was presented in such a way that the judgment, whether favourable or adverse, might be given without prejudice to any other part of the application. Or is there another factor the determination of which is holding up the final judgment of the board with respect to that five per cent application?

Mr. GORDON: The railways submitted the application in two parts, part one covering five per cent specifically and part two to leave the application on a basis where we could bring forward everything in due course caused by the implementation of the forty-hour week. We hoped and expected that the five per cent definite application would be dealt with as a separate factor and we could have a decision on that, but that does not prevent the board from taking another view. The board in hearing the evidence might do that, I do not know, but it is quite within the jurisdiction of the board that, having heard the evidence it might not concur with us that we had made a case. I do not know why they reserved judgment; they did not say. It might be that they are in the frame of mind that we did not prove a case at all. It certainly would be within the Board's jurisdiction I think to take that attitude.

The CHAIRMAN: I think Mr. Gordon's answer covers your point reasonably well. I would suggest that while the matter is before the Board it is perhaps not proper for this committee to discuss it.

Mr. FULTON: Certainly not to discuss the merits; I quite agree with you. I was directing my remarks to whether the decision—

The CHAIRMAN: I think that has been fully answered and that is why I suggest that perhaps it might not be well to pursue that point.

Mr. FULTON: I do not know that it is fully answered but there are other parts of the report where we can come back to it.

The CHAIRMAN: Is that a threat or a promise? Are there any further questions?

Mr. THOMAS: Yes, just one. I see they have an average increase of 35 per cent in their freight rates. I wonder if that could be broken down in areas—for example the percentage of increase in the maritimes, the percentage of increase in central Canada, and the percentage of increase in the prairies?

Mr. GORDON: I would not think that would be feasible. It represents horizontal increases right across the board, subject to certain exceptions, and it would mean an analysis of every item of freight. I think it would be out of the question.

Mr. CARTER: In paragraph 1 it says the passenger revenue has declined 7·8 per cent?

Mr. GORDON: What is that?

Mr. CARTER: Paragraph 1, under operating revenue.

Mr. GORDON: Passenger revenue, yes.

Mr. CARTER: Yes.

Mr. GORDON: You will see on page 7 at the bottom of the page: "Both the number of passengers carried and the average length of journey declined during the year, passenger-miles showing a reduction of 13·1 per cent. This is mainly attributable to interruptions in train service"—that would cover the strike as



well as the coal shortage, etc—"in addition to reduced tourist and travel expenditures, and the increase in use of motor vehicle and air line transportation".

You will recall that in the early part of 1950 there was curtailment of passenger service due to the shortage of coal, and that is reflected in the figure.

Mr. CARTER: A large percentage?

Mr. GORDON: It is a large percentage, perhaps a disturbing percentage.

Mr. MACDONALD: Would Mr. Gordon be inclined to comment on what means are being taken to reduce this percentage of loss?

Mr. FULTON: Particularly when, I might add, there was the same experience last year. I have last year's report before me and you said there was a drop of 8.5 per cent in the passengers carried. I would like to associate myself with the question asked by Mr. Macdonald as to what means you can see, if any, to boost your passenger traffic?

Mr. GORDON: The general question of building up our passenger income or passenger transport is one of the most difficult questions before the railway management today. I think I can say frankly it represents the impact of competition of alternative forms of carriage, particularly highway competition in the form of busses. The air line competition is not as serious because it represents sort of a luxury type of competition although it does take traffic away from the high capital valued means of transportation we provide. In other words, where we lose substantially is that in trying to compete against air lines we provide 'super-duper', luxury type equipment in the form of what we call 'rear end equipment'. That is a peculiar expression to me but it is a railway term. I do want to suggest to you that our rear end equipment is very comfortable, but I was looking over some figures the other day and the air lines are still only taking a little better than 1 per cent of the passenger traffic. The big competition is in the form of the individual motor vehicle and we just cannot meet and never will be able to meet the degree of flexibility and convenience there is for the man operating and riding in his own automobile. That is of course growing.

On the question of busses the volume of movement is serious competition but there we are handicapped by a number of factors. We are handicapped by the fact that we find it very difficult to get co-operation in the matter of running busses here and there, where we think they might add to our volume. Every time we wish to abandon a railroad and give better service by bus we meet all sorts of opposition. We meet it from the residents of that community, and from the government officials who grant the permits.

Mr. FULTON: And also from the employees of the railway?

Mr. GORDON: Well no, I cannot say that is a specific matter that gives us much trouble. I cannot recall having particular representations from employees in that respect. It is just a question of how we meet the competition. Everything we have struggled with so far has been pretty frustrating, I do not mind admitting. So, the question of passenger traffic remains a headache problem for the railway. I cannot see any obvious solution; I think it is a combination of a lot of solutions.

I think we can work out co-operative arrangements between the bus carriers and the railways; I think something of that kind could be done. I think we are entitled, as the royal commission report brings out by implication, to see that competition is at least kept on a fair basis. I can only end up with the rather lame explanation, I am afraid, that the type of competition existing against rail passenger traffic continues to be acute and is likely to become worse rather than better.



Mr. FULTON: Do you estimate any substantial or appreciable loss of your transcontinental traffic to American railways because of various reasons, including the fact that they make the trip in less time than you do?

Mr. GORDON: That becomes a question of preference on the part of the passenger.

Mr. FULTON: I was wondering whether your studies indicate that there has been any loss or whether there has not been any loss for that reason?

Mr. GORDON: That is very difficult to establish. It is something about which you can make assumptions but it is very difficult to establish.

Mr. MOTT: Is it not right, Mr. Gordon, that the Great Northern Railway out of Seattle and Everett on an average is 48 hours faster into Montreal than the C.N.R.?

Mr. GORDON: The operating schedule is faster, but I do not know how much.

Mr. DINGLE: I understand it is from 20 to 24 hours faster.

Mr. MOTT: Well, there is a day there.

Mr. GORDON: The transcontinental traffic in Canada is conditioned by arranging our schedule so as to arrive at the larger centres in the various provinces at reasonable hours.

Mr. FULTON: To the prejudice, I might say, of most of the smaller centres.

Mr. GORDON: It may be, Mr. Chairman, but I have discovered this in life already; it is one problem I have never solved: you cannot be in two places at the same time. I have never been able to do it personally nor with the railroad.

Mr. GEORGE: I hope, Mr. Chairman, that Mr. Fulton does not assume that the Ocean Limited arrives in Montreal from Halifax at a reasonable time?

Mr. GORDON: The transcontinental schedule could be speeded up if it were found desirable to do so but we would have the immediate difficulties of providing reasonable arrival and departure times at the principal intermediate and terminal destinations; and included in that is the problem of making connections with the various trains from other important points, not only criss-cross Canadian traffic but important trains from the United States.

Mr. FULTON: You are not able to say then that there is any way in which you can make an estimate or whether you do in fact lose transcontinental traffic?

Mr. GORDON: I would say it is an assumption that we do. I have made inquiries but it is difficult to assess what motivates the passenger in making his decision. Sometimes it is obvious that a person leaving Vancouver takes the other route to save time, but there may be other reasons.

Mr. FULTON: May I ask you what is the chief factor in arriving at the decision not to speed up the schedule? Is it the difficulty of connections or is it the financial difficulty in the way of better roadbeds, equipment and so on being required, or what is the over-all reason?

Mr. GORDON: The main difficulty is the difficulty of schedules, maintaining connections, and working them out. Mr. Dingle, that is an operating matter. Would you think that is a good explanation of it?

Mr. DINGLE: Yes. These transcontinental schedules have been set, sir, for various reasons over a long period of years. We figure now that what we have is about the best suited to our over-all needs.

Mr. FULTON: Would you dispose for us, Mr. Dingle, of a statement which has been made and which I have never heard answered one way or the other. It has been suggested in this committee in previous years, and outside the committee, that the main reason is that some tie-up exists between you and the C.P.R. in the matter of schedules. They are physically incapable of increasing their time and therefore you are held down?



Mr. DINGLE: I would put it this way.\* Either road is open to adjusting its schedules but it is the practice, at the present time, that we consult one another as to our schedules.

Mr. FULTON: So that is to some extent a joint decision?

Mr. GORDON: Put it this way. There is no agreement existing between the C.P.R. and ourselves in regard to these particular schedules but, as a matter of practical common sense, we check with each other in regard to our schedules because that has a meaning in regard to the interlocking of the traffic coming to these key points. Looking at it again and again, both railways have come to the conclusion that the present schedule is the most practical one all things being considered. It is quite untrue to say that there is any understanding that we will slow down in order to meet their schedule.

Mr. MUTCH: The usual form which the story takes is that, because it was demonstrated the C.N.R. could make six hours faster running time between Vancouver and Montreal than the C.P.R. did—that was in the days of Sir Henry Thornton—an additional six hours have been tacked on to make the service comparable with the C.P.R. That has been told over and over again and it is generally believed.

Mr. GORDON: I have heard of it, enquired into it from a point of considerable advantage, and the story is not correct.

Mr. KNIGHT: There is one special item here on special tariff about which the people of my city are concerned and they have made some protests, including a letter to the minister. I would like to get on the record something that would perhaps satisfy them or answer the protest in this regard. It is about C.F.A. tariff 67, whatever that is. They describe it as a tariff embracing multiple and maximum load cars coupled with severe scale demurrage and detention charges in addition to penalties imposed for cars held beyond free time.

Hon. Mr. CHEVRIER: That was a tariff which was put into effect by an order of the Wartime Prices and Trade Board when price controls were established. Some time in 1945 or 1946—I do not know just what the date was—the Board of Transport Commissioners was authorized to administer the order. There was no application made by the railways for the imposition of the order until quite recently.

Mr. KNIGHT: You mean a re-imposition?

Hon. Mr. CHEVRIER: That is right. Because of the box car shortage the railways made an application to the Board of Transport Commissioners to re-instate the maximum loading order and the board heard representatives of the railways but has not yet handed down its decision. I do not know just what you are pursuing it for. If you are making a point against the application of this order, then I do not understand your position because if there is a serious shortage of box cars and if the situation is urgent in western Canada, then that is a good argument for the imposition of this maximum loading order.

Mr. KNIGHT: We are not at the moment discussing a car shortage.

Hon. Mr. CHEVRIER: But you cannot separate the two.

Mr. KNIGHT: All right. Let us admit that. What I want to know is: What this tariff is and what is its general effect. I want to find out about that.

Hon. Mr. CHEVRIER: I can tell you in general terms that all during the war it applied in this way: that a car had to be loaded to its maximum capacity. The railways want the re-imposition of the order because, from the reports given to me that when the order was in force, there was a greater percentage loading of cars than there is today.

Mr. KNIGHT: These people consider that this is inequitable in regard to what they call the long haul points as compared with short haul points. That is



to say, that at points where they have the advantage of competition through trucks and water, they do not have to put up with this sort of thing. But on the other hand the people in the centre of the Prairie Provinces, at what they call long haul points, have no way of controlling the manner in which these cars are unloaded and taken off to other places. In short, they think that the long haul points have some special consideration, and that this charge is therefore inequitable.

Hon. Mr. CHEVRIER: I have no comment to make on that because it is a matter upon which the board was asked to adjudicate, and it has withheld its judgment.

Mr. KNIGHT: They think that the ultimate result will be an increased price to the consumer because ultimately these things are handed on to the consumer, in the matter of the price of goods.

Hon. Mr. CHEVRIER: I think that penalty charges are mostly in connection with demurrage.

Mr. GORDON: This order originated in the Wartime Prices and Trade Board. It was an order which was specifically directed to produce a greater efficiency in the use of cars, and during the time of its life it did add considerably to the more efficient use of box cars, and by so doing it reduced the over-all price to the consumer. That was the theory of the Wartime Prices and Trade Board order and it did work.

Now, in the present circumstances, what we are concerned with is to get a more efficient use of box cars which are in short supply, so it was felt that a method which proved satisfactory in the war could again be applied at this particular time.

The question one has to ask himself is: have we got an emergency or have we not got an emergency? If we do have an emergency, I suggest we are entitled to use emergency tactics.

It may be that it is not completely equitable in every case. I am inclined to agree that there would not be complete equity and that it might make a difference here and there. But if the big shippers concerned will co-operate with the railways and if we have the order re-instated, I think we can add greatly to removing any particular bottleneck which exists. But we would have to have an order to give us an opportunity to convince shippers that we are serious and that there is an emergency situation.

Hon. Mr. CHEVRIER: Here are the figures. The report I have indicates that the net ton mileage of a loaded freight car today is 29.6. But when the order was in effect in 1944 it was 34 points, a considerable difference. If the maximum loading order were put into effect today it would perhaps go back to higher than 34 points because there is a greater volume of traffic.

Mr. KNIGHT: Is not the fundamental idea of this tariff the result of an earlier release of cars?

Mr. GORDON: Both questions are there. There are two questions. The first is: Can we get better utilization of a car? And the second: Can we get a car released quicker?

Mr. KNIGHT: These people argue that in the case of central prairie points, which are long haul points, this would not serve the purpose of the earlier release of cars, because your cars were released earlier in any case.

Mr. GORDON: This is one case where we can point to a practical example. This order did what it was intended to do during the war and we have the records to show it. In specific instances the burden may be greater in some places than in others. But from the standpoint of the railways, we will do our



best, if the shippers will co-operate. That is, we will not take unfair advantage of the order. We will use the order for the specific purpose for which it was intended, namely, the better utilization of box cars.

Mr. KNIGHT: I am glad to have that on the record because it will give people some understanding of the situation. There is some argument on the other side. I was not pursuing any theories of my own because I have no opinion in this matter. I know nothing about it. I am merely trying to get a statement from the management as to what this is all about.

Hon. Mr. CHEVRIER: Nobody has been affected by it yet because there is no order.

Mr. KNIGHT: But the application for it is before the Board.

Hon. Mr. CHEVRIER: The Board may decide that there is not a sufficient emergency to apply it, and if they do not find that an emergency exists, they will dismiss the application.

Mr. MUTCH: The matter I wish to speak about is related to the volume of rail traffic. It is mentioned here at the bottom paragraph under "volume of rail traffic", and it says:

A decrease of 11.4 per cent in less-than-carload tonnage is, in substantial measure, the result of truck competition.

I wonder if it is determinable, I mean the percentage or volume of LCL tonnage shrinkage in the prairie region? Is that available, and if it is, I would like to have it. And in addition, I would like to ask Mr. Gordon if it is not probable that the shrinkage in LCL tonnage particularly in those areas is largely attributable to the extensive and sharp increase in LCL freight rates and not from competition with other carriers? Competition in the prairie region from trucks is not as sharp as it is in the middle eastern regions. It would be very interesting to have that break-down.

Mr. GORDON: Well, I cannot give you any figure. There has been no figure established as to what the actual diversion of traffic is. We know in a general way that the diversion of freight traffic by reason of highway competition runs into scores of millions per year, and that one of the weaknesses in the present situation is that we have not got the proper statistical background to this problem.

The Railway Association, as I said this morning, is now setting up a transport economist department for the purpose of trying to establish the facts. We have been short of the facts in dealing with this particular problem. I cannot prove what actual amount of LCL freight is lost. We do know in specific instances that when we increase the tariff rates, we keep a sharp look-out for existing traffic and we try to get those rates at a point where they will be competitive.

In other words, if I may put it this way, this is a generalization and therefore I would not want to be held to it specifically. It is a generalization on competitive traffic, but I say that so far as highway traffic is concerned, it is not the rate only that is the significant factor. It is the degree of flexibility and the type of handling, and things of that kind.

Mr. MUTCH: I am interested in a specific form of transport. It is not LCL. I will be much surprised if, as a result of the increase in rates in the prairie regions, you have not lost a substantial amount of business from stock drovers, people buying and selling to the stockyards. That should be readily determined by comparing one figure with the other.

Mr. GORDON: Our traffic department keeps a very sharp outlook for the very thing you mentioned, and that raises the whole question of competitive rates. We do try to keep our competitive rates at a point where we do not



lose traffic. But that does not mean that we do not lose traffic. We lost traffic for other reasons than that, such as by reason of the specific appeal of highway competition.

Mr. MUTCH: If it were possible to buy trucks today in the quantities in which they are required, I think that your LCL freight in the southern part, let us say, of Manitoba would decrease much more than 11 per cent, because of that increase there, and I am inclined to think that, whatever may be the case in the middle eastern and other regions, your loss in LCL freight in the prairie region has forced up transportation there by any means they can use.

Mr. GORDON: You mean the principle that highway competition in the form of trucks is operating against a background of the railway rates structure? We have to set a rate while the truckers have the opportunity and the advantage of being able to meet that rate, and of adjusting themselves to meet it. So we can never be absolutely sure that our rate is competitive until we have tried it.

Mr. MUTCH: Is your competitive rate for LCL freight seriously affected by your responsibility in meeting claims for breakages?

Mr. GORDON: I would say no on that. I do not believe our damage claims form a real factor in respect to the rates, no.

Mr. MUTCH: Your competitors urge that there is a specific loss caused in the matter, brought about by the adoption of certain packing and so on.

Mr. GORDON: Well, that is the sort of thing we do not know. We do not know enough about it. I think that one of the handicaps confronting the railways has been the fact that we do not know as much as we would like about our competitors' business. We have tended to consider very definitely our own particular method of transport, what it means to us, and so forth. But in meeting competition I think there is certainly room for further analysis of highway competition, of what sort of flexibilities we could introduce into railway service and what sort of improved service we could give to meet the competitive quality of service offered by the truckers. There is a limit to what can be done along that line.

And all through the piece we, of course, have been handicapped. I am afraid I am getting into a very controversial subject; but the railways have been very much handicapped by the fact that we have not had too much support in the matter of trying to meet strong highway competition through such methods as the agreed charge, for example.

That legislation went into effect, I think, around 1937 or 1938, and we have managed to make a relatively small number of agreements. But they are so be-devilled by red tape and qualifications and so forth that the railway does not have a chance to use its cost advantages against highway competition. And the same thing is true in lesser measure in regard to competition from trucking. Some of you may recall very well that this problem was the subject of an address I made recently in Montreal in which I said that the question of highway traffic and the question of highway competition in respect of rail traffic is really the major railway problem of today. That is the problem today, and we of the C.N.R. have taken very special action to explore the whole problem and developed a report on it which will be the basis for fuller decision. But, speaking as president of the railway, I have found myself very seriously handicapped in trying to find any solution to the problem because of lack of available statistical material and detail in regard to the highway problems. As I said before, I think that will be corrected very soon; at least so that we will know more precisely what we are talking about. I do not belong to the school of thought which believes that the only way to handle the highway competition is to stifle it. I don't believe that at all. I think it has to be met; it has to be met by the railways by offering alternative accommodation and



services which will be competitive, and to be worked out by agreement with the highway competition in such a way as to enable each method of transportation to do its job. The railway is definitely faced with this problem of highway trucking. There is no question about that, and it is foolish to think anything else about it. I do not think any good purpose is to be served by each one of us in just getting up and screaming at each other. That does not get us anywhere.

Mr. MUTCH: I wonder if Mr. Gordon could give us any information as to how this new idea they have developed is working out; I refer to passenger trains or mixed trains carrying freight as a service to certain branch lines, and things of that sort.

Mr. GORDON: I think the answer to that must be in two parts, Mr. Mutch. The freight traffic rate is set as a rate for freight. If it suits our purpose to carry some of it on a mixed train, passenger or otherwise, that does not affect the rate; that is our operation of the business but it does not affect the rates. It may be more economical in some cases to put it on a mixed train than to provide a specific freight train, but that does not affect the rate. We consider that as freight just the same.

Mr. MUTCH: You sometimes take it on just to fill up a car that is going over the line.

Mr. GORDON: That is right. Now when the volume of traffic is especially light we fill it up by taking freight on a passenger train run, but even when we do so it moves at the established rate.

Mr. KNIGHT: What has the railway run into, if anything, in the form of direct competition in freight hauling on the highways along a given route and things of that sort?

Mr. GORDON: There are some routes where we have some trucking, not very much. We have quite a number of routes under study. We have a number of routes where we are operating, but not very extensively even there. For instance, there is the route from Port Arthur to Geraldton and Longue Lae and Hearst. There is the odd case of truck service competing with the rail haul and using Canadian National transportation equipment. We have the Niagara-St. Catharines—Toronto and Oshawa railways. That covers the bus service but it does not amount to much.

Mr. FRASER: Would that be express or freight?

Mr. GORDON: That would be freight.

Mr. KNIGHT: In those cases it would be rather supplementing your rail service, would it not?

Mr. GORDON: That is right.

Mr. KNIGHT: I mean, rather than entering into competition with your service?

Mr. GORDON: That is right. And in every one of these cases I have mentioned there I would say that the service was really completing the rail service.

Hon. Mr. CHEVRIER: I wonder how this gets in here?

Mr. KNIGHT: What was that the minister said?

Hon. Mr. CHEVRIER: I just said, I wonder how this gets in here—go ahead.

Mr. KNIGHT: Maybe we can find out.

Mr. HELME: I would like to ask Mr. Gordon a question—

Mr. KNIGHT: Do you mind if I finish my remarks, Mr. Chairman?

Mr. HELME: If it is in order, yes.

Mr. KNIGHT: We are here on this committee to make suggestions, even if we are not experts on railway matters. However, I was saying when my



friend interrupted me, that in the little place from which I come where the population is very thick the railways have discovered that they could not stand up to truck competition at all, and really there is power in the board to take over the railways and run them and co-ordinate the competition between the railroad and trucking; there are parts of this country I think where we have almost come to the point where the truck drivers could put the railroads out of business provided the railroads kept their tariffs where they are, unless they get together.

Mr. CHAIRMAN: I wonder, Mr. Knight, if you will put that in the form of a question. You see, it is the policy of this committee that we do not keep Mr. Gordon and his very important staff here any longer than we have to. We keep any discussion we may have until afterwards. I think that at this stage of our committee meeting we should confine ourselves to questions.

Mr. KNIGHT: My question is this, Mr. Chairman: If equitable freight rates are established all over this country are there not certain places where the railroad company, the C.N.R., would find it difficult to meet competition from trucking services which are already in existence? That is the point of my question.

Mr. GORDON: The first part of your remarks are a little difficult to follow. You ask, if equitable freight rates were established. I think we already have equitable freight rates so far as the railways are concerned. If you are talking about competitive rates then I could understand your question.

Mr. KNIGHT: All right.

Mr. GORDON: That brings up the question that the railways, if they are serving specific districts, would either have to go into the trucking business themselves or find some co-ordinating or cooperative method of handling the business.

Mr. MACDONALD: The report indicates "a decrease of 11.4 per cent in less than carload tonnage is, in substantial measure, the result of truck competition". I was wondering of that percentage how much was due to traffic lost to truckers as a result of the strike, and to what extent shippers forced to use trucking services were lost to the railways?

Mr. FRASER: And they will not go back to the railways.

Mr. GORDON: That is generally a question of psychology, as to which the shipper prefers. Personally, I do not believe that the strike itself has lost us an awful lot of business that we would not have lost anyway in respect of highway services, but that is only my opinion.

Mr. MACDONALD: I wonder if you would have a breakdown which would show us the percentage of loss, whether it was greater in the latter part of the year, let us say in the months of September, October, November and December than it was during the first eight months of the year?

Mr. GORDON: We haven't got anything in exactly that form but I have some statistics here that may cover your question. We have examined the question of these strikes as far as we can, and on the basis of all the information assembled it is estimated that the C.N.R. system lost approximately \$2,732,000. In respect of passenger traffic that is very much more difficult to estimate, but we estimate it at around \$600,000; so that makes it altogether about \$3,332,000 of a revenue loss arising directly out of the systems operations during the period of the strike, because we have taken into account the amount of wages that were not paid as against the revenue we would have had from the traffic.

Mr. BENEDICKSON: That is net?

Mr. GORDON: That is net, yes. I feel a little at a loss in discussing this question because I do admit, and I repeat, that statistics in regard to highway competition are very inadequate; as a matter of fact, provincial governments



do no require highway operators in all cases to give statistical returns, certainly not of the kind we need to examine their showings. There is no other way for us to get them. If we were to ask the highway operators for their figures they would be rather inclined to say no.

Mr. FULTON: Is that all they would say?

Mr. GORDON: There are a lot of things even under provincial regulations that are very difficult to establish because you have three types; there is the recognized trucker who makes trucking his business, you have a little fellow who is just running his own truck and very often runs it into the ground, and then you have the company which has decided to do its own hauling by its own trucks. You have these three different classes and it is very difficult to get any information of a kind that would be useful in formulating a policy.

The CHAIRMAN: Are there any further questions on freight rates?

Mr. GILLIS: I would like to ask this question. Have you any information on competition from the trucking industry, and in the light of the information available to you do you consider that we are arriving at a time when the government will have to consider our overall transportation policy in this country whereby all transportation will be co-ordinated under some government regulation bringing order out of chaos?

Mr. GORDON: I have always thought it advisable in my life-time, Mr. Gillis, to let the minister declare government policy.

Mr. GILLIS: I did not want to ask the minister because I was fairly sure he would not answer.

Hon. Mr. CHEVRIER: I made some answer in connection with that in the House the other evening when I was asked what the government was going to do in connection with the recommendation in the report of the royal commission having to do with a central authority, and I said that the government as yet had not had an opportunity of discussing it; that we were considering and studying the first part of the report relating to equalization, and that until we were in a position to recommend legislation I did not think it would be advisable to consider either the second or third parts of the report that you mentioned.

The CHAIRMAN: Carried.

Now, operating expenses.

Mr. FULTON: Have you dealt with rail traffic?

The CHAIRMAN: Yes, volume of rail traffic.

Mr. FULTON: I would like to ask a question there. You referred to the increased rail movement of oil as representing a passing phase, and I was wondering whether you had given any consideration to the operation of pipe lines from the Alberta fields. Can you tell us what consideration your railway—or has any consideration been given by the railway association and if so what consideration have they given to the question of the railways entering the pipe line field and the reason why you decided if you did decide against it?

Mr. GORDON: Well, I am afraid that question was one which was considered by a former management and I am not personally equipped to follow through the thinking that took place if and when consideration was given at a time when our pipe line might have been built. The only thing that I can say is that the time has passed for the railways to build them.

Mr. FULTON: There is only one particular pipe line in existence at the moment, is there not? That is the one to Superior?

Mr. GORDON: It is the pipe line that will probably carry a lot of traffic.

Mr. FULTON: There are a number of pipe lines proposed for the west coast?



Mr. GORDON: We have had a look at them and on the economics of any pipe line to the Pacific coast we cannot see that we could come out with a profitable operation, or anywhere near it. In other words, to answer the question specifically, we do not think we could undertake to build a pipe line to the Pacific coast on the basis of our analysis today. It would require too heavy a government subsidy.

Mr. FULTON: Yes, because the figures given on capital cost are such that you would not have the capital available. I was wondering if you were coming forward with a recommendation as a long term proposition that a pipe line would be a profitable field for a railway to be in, after all it is a common carrier. I was personally somewhat disturbed to think that in future all of the oil of Canada is going to be carried by other than railways, at least substantial quantities of it. It seems to me to involve the loss of a considerable volume of potential revenue.

Mr. GORDON: Any pipe lines that we have seen projected, which we have had an opportunity of examining, do not work out from an economic analysis as something that we care to recommend.

The capital cost and the operating possibilities are such that we would be heading right into a very substantial subsidy of a character that we cannot see ourselves justified in recommending because of many other things. It carries no particular advantage to the railway to undertake the operation of a pipe line if it means drawing on the government for a subsidy.

Mr. FULTON: When you say "subsidy" do you mean for the cost of construction or do you visualize you would not operate at a profit?

Mr. GORDON: Either way. If we were to build it, of course, and had a very heavy capital subsidy we could perhaps reduce our capital cost to a basis where we would show an operating profit. That is one way of doing it but that would be a substantial sum. But we do not recommend that spending of government money. If we built it ourselves and undertook the capital cost then we believe the operating cost would be such that there would be continual annual subsidies needed to cover operating costs.

Mr. FULTON: Is it not fair to say that that would seem to be at variance with the various statements made by the pipe line companies who certainly appear to think that they will be operating at a profit?

Mr. GORDON: Maybe, but that is the best judgment we have got.

Mr. MOTT: Mr. Chairman, would such a proposition not run the railway into the same position as they are now with their lines running all over the country? What I mean to say is if some little oil wells are found somewhere the railways pipe line would be under pressure to run all over the place to pick up these little oil wells and that would land us back to the position that the railways are in today—a situation that we have been condemning to a certain extent, the railway having to run tracks all over the place due to pressure by politicians and others wanting lines in their vicinity.

Mr. GORDON: If I may add this, I am speaking from the standpoint of the railways. I am not suggesting that the pipe line companies with their own methods of operation could not come out with an operation which would be advantageous. But after all there is nothing in the operation of a railway which gives it a particular advantage in building a pipe line. Pipe line economics are quite different from railway economics because the pipe line almost ignores topography. It is a straight line proposition, as the crow flies more or less, and when you put it on that basis there is no more reason for the railway to go into carrying oil or into the oil business than for us, for instance, to run a bakery,



because the essential point is that the oil companies ordinarily are the people sponsoring oil pipe lines. Pipe lines are usually tied in with all the major oil companies or with those who supply the load and can guarantee the load.

Now, I have thought, as you did, Mr. Fulton, in my early stages of being a railway president that the obvious thing was that the railways might well go into that business, but looking at it as a practical proposition there is no particular advantage to the railways, as far as I can see, except enlarging its operation and adding to the problems of management. It comes to the point that the problems of management in terms of size have to be considered. Tying it into railway management would give us no advantage so if there is to be a government oil pipe line in Canada it would be better handled as a separate company because neither the skills we have in the railway, in the matter of mechanical or technical skills, lead into any particular savings in the matter of operating a pipe line.

Mr. FULTON: I appreciate those views and I do wish to make it clear that I was approaching it from the economic point of view and not from any standpoint of policy with regard to public ownership or other point of view. The railways are in the transportation business now. Pipe lines are also going to be in the transportation business. The railways do carry substantial quantities of oil now. You are in danger of losing all that business and, therefore, a certain amount of revenue. Now, those are the considerations that I am interested in and I am glad to have your reaction to the problems from the railway point of view.

Mr. GORDON: I feel a little guilty, as I may have said something which may be misinterpreted and I want to repeat that I am not suggesting at all that other qualified people who are in the business of operating pipe lines and who have proper associations with oil companies and have the skills and techniques and what not, I am not suggesting for a moment that they cannot build the pipe lines and operate them profitably. I am merely pointing out from the standpoint of railway management there is no advantage with us. It would be rather the reverse. We would have to build up an entirely new organization and I doubt if we could hope to do it as efficiently as the people who are in that business.

Mr. FULTON: There was an application for a pipe line to the Pacific coast in which the route was described as following your line of railway to the coast with the exception of a relatively small diversion from Kamloops to Hope. That struck me as another reason why this pipe line might be of interest to you. But I take it that your position is that you do not see that the loss to the railways in revenues from the transportation of oil becoming the exclusive concern of the pipe line is not of sufficient moment to justify you overcoming the other hurdles.

Mr. GORDON: We do not see how we can attempt it. We have had discussions with people about following our right of way and we have indicated that provided we have proper understandings and agreements we will co-operate with them.

Carried.

The CHAIRMAN: Operating expenses.

Mr. FRASER: On prices of materials, on page 9. This year that will be increased by two per cent because of the increase in sales tax, will it not?

Mr. GORDON: That is right. We figure that our increased cost will be between \$2 million and \$2½ million by reason of the two per cent increase in the sales tax.

Mr. FRASER: You are going to feel the high cost of living too.

Mr. GORDON: What do you mean "going to feel?"

The CHAIRMAN: Employee pensions.



Mr. KNIGHT: I am interested in this business of railway pensions—and particularly in the matter which was brought up in the house the other night.

Mr. FULTON: Might I suggest that there is another section of the report dealing with that? I know we are all interested in railway pensions.

The CHAIRMAN: If you will indicate the paragraph I will make a note of it.

Mr. FULTON: The third paragraph on page 5.

Carried.

The CHAIRMAN: Other income accounts, page 9.

Mr. FRASER: Do you contemplate retirement of any bonds this year?

Mr. GORDON: Yes, you will find if you turn to page 33, an item of \$48 million due in New York on September 1, 1951, being an issue of 4½ per cent twenty-year guaranteed gold bonds. This amount will have to be dealt with on maturity in September 1951.

Mr. FRASER: You contemplate refunding those at a lower rate of interest?

Mr. GORDON: I should say this that with respect to our intentions on financing that is market information we should not be asked to divulge. I am merely stating here that this issue will mature on September 1.

Carried.

Mr. FULTON: It is stated that capital expenditures amounted to \$38 million, of which \$21 million were for new equipment, whereas on page 10 you say in the third paragraph:

On March 15th, 1950, a \$22,000,000 issue of 2¼ per cent Ten Year Serial Equipment Trust Certificates, maturing semi-annually in equal principal instalments, was sold at a cost of 2·37 per cent. This issue provided approximately 75 per cent of the cost of acquisition of new equipment.

So that on page 10 you say \$22 million was only 75 per cent of the cost, whereas on page 9 you say \$21 million was the cost. What was the actual cost of the new equipment?

Mr. GORDON: There is an overlap there. The issues of 1949 and 1950 overlap and you cannot trace from the actual financial statements what will match up with the actual new equipment we bought. The equipment trusts are financed to the extent of 75 per cent on delivery, but there may have been some equipment in the 1949 budget that was not delivered until 1950, and we only finance it as the equipment is delivered. Those two figures will not jibe.

Carried.

The CHAIRMAN: New construction.

Mr. CARTER: There is no mention here of the new pier at Sydney. Does that not properly come in here?

Hon. Mr. CHEVRIER: That comes under the estimate items.

Mr. McLURE: On new construction, is it the intention of the Canadian National Railways to build a new bridge over the Hillsborough river to accommodate the traffic from Charlottetown down to Murray Harbour? This bridge has been condemned and the traffic now, the passenger traffic and freight, comes up the 46 or 56 miles from Murray Harbour and stops at Southport. What arrangements are there for carrying the traffic across?

Mr. GORDON: We have made an offer to the province of Prince Edward Island whereby if they will grant us the necessary licences we will operate a bus service between Charlottetown and Murray Harbour on approximately the same time schedule of train, and the railway would be in a position to offer even better service. We said that during the period when the highways are



closed to bus operation the Canadian National Railways would operate a train from Murray Harbour to Southport and co-ordinate that service with bus operations to Charlottetown.

That offer was made on receipt of a letter from the premier in which he pointed out the situation with respect to the Hillsborough bridge but I have not received an answer to our proposal. The Board of Transport Commissioners has condemned the bridge for railway operations, and we are not permitted to use it. On a previous occasion we had offered the province the bridge in the event that they wanted to use the piers for the trans-Canada highway bridge, but we pointed out we were not prepared to join with them in the construction of a new bridge because we did not propose to run a railway over it.

Mr. McLURE: The piers are not condemned.

Mr. GORDON: No, the piers are not condemned. The piers themselves, we believe, can be used in the construction of a new bridge. Even on the basis of a modern up-to-date bridge on piers the cost would represent a very substantial capital cost. Now, we have said that we are prepared to turn that over to them without cost, that is with the approval of the government, and we have that, but we do not intend to join in the cost of a new bridge because we feel we can provide a better service if we can get the bus and trucking licences we have asked Prince Edward Island for now.

Mr. McLURE: Of course, when you were asking for that franchise you were asking at that time for the whole island, and that would interfere with private enterprise entirely. I do not think you can ever anticipate getting a franchise of that kind.

Mr. GORDON: If that is so, I think it is a great pity because we have made an offer which would materially improve the service to the citizens of Prince Edward Island both in regard to passengers and in regard to freight. We have furthermore made a very reasonable offer to protect the existing operator there in respect of his revenues and I think anybody who would look at what we have offered would say that the railway has gone a long way to work out a reasonable compromise. However, the matter as it stands now is that we have been refused the franchise, and there was a resolution of the legislature to that effect which is recorded here. The Canadian National, as I say, has not been successful in obtaining the required highway franchises from the government of Prince Edward Island and the extract from the legislation reads as follows:

Be it therefore resolved by this assembly that the present time is not opportune for the granting of public licences or franchises to the Canadian National Railway.

I am afraid I cannot refrain from the comment that we have on the one side criticisms of our service and yet, when we stand ready to materially improve that service and modernize it—which we had intended by co-ordination with the dieselization of all our operations in P.E.I.—we have been prevented from carrying out our plans. The dieselization plan which we put in P.E.I. is a model plan, and it was predicated on our co-ordinating it with collateral bus and truck service. Your province is not getting the benefit of the improvements we have had in mind for your service by reason of the fact that we are not getting these franchises.

Mr. McLURE: If you had asked for a franchise from Charlottetown on the Murray Harbour line alone I do not believe you would have had a refusal on that. It was understood that you wanted a franchise for the whole province?

Mr. GORDON: Not in my last letter. We want it for the whole province for the reasons I gave but on March 13, 1951, when the Hillsborough Bridge situation came to an issue by reason of the bridge being condemned I went back to



Premier Jones with the proposition that I read a moment ago—if we could get a specific franchise to carry it out. I have not received any answer but the province has filed an application before the Board of Transport Commissioners petitioning that the railway is not relieved from running the service over the bridge. What comes out of that depends on the public hearings to be held sometime in June in Charlottetown and which will deal with the whole subject of the Hillsborough Bridge. Whether we get an opportunity at that time to present our full dress plan for a bus and truck operation on the island I do not know. If we are not allowed that we will specifically press this more limited plan to which we have not had any response.

Mr. McLURE: There is an election down there and there may be a change in government.

Mr. GORDON: That sort of thing never occurred to me.

Mr. McLURE: I was just going to ask one more question on the building of a new bridge there. The underpinning, caissons, or whatever you call them are still in good repair?

Mr. GORDON: Yes. The piers?

Mr. McLURE: Yes. The cost of that bridge originally was \$1,300,000, I suppose?

Mr. GORDON: The cost was \$1,538,813.

Mr. McLURE: Say \$1½ million, and today I suppose you could not put the top on for that much?

Hon. Mr. CHEVRIER: Let alone the bottom?

Mr. GORDON: That is quite true, but by the same token today the cost of sinking those piers would also be a very substantial item. You would not have to put in new piers.

Mr. McLURE: No—

Mr. GORDON: And that is a donation made by the Canadian National Railway with the authority of the federal government as a contribution to the cost of that bridge, and it is a very substantial part of the cost. I am just making a wild guess but it would be on the order of 50 per cent of the cost.

The CHAIRMAN: Mr. Gillis?

Mr. GILLIS: On this matter of new construction, in answer to a question from myself when we were here last year, Mr. Gordon, you stated that if and when the Minister of Transport had the approaches to that bridge at the Strait of Canso laid out your organization was prepared to go ahead with the shifting of the terminals and other related work. Is that still the position?

Mr. GORDON: We are ready to go ahead as soon as we know what is ready to be done.

Mr. GILLIS: The minister at least expects in July to have the approaches ready.

The CHAIRMAN: I do not want to ask the committee but I am going to make a suggestion which I hope you will agree with. We have now covered the narrative part of this report quite fully. May I mark the rest of it "carried", and turn to the accompanying letters?

Mr. FULTON: Far from it. My questions are related to specific parts of the report. I do not propose to engage in general discussion until we get back to the letter.

The CHAIRMAN: Would it not be covered by the letter?

Mr. FULTON: No.

Mr. FRASER: Does the revenue from the International Aviation Building carry the charges on the building?



Mr. GORDON: Yes, we have the figures on that and I think it does. The revenue from the building is more than sufficient to cover all of the proper charges including the interest on the land; 5 per cent sinking fund charge to amortize the cost of the building in 31 years with interest at 3 per cent; all taxes; maintenance and operation. All those proper charges have been made against the revenue and the net result is after covering those charges we made a profit last year of \$22,000. We still have some space not rented. The figures I gave you are based on the assumption that the space is all rented but there is about \$25,000 of space not rented. At the moment we are just about breaking even. When we rent the space we have available that will be pretty much profit.

Mr. FRASER: Have you any calls for it?

Mr. GORDON: Yes. We do not expect very much difficulty in renting the whole thing.

The CHAIRMAN: Shall "new construction" carry?  
Carried.

Motive power?  
Carried.

Passenger equipment?

Mr. CARTER: Is it permissible to inquire about steamship passenger companies?

The CHAIRMAN: I think it would be much better to discuss that on the accompanying letter.

Mr. CARTER: I refer to coastal steamships of Newfoundland. As long as you specify a paragraph I am content.

The CHAIRMAN: We will note that for you. I will give you a firm undertaking that you will have the right to discuss this under a budget item.

Mr. McLURE: There was nothing said about the new hotel and office building under construction. Probably there will be an opportunity for that when we come to hotels.

Mr. GORDON: I think it is under the heading of hotels.

Mr. McLURE: It says on page 11—"will include an hotel and office building."

Mr. GORDON: On page 18 there is a heading dealing with hotels but if you are referring specifically to the Montreal situation it is covered in the letter of transmittal.

The CHAIRMAN: You are ahead of me. I am only at page 13—passenger equipment is carried, is it?

Mr. GILLIS: On this motive power I would like to ask this question. You have a program of dieselization east of Montreal on the freight runs, have you not?

Mr. GORDON: Yes.

Mr. GILLIS: Would you give me an idea of how many you expect to put on there?

Mr. GORDON: We have been studying our whole dieselization program. There has been a very intensive study and it is not yet finished. I presume you are speaking in your question of the fast freight run between Montreal and Halifax. There are ten 3,200 horsepower locomotives nearing completion that will be assigned to that run. Five locomotives should be running on the first of May; the other five when delivered.

Mr. GILLIS: Is it intended that they go east to points other than Halifax?

Mr. GORDON: My record is just Montreal to Halifax.



Mr. MACDONALD: Where in this transmittal letter can we talk about coal as it relates to motive power?

The CHAIRMAN: I would rather that Mr. Gillis finish his question.

Mr. GILLIS: It is all right.

The CHAIRMAN: Are you satisfied?

Mr. GILLIS: I am not satisfied but that is what I wanted to know.

Mr. MACDONALD: Will we be given an opportunity to ask questions about the use of Alberta coal? It could be discussed when discussing motive power or when discussing the transmittal letter.

The CHAIRMAN: I think this is a good place.

Mr. MACDONALD: It is reported to me that the railways are adopting a rather strange arrangement with the mines in Alberta and that they are only giving them about three weeks' orders in advance. The mines are quite concerned about that; they are quite concerned about furnishing a lot more coal to the C.N.R., I was wondering if the C.N.R. had any economic limits over which they cannot use it. It is my understanding that the C.P.R. is purchasing Alberta coal and using it to the head of the lakes. My report does not indicate that is the policy of the C.N.R.

Mr. GORDON: I do not understand your reference to three weeks' supply.

Mr. MACDONALD: I understand that you are only ordering from those mines three weeks in advance, instead of having some policy of several months' supply and giving them an opportunity to gear their operation accordingly.

Mr. GORDON: I have not heard of it. I doubt if it is true and I will get specific information for tomorrow. We do use Alberta coal as far east as we figure it is economical with reference to the break-off with American coal competition. We are, generally, in the same area on break-off as the C.P.R., subject to the location of our lines.

Mr. MACDONALD: I understand that the C.P.R. has been purchasing coal in Alberta and using it to the head of the lakes. It does not appear to be the policy of the C.N.R. to do that.

Mr. GORDON: We have been purchasing Alberta coal to the full extent we can get it up to where the economic limit is in respect of American coal competition. The break-off point is not necessarily the same because the C.P.R. have coal mines on their lines which we have not. They have more coal mines located on their lines and it enables them to take more Alberta coal, relatively, than we do.

There is no program in respect of the Canadian National management which is antagonistic to Alberta coal. We want all the Alberta coal we can use within the economic limits.

Mr. MACDONALD: You are not necessarily antagonistic to Alberta coal but at the same time it is not being used. I would like to draw your attention to the coal producers' claim that they actually provide coal to the C.P.R. and they would like to see you use it within the same economic limits—in relation to the use of coal existing with the C.P.R.

Mr. GORDON: We have given them that assurance already. I just do not follow your suggestion that there is a limitation of three weeks.

Mr. MACDONALD: Possibly, Mr. Chairman, I could refresh my memory from some information I have and then bring this question up again.

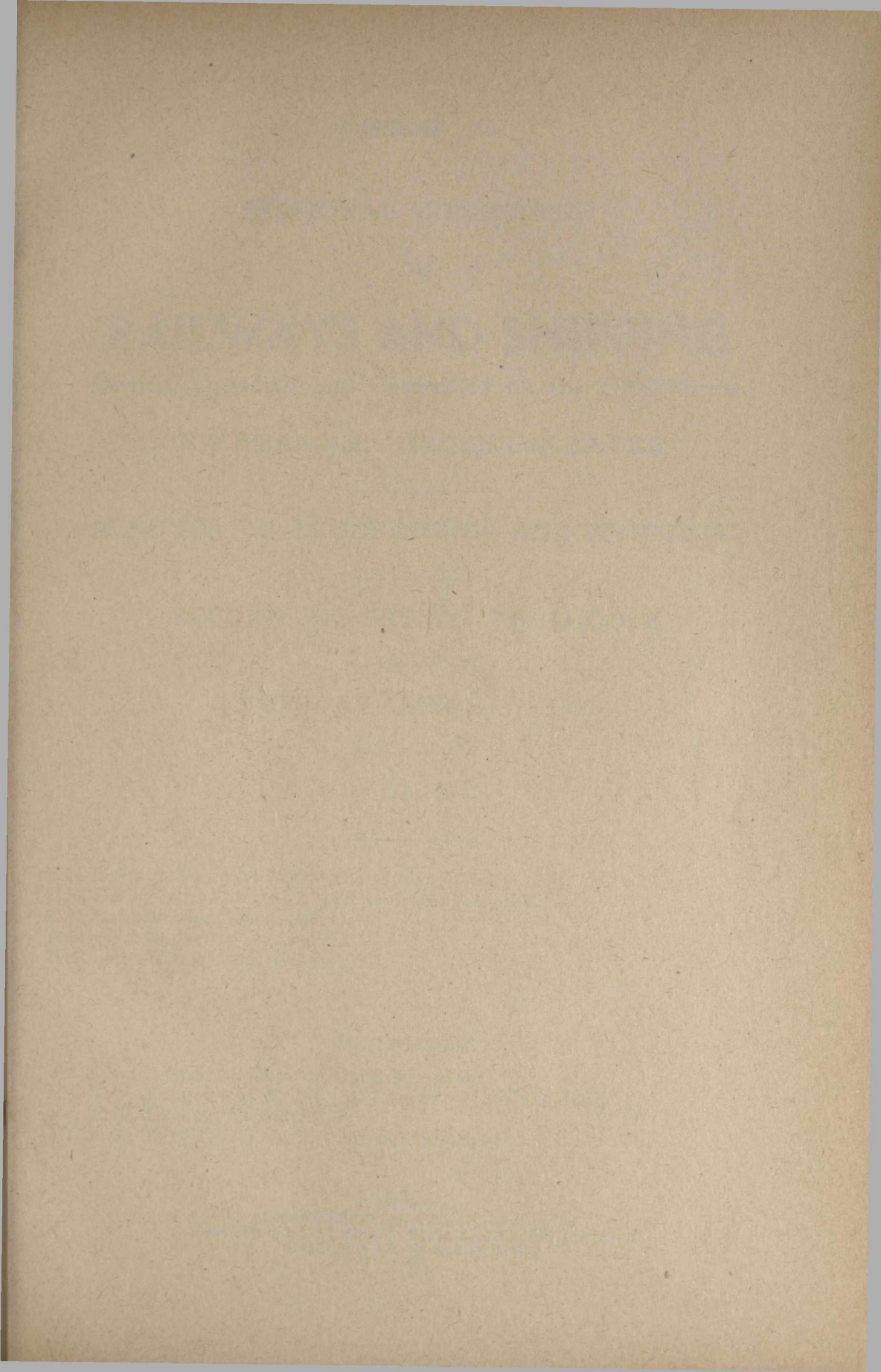
The CHAIRMAN: Very well.

In regard to our meeting tomorrow I should say that another committee has priority on this room. Notices have been sent out and have appeared in Votes and Proceedings. We have been able to obtain Senate Committee Room 368 and we shall adjourn now to meet at 11 o'clock tomorrow in that room.















HOUSE OF COMMONS

SESSION 1951

SESSIONAL COMMITTEE

ON

# RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government.

CHAIRMAN—Mr. HUGHES CLEAVER

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MINUTES OF PROCEEDINGS AND EVIDENCE

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SECOND REPORT TO THE HOUSE

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TUESDAY, APRIL 17, 1951

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No. 2

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C.N.R. Annual Report (1950) and Budget (1951).  
C.N. Steamships Limited (1950) and Budget (1951).  
C.N.R. Securities Trust (1951).  
Auditors' Report to Parliament.  
Estimates—Items 493, 495 and 501.

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WITNESSES:

Mr. Donald Gordon, Chairman and President;  
Mr. S. F. Dingle and Mr. T. H. Cooper, Vice-Presidents;  
Mr. T. V. Gracey, Comptroller;  
Mr. F. P. Turville (G. A. Touche & Company).

OTTAWA  
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
CONTROLLER OF STATIONERY  
1951



## REPORT TO HOUSE

WEDNESDAY, April 18, 1951.

The Sessional Committee on Railways and Shipping, Owned, Operated and Controlled by the Government, begs leave to present its

### SECOND REPORT

Your Committee has considered the following items of the Estimates for the year ending March 31, 1952, referred to it on April 11, 1951, and recommends their approval, namely:

- Vote 493—Prince Edward Island Car Ferry and Terminals—Deficit.
- Vote 495—Canadian National (West Indies) Steamships Limited—Deficit.
- Vote 501—Maritime Freight Rates Act—payment of 20 per cent reduction in tariff of tolls to Canadian National Railways and other Railways operating in territory fixed by the Act.

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*



## MINUTES OF PROCEEDINGS

TUESDAY, April 17, 1951.

The Sessional Committee on Railways and Shipping, Owned, Operated and Controlled by the Government met at 11 o'clock this day. Mr. Hughes Cleaver, the Chairman, presided.

*Members present:* Messrs. Benidickson, Bourget, Carter, Cavers, Cleaver, Fraser, Fulton, George, Gillis, Healy, Helme, James, Knight, Macdonald (*Edmonton East*), Macdonnell, McCulloch, McLure, Mott, Mutch, Pouliot, Thomas.

*In attendance:* Hon. Lionel Chevrier, Minister of Transport; Messrs. Gordon, Gracey, Dingle, Cooper, May, McDonald and Lash, Canadian National Railways; Messrs. Lessard, Collins, Thornton, and Paradis, Department of Transport.

The Committee continued its examination of Mr. Gordon on the Canadian National Railways Annual Report and the letter of transmittal thereof.

A schedule relating to block signalling (Kamloops division) was ordered printed as an appendix (*see this day's evidence*).

On motion of Mr. Fraser:

*Resolved*,—That the Committee meet this evening at 8 o'clock.

At 1.05 p.m. the Committee adjourned until 4 o'clock this day.

### AFTERNOON

The Committee resumed at 4 o'clock. Mr. Hughes Cleaver, the Chairman, presided.

*Members present:* Messrs. Benidickson, Bourget, Carter, Cavers, Cleaver, Fraser, Fulton, George, Gillis, Healy, James, Knight, Macdonald (*Edmonton East*), Macdonnell, McCulloch, McLure, Mott, Mutch, Pouliot, Thomas.

*In attendance:* Same as listed in the morning.

Mr. Gordon's examination of his letter of transmittal was concluded. He was assisted by Messrs. Cooper and Dingle.

A table respecting the reconstructed results of operation (1950) was ordered incorporated.

The Chairman tabled a letter from Mr. Paul-L. Dubé, (*Restigouche-Madawaska*). It was agreed to hear his representations following the discussion on employees' pension plan.

Referring to the pension plan, the witness read a joint letter from A. A. Hutchinson, Chairman, General Chairman's Association, Canadian National Railways, to Messrs. Diefenbaker and Knowles, copies of which were sent to himself and to the Minister of Transport.



Mr. Pouliot thereupon tabled a petition and a copy thereof in respect to the superannuation of former employees of Canadian National Railways.

By leave of the Committee, Mr. Dubé was heard.

A brief discussion took place on procedure.

Fuel, rail and highway traffic, and signalling equipment were discussed at some length.

The Committee concluded its examination of the witness on the pensions plan.

At 6 o'clock, the Committee adjourned until 8 o'clock this evening.

### EVENING

The Committee resumed at 8 o'clock. Mr. Hughes Cleaver, the Chairman, presided.

*Members present:* Messrs. Benidickson, Bourget, Carter, Cavers, Cleaver, Fraser, Fulton, George, Gillis, Healy, James, Knight, Macdonald (*Edmonton East*), Macdonnell, McCulloch, McLure, Mott, Mutch, Pouliot, Thomas.

*In attendance:* Same.

### BUDGET (1951), CANADIAN NATIONAL RAILWAYS

Mr. Gordon was called and questioned on the Budget (1951) of the Canadian National Railways. He was aided by Messrs. Dingle and May.

On motion of Mr. McCulloch,

*Resolved*,—That the Canadian National Railways Annual Report (1950) and the Budget thereof (1951) be approved.

On motion of Mr. McCulloch,

*Resolved*,—That the Budget (1951), Canadian National (West Indies) Steamships Limited be approved.

Mr. Gordon gave answers to questions previously asked.

### SECURITIES TRUST

On motion of Mr. McCulloch,

*Resolved*,—That the Canadian National Railways Securities Trust (1950) be adopted.

### AUDITORS' REPORT TO PARLIAMENT

Mr. F. P. Turville of Georges A. Touche & Co., was called and briefly examined.

On motion of Mr. Fulton,

*Resolved*,—That the Auditors' Report to Parliament (1950) of the Canadian National Railways System and Canadian National (West Indies) Steamships Limited be taken as read and adopted.



## RE ESTIMATE REFERRED

On motion of Mr. McLure,

*Resolved*,—That Item 493—Prince Edward Island Ferry and Terminals—deficit, be approved.

On motion of Mr. McCulloch, Item 495—Canadian National (West Indies) Steamships Limited—deficit, was approved on division.

On motion of Mr. McCulloch,

*Resolved*,—That Item 501—Maritime Freight Rates Act—payment of 20 per cent reduction, etc., be adopted.

*Ordered*,—That the Chairman report accordingly.

Messrs. Gordon, Gracey, Dingle and Turville were retired.

The Chairman expressed the Committee's appreciation to Mr. Gordon. Mr. Gordon voiced his determination to discharge his responsibilities to the best interests of Canada's railway systems.

Before adjournment, Mr. McLure expressed the hope that the Committee be given an opportunity to meet in Montreal next year.

At 10.10, the Committee adjourned at the call of the Chair.

ANTONIO PLOUFFE,  
*Clerk of the Committee.*







## EVIDENCE

HOUSE OF COMMONS,

APRIL 17, 1951.

The Sessional Committee on Railways and Shipping met this day at 11.00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum. Are there any further questions on motive power? If not, I shall declare the item carried.

Mr. MACDONALD: Yesterday, Mr. Chairman, a question came up about coal. I accept Mr. Gordon's answer with regard to the three weeks. I obtained that information from a private source and until I have it confirmed I would not like to pursue it. But with regard to the economic limits of using coal from the Alberta coal fields, it has been brought to my attention that the Canadian Pacific use more coal coming from Alberta than do the Canadian National. So I was wondering if Mr. Gordon could advise us this morning as to what he, and his management, consider to be the economic limits of using Alberta coal on the system east from the Alberta coal fields.

Mr. GORDON: I think I said yesterday, Mr. Chairman, that our position is not exactly comparable to that of the Canadian Pacific.

The economic area is based in part on the subventions which are applicable to certain of these coals. Probably you are familiar with them. They take into account the difference in efficiency of coal and so forth.

Our general break-off point is the Manitoba-Saskatchewan boundary, in respect to competitive coals that meet us at that point and which we can buy cheaper, all things considered. But we make full allowance and we credit the Alberta coal, so to speak, with the allowance of the subsidy, and also we take into account the difference in efficiency which varies considerably with different types of coal.

Our general economic break-off point is the Manitoba-Saskatchewan border. It has never been our practice to have contracts with the Alberta coal mines because they have not wanted them. Over the last ten years they did not want such contracts because, without them, they could sell their coal to anybody, a thing which they could not do if they were tied down by contracts to the Canadian National. So they have been selling us coal on the basis that they could not sell it better to somebody else.

I have talked with Montreal on the telephone about it. The situation varies in respect to each mine, and we are just taking coal as we can buy it. But if any mine in western Canada wants to talk to us in terms of an annual contract, we would be glad to talk to them. Does that answer your point?

Mr. MACDONALD: Thank you very much.

Mr. THOMAS: Did you say that Manitoba-Saskatchewan border or Manitoba-Ontario border was the breaking point?

Mr. GORDON: I said the Manitoba-Saskatchewan border.

Mr. THOMAS: I think I asked a question about the Manitoba-Ontario border.

Mr. GORDON: There is a qualification which perhaps I should try to explain although I greatly fear it will only confuse you. But I will do the best I can. Under certain conditions of subvention we could bring coal as far east as the



Manitoba-Ontario boundary, but under the regulations of the Dominion Coal Board, the subvention does not become applicable on the basis that we want it to become applicable, having regard to the relative efficiency of coal.

As I have said, I fear that I am confusing you. But the practical result is that there is a difference of opinion as to how the subsidy becomes applicable. The Canadian National break-off point is the Manitoba-Saskatchewan border. But if we could get a different interpretation of the application of the subsidy, and if we could have our point of view accepted as to the relative efficiency of the coal, then that subsidy, if made applicable to our formula, could bring Alberta coal as far east as the Manitoba-Ontario border. The subvention itself can be applied to coal brought as far east as the Manitoba-Ontario border.

Mr. MACDONNELL: Who is it that has the say, or thinks that your point of view is unreasonable?

Mr. GORDON: I would not suggest, Mr. Chairman, that because my point of view is not adopted that the opposing view is therefore automatically an unreasonable one. But there is a difference between the Dominion Coal Board and ourselves with respect to this question of coal subvention.

Mr. MACDONNELL: Who is going to win?

Mr. GORDON: The fellow with the purse strings always wins. The Dominion Coal Board in this case holds the purse strings.

Mr. THOMAS: What is the relative efficiency of Brazeau or Nordic briquettes when compared with fuel oil?

Mr. GORDON: There is a figure for that. I do not know if I can give it to you right off hand but I could get it for you. We have got a figure which analyses the relative efficiency of all coal, with the relative efficiency of particular types of oil. It is a technical matter and if you would let me have your question specifically, I would be glad to get it answered for you.

The Brazeau coal at the moment is out of business because of the disaster which they had there. They do not expect to be back in business until July or August, if my memory serves me correctly. Brazeau is a mine with which we can make quite satisfactory arrangements. Let me check on that.

Brazeau is a mine from which we have had coal consistently, as you know. Right now it is out of business because of the fire. But they will be back in business in July or August and when they start producing again, we will approach them on the question of their coal. You want to know the relative efficiency of Brazeau coal as a fuel compared with oil?

Mr. THOMAS: Yes.

Mr. GORDON: That will require an analysis in terms of BTU's, in terms of the quality of the coal, and we will get that for you.

Mr. MACDONNELL: At first I got the impression that this question which is before the Dominion Coal Board was still under consideration; but later on I got the impression from Mr. Gordon that it was not under consideration.

Mr. GORDON: It is not under consideration currently for the reason that the Dominion Coal Board have given their ruling that they will not apply a subsidy on the basis which we think ought to be made applicable in terms of the quality and the definition of coal. I want to be fair in this respect. After all, it is a matter for their judgment. They did not agree with our representations. That is the point.

Mr. GILLIS: I would like to ask Mr. Gordon if he could tell us, in placing those ten diesel engines on the run between Halifax and Montreal, to what extent they will have replaced coal on those runs?

Mr. GORDON: Coal will be replaced on those particular engines but at the present time it will not reduce the quantity of coal we will take from eastern Canada. In other words our deficiency is still sufficient that we can buy all the



coal that is offering within the economic limits I described last year. And we are still in that position. We cannot get enough coal out of eastern Canada; in other words, we could buy more coal if it were available.

Mr. FRASER: What about the 47 conversions from steam to oil? Would they not make quite a difference in the western regions?

Mr. GORDON: That is right. Those oil conversions have brought about a reduction in the amount of coal that we would otherwise want to get from the Alberta mines.

Mr. FRASER: That will save you in operating costs, will it not?

Mr. GORDON: Oh very definitely, yes.

The CHAIRMAN: "Passenger equipment".

Mr. KNIGHT: With respect to motive power, might I ask if that heavy type of oil in the Lloydminster field is suitable for use in locomotives?

Mr. GORDON: Bunker C oil is used in our oil burning locomotives; but diesel oil is used in our diesel operations. In western Canada our operations are almost entirely oil burning. In fact, west of Edmonton we operate entirely with a converted type of oil burning locomotive in which we use bunker C oil. I might say that we are concerned about the supply of bunker C oil and we would like to see a very much greater development at the Lloydminster field.

The CHAIRMAN: "Passenger equipment."

Mr. McLURE: In connection with dieselization of the Prince Edward Island railway, were there many employees who lost their jobs on that account, or were they taken care of in some other capacity?

Mr. GORDON: We have not got the exact figures available, but Mr. Dingle tells me that by and large the men were taken care of in other capacities.

Mr. McLURE: There was very little snow down there last year. The theory was that diesels might not do as good work in heavy snow storms? Is there any experience in that connection with diesel engines working in snow?

Mr. DINGLE: We have had no difficulty.

Mr. GORDON: You are saying that if there had been heavy snow, would we have expected trouble from diesel operations?

Mr. DINGLE: No, we would not expect trouble, unless there were extremely unusual conditions.

Mr. GORDON: And not any more trouble than you would expect with steam locomotives.

Mr. DINGLE: That has been our experience with diesels.

Mr. McLURE: What is the horse power of those engines?

Mr. DINGLE: 600 horse power.

Mr. McLURE: Generally speaking, they are giving good satisfaction?

Mr. DINGLE: Yes, sir.

The CHAIRMAN: "Passenger equipment".

Mr. FRASER: On the subject of equipment, I notice under equipment orders and deliveries there are eight different kinds of equipment that are going to Newfoundland. What is the total outlay for Newfoundland this year?

Mr. GORDON: Are you referring to 1950?

Mr. FRASER: 1950, yes. Deliveries of new equipment during 1950; and I notice a note at the bottom of the page as follows:

"Some of this equipment will not be delivered until 1952."

Mr. GORDON: The table you are looking at refers to orders. Now you will see the following paragraph in the middle of the page:

"Orders outstanding at the end of the year covered the following equipment. Except where otherwise noted, deliveries are expected in 1951."



Where you have a star there, you will see that that equipment is not expected until 1952, although it has been ordered and placed on order.

We are particularly uncertain this year about deliveries. We have had our orders specified for a considerable time, but the dates for delivery have been postponed again and again so we are in a condition of considerable uncertainty as to when this equipment we refer to here will actually be delivered.

Mr. FRASER: You do not know what the value will be?

Mr. GORDON: Yes, I could tell you. Are you referring to these particular things here?

Mr. FRASER: Yes.

Mr. GORDON: I will run my eyes down the list.

Mr. FRASER: You have got it for freight car equipment. You have got 30.

Mr. GORDON: There are 25, 30-ton automobile cars for Newfoundland, and they are estimated to cost \$149,850.

There are 60 30-ton box cars for Newfoundland which are estimated to cost \$330,480.

The next item is for baggage cars for Newfoundland which will cost us \$152,280.

Then we have got 40 30-ton box cars for Newfoundland which are not confirmed, but we believe they will run at the same price. I have not got that total here. What are they running at, about \$6,000? They run roughly about \$6,000 a piece.

Mr. FRASER: Where are they made?

Mr. GORDON: In Canada. The order is actually placed with Eastern Car, is it not; and that is \$240,000 for those 40 30-ton box cars. I am giving you these as estimates because they are not actually confirmed yet.

Now, there will be six sleeping cars for Newfoundland.

Mr. FRASER: Are those steel?

Mr. GORDON: They would be steel, yes.

Mr. FRASER: Are those all single or standard gauge?

Mr. GORDON: Those would be narrow gauge, specially built for Newfoundland. Just at the moment I have not got that figure here. Six sleeping cars for Newfoundland are estimated to cost us \$518,400.

Then there are three mail cars for Newfoundland which are estimated to cost us \$167,670.

Mr. FRASER: And will they be steel too?

Mr. GORDON: Yes, they will be steel.

Then there are ten express refrigerators, which will cost us \$172,800.

There are 20 30-ton air dump cars, which will be roughly \$95,000.

Mr. FRASER: Then you have an eight-wheeled diesel wrecking crane.

Mr. GORDON: I cannot give you that because the order has not been placed, and we have not got estimates on it. Could you give us a guess on that, Mr. Dingle? I would rather not guess myself because I think it might give away our idea of price to the manufacturers.

Mr. FRASER: Does it cost more for the narrow gauge than for the standard, on account of the difference?

Mr. GORDON: Yes, it costs more because it is a special item; it is not built to standard specifications, so it costs more. But it is hard to say what.

Mr. FULTON: You said that the 40 30-ton box cars were estimated to cost \$240,000. That brings it out to \$6,000 a piece. Would you check that?

Mr. GORDON: You are right. I took the figure for automobile cars at \$6,000. I think I can give you that specifically now.



Mr. FRASER: You gave us a figure for the 60 30-ton box cars I think in the first item.

Mr. GORDON: That is right; 30 box cars for Newfoundland.

Mr. FRASER: Will cost \$330,380, I believe it was.

Mr. GORDON: No.

Mr. FULTON: You gave us \$240,000.

Mr. FRASER: But that was for the 60 cars, I think.

Mr. GORDON: Anyway, the box cars for Newfoundland are estimated to cost \$5,000 apiece.

Mr. FULTON: Well that is considerably less than I would have thought. Are they steel?

Mr. GORDON: Yes, they are steel.

Mr. FULTON: You must have a good buying department to get them for you at that low price.

The CHAIRMAN: "Signalling equipment."

Mr. FULTON: On this item, Mr. Chairman—

Mr. GORDON: I think you are right, Mr. Fulton, that looks very low to me. I shall just check it again. Yes, that \$300,000 was an estimated figure. The actual figure is \$343,620 for 60 cars. That would make it about \$5,700 apiece.

Mr. FULTON: I still say you must have a good buying department.

Mr. GORDON: That is quite a substantial increase over what we have been paying. The actual 40 comes to a total of \$224,280.

The CHAIRMAN: "Signalling equipment."

Mr. FULTON: I would like to ask a question, Mr. Chairman, in regard both to the installation of signalling equipment and to centralized traffic control, and the possibilities in the mountain region. I would like to emphasize it particularly and I would refer again to the accident which has been mentioned which occurred on November 21 of last year, and at least to two other derailments involving only an engine and a couple of box cars in the way of equipment but unfortunately involving loss of life—I mean the loss of life to the engine crew.

I would like to follow up the discussion we have had in the past with respect to slide detector fences and block signal systems. I asked a question about this in the House the other day and it was noted on April 4 as follows:

What progress has been made in the last twelve months in the installation of slide detector fences, block signal systems, and other safety warning devices on the main line of the Canadian National Railways between Red Cross Junction and Boston Bar?

And the answer given by the parliamentary assistant was as follows:

An experimental section of slide detector fence was placed in service on October 14, 1949, between mileage 93.7 and 94.0 on the Ashcroft subdivision. No further installations of slide detector fence have been placed in service beyond the experimental section.

The Canadian National has underway a well-defined program for the installation of automatic block signals for the entire distance from Jasper, Alta., to Port Mann, B.C.

I wonder if Mr. Gordon could amplify that statement and tell me whether he intends to instal further slide detector fences, and would he outline the program he has for block signals?

Mr. GORDON: Yes. Let me give it to you this way and you can check back if I have not answered your question.



The company has a program covering the period from 1948 to 1957 for the installation of automatic block signals from Jasper, Alta. to Port Mann, B.C., and the estimated cost of it is \$4 $\frac{3}{4}$  millions. That cost, incidentally, may be considered higher now, but that was the estimate at the time we originated the program.

The program in 1952 has covered only about 25 miles and the reason it is so small is that it has been necessary to complete other essential signal installations in the western region and also because the available supply of signal personnel and materials is very limited for these very technical installations.

It might be of interest to interject by way of explanation that it has been reported to me that there are 21 snow and rock sheds all of which are on the Kamloops subdivision.

Projects for the purpose of increasing the safety of operations between Jasper and Vancouver, including snow and rock detectors were authorized to be undertaken in 1950 to the total amount of \$2,604,000, and in 1951 to the amount of \$577,000, making a total of \$3,180,000.

That represents the authority that was given to the operating department to make these installations. Some of them represent an overlap from the authority that was originated in 1949. I would inform the committee that our progress in that respect has been very slow and that of the total of that program, roughly about \$490,000 has been completed. The reason for the slow progress has been largely due to our difficulty in getting materials and also in engaging a sufficient supply of technical and skilled personnel.

The Board of Transport Commissioners in their recent inquiry stated that the program laid out by the Canadian National for improving protection in 1951 for the Mountain Territory is adequate and all that can be expected for the current year having regard to the situation in respect to labour and supplies.

We are making a careful study of conditions throughout the mountains, and our program definitely includes as fast as we can the development of additional sheds and the provision of all reasonable protection that we can devise.

Turning specifically to your question concerning slide detector fences, I think it would be well at this time to give you a short description of what a slide detector fence is.

A slide detector fence is worked in connection with automatic block signals. It consists of an ordinary woven wire fence, made up into sections approximately fifty feet in length, and may be of any desired height. This fence is suspended on a messenger wire between posts at each end of the section. Coil springs are attached from the fence to the post, together with an electric circuit-breaker. The control circuits of the signals in each direction are taken through these circuit controllers and, when a slide occurs and strikes the fence, the circuit controllers are activated by the pressure of the slide and this in turn opens the circuit that controls the signals. The signals are usually located, in both directions, braking-distance from each end of the slide-detector fence.

An experimental section of slide-detector fence placed in service on October 14, 1949, is located between mileages 93.7 and 94.0, Ashcroft subdivision. Between November, 1949, and December, 1950, the signal went to STOP 180 times. Of the 180 times that signal was activated on only three occasions when there was rock on the track to a point that was dangerous. As the result of the fences being activated by relatively small and inconsequential slides, the number of days the fence was out of service was 143.

The vast majority of these STOP indications were caused by small rocks striking the fence and landing in the ditch clear of the tracks. These wide



ditches are provided wherever possible as a safety measure. From October 14, 1949, to December 31, 1950, it has been impossible to keep this fence in service for more than 65 per cent of the time because of slides and snow. Our officers are of the opinion that unless fences provide continuous protection they are of little value. Under conditions found in mountain territory on our lines, protection afforded by patrolmen and automatic block signals is regarded as definitely superior.

There can be no doubt that construction of permanent rock and snow sheds is the only real solution at points where rock and snow slides are of frequent occurrence. However, do to magnitude of such a program, progress must, of necessity, be slow.

As I said before, the Board of Transport Commissioners in the special inquiry expressed the view that our program is all that could be expected for the current year.

Dealing with the experiment, it is the opinion of our officers, who have been instructed by me to undertake detailed examination arising not only out of our requirements but having in mind your question, Mr. Fulton, that the experiment is wholly unsatisfactory at the present location and they propose to remove it and erect it in shorter sections at dangerous points, such as approaching tunnels, when automatic block signals have been installed. It has been found that, with a long stretch of fence, it was practically impossible to maintain it during the winter months on account of heavy snow, as the fence has been covered up entirely. Erection of additional long stretches of fences at this time would result in further delaying our program for block signal installations, signal forces would have to be transferred to fence installations, and run contrary to directions contained in the judgment of the Board dated January 18, 1951, in connection with the Canoe River inquiry to which you have referred.

In June of 1950 we installed another experimental section on the Yale subdivision. It is in operation although I have no report on it at the present time. Our considered opinion is we would be far better advised to concentrate on getting automatic block signals installed as fast as we can because we are convinced that is a much superior method of protection than the one afforded by the slide detector fences.

When you have a situation that a signal is put into the position of STOP and a large percentage of the time the operating people, engineers, and firemen, find there was no need for a stop signal, then there is great danger they will ignore it. As I said, out of the 180 times the signal signalled danger there was no danger. On only three occasions did danger exist. Our feeling is that it is a much better operation for us to intensify our patrolling of the line and provide our patrolmen in due course with proper instruments that will give signals in connection with the automatic block. Once we have the automatic block we can give them a shunter which enables them to cross two rails and place the signal at STOP. My feeling is if we find ourselves pushed in the direction of enlarging these slide detector fences delay will be experienced in the kind of protection which will be efficient in that territory.

Mr. FULTON: I appreciate your statement very much, Mr. Gordon, and I certainly would not lightly question the opinion of your officers, but I would like to ask you a further question. I think it may be necessary to gain further experience but I would like to say, for the benefit of this committee, that the matter is not of purely local interest. There has been a number of fatal accidents not caused by slides of major proportions at all, but simply because through this territory in the spring and fall thawing and wetness cause two or three rocks to tumble down on the track—just sufficient to derail the engine and the first one or two boxcars. It is that type of thing that has resulted in a number of distressing fatalities—one alone would be distressing, but there have



been two or three fatalities. I have found the expression of opinion is contrary to what Mr. Gordon has said about the fact that there was danger only three out of 180 times when the signal went to STOP. Mr. Gordon said that on the principle of familiarity breeds contempt they would disregard it. They say that on the contrary they know it won't be a dangerous condition each time the signal is alerted but the sense of security it gives them is one thing—and even accepting your argument that familiarity breeds a certain amount of contempt, nevertheless they would at least slow down so that if they found in fact it was a dangerous obstacle they would be able to stop. They discount altogether the suggestion that they would sail blithely on ignoring the signal no matter how many times it would be alerted on false alarms.

They say, and I want to say that it is not suggested there should be a continuous stretch of fence in the whole mountain region but rather it is only at danger points that these fences should be installed. I admit patrolling is necessary and I think a necessary addition, but the patrol can go along and a couple of rocks can fall behind it and the man can be as alert as anyone and not hear it. A major slide would be heard but these smaller ones would not be, and yet the rock might not be large enough to cross the tracks and affect your block system. I understand the slide detector fence would be sufficient to assess the danger whereas the block signal system would not be affected by these isolated rocks. I would therefore ask if you would reconsider this decision of abandoning the slide detector fence and reconsider the request to install them at proved danger points. That would not constitute a major obstacle in your whole block signal system program.

Mr. GORDON: I wish to assure you that as far as the management of the railway is concerned we are just as much concerned as anyone in the matter of avoiding accidents.

Mr. FULTON: I accept that 100 per cent.

Mr. GORDON: I did not mean to make too much of the psychological suggestion that familiarity breeds contempt. Moreover, I think it was Mr. Winston Churchill who said that without some familiarity we would never breed anything.

I would just question the sort of evidence that you are referring to in your talks with railway men. No railway man would ever admit that he would ever pass a danger signal any time. You talk to anyone; he would never admit that. The fact, however, is that these slide detector fences have been out of commission 143 days for various reasons, including snow. Now it is a dangerous thing to have a situation whereby a signal cannot be depended upon under given circumstances. How is the engineer of the locomotive on the particular piece of track to know that snow conditions may put the fence out of order? Once having passed over that sort of thing he might well say: "Oh, well, it must be snow again." There is a big psychological factor. I am not going to accuse them of ignoring the signals but I say the weight of evidence is that it is pretty risky to depend on them in that frame of mind.

I do not want you to assume because we have this feeling about slide detector fences that we have not taken alternative measures. We have intensified what we think is a better system, that is actually patrolling the line. On these danger points our patrolling is done as intensely as possible and that sort of protection, in our opinion, is superior to the slide detector fences.

We have installed another unit at Yale so we have not abandoned it completely. However, all our evidence is that we would do far better if we concentrated on a very limited amount of slide detector fence and get on with the much bigger expense and much bigger installation, giving much more protection, as represented by the automatic block signals. We feel as a matter of judgment that every day we lose in putting in what we regard as an ineffective signal system is just too bad in relation to the bigger program. This installation



of signals is a very technical matter and requires highly skilled staffs as well as material which is difficult to get under present conditions. I just don't like the idea of taking either men or material away from the bigger program.

Mr. FULTON: I can fully appreciate that, Mr. Gordon, and perhaps we can leave it and let the point rest for the time being and, if experience indicates reconsideration is necessary I will say that I am confident you will give it that reconsideration. I take it that I have your assurance?

Mr. GORDON: Yes, that is so, and I would like you to believe this and suggest it to the members of your constituency to whom you talk. The use of the slide detector fence may be demonstrated as a useful additional precaution after we put in the automatic block—as an additional protection. It may be found to be much more effective then, but we should not put the cart before the horse. We ought to get on with the major program first. If we find from additional experiment that there is an additional safety factor there we will have another look at it.

Mr. FULTON: Would you outline your program in a little more detailed way in connection with block signals? What subdivisions and mileages are you starting?

Mr. GORDON: I will read this schedule to you.

The CHAIRMAN: Mr. Fulton, I notice you are not following—

Mr. FULTON: I am following—I have another report here which I am following at the moment but I would be content to have this information put on the record.

(See appendix)

The report of the Board of Transport Commissioners on their inquiry into the Canoe River wreck dealt with the question of block signals first and urged that they be installed throughout the mountain territory as rapidly as possible. You have placed on the record your program for that work. It was also stated and I am reading from page 10 of the conclusions:

The Board, together with its technical officers, will, not later than the 19th of March next, arrange a meeting with the appropriate officers of the two major railways and the Railroad Brotherhoods affected to discuss the possibility of achieving greater safety in train operations, particularly in relation to the matters above mentioned in paragraphs numbered 1 to 5 inclusive.

Those paragraphs dealt with the matter of block signals. Can you tell us if the meeting was held and whether any specific recommendations have been put forward, and what action if any, you have taken to meet them.

Mr. GORDON: The meeting was held. It was a general inquiry and the Canadian Pacific Railway and ourselves were present. The meeting was held on the basis of a general inquiry into accident precautions that might be intensified on the whole of the operations of both railways. I have read the report but I am sorry I did not bring it with me. I do not know whether Mr. Dingle has a summary of the recommendations or not.

Mr. FULTON: I was particularly interested, Mr. Gordon, in a statement from you, if you are in a position to make one, of the action your company has taken to implement any recommendations which were arrived at for safety in the mountain areas.

Mr. GORDON: Well, I can only answer that in a general way and I am speaking from memory. This report I have before me does not cover what I want. I can say, in a general way, wherever there is a specific recommendation made that seems to make sense we will certainly implement it to the fullest extent that we can.



Mr. FULTON: You do not have before you at the moment any series of recommendations arising out of that meeting?

Mr. GORDON: No, I have not got it at the moment. I have here a memorandum which dealt with the discussion of the various points but I have not the recommendations made.

Mr. FULTON: Perhaps we can allow that to stand for the time being.

Mr. GORDON: Mr. Dingle and I will talk about it during the lunch hour and see if we have anything specific on it. The meeting was comparatively recent and I cannot tell you whether anything is implemented; I can only tell you our plans. We made certain recommendations before the Board but what I am really looking for here is the end result.

Mr. FULTON: One other question, which I think will be final on this part—your program of block signal system installation is actually being speeded up. Have you been able to speed it up as a result of the inquiry before the Board of Transport Commissioners and their recommendations?

Mr. GORDON: I would say generally no, because we were pushing our program as fast as we were able to having regard to the materials, supplies, and manpower. This equipment is difficult to get. We have used every pressure we could and we have received every help we could from the departments of government. I cannot say it has been specifically speeded up as the result of the accident because we were going full pelt anyway.

Mr. FULTON: There is no help which this committee could give you by way of recommendations with regard to the allocation of materials and that sort of thing?

Mr. GORDON: I think this particular material is on as high priority as it can be and that every specific help has been given to us.

Mr. FULTON: Coming to that part of the report dealing with the centralized traffic control, on page 13, what centralized traffic control work through the mountains have you, or have you any program visualizing its ultimate installation?

Mr. GORDON: I will ask Mr. Dingle to answer.

Mr. DINGLE: We have none, but our present installations of block signals in the mountains are so set that should there be any need to convert to CTC we can do so, but at the present time the volume of traffic is not sufficient to call for centralized traffic control.

Mr. GORDON: It is true that we can put block signals in faster and CTC would be much more comprehensive and take longer. The first step is block signal control arranged so that later we can convert to CTC if the volume of traffic justifies.

Mr. MACDONNELL: May I refer to a phrase in the last paragraph on page 13. It says: "During 1950 work was begun on further extensions of centralized traffic control, a despatching system in which centrally controlled electric signals take the place of train orders or time table authority."

My question is: Are mechanical signals so absolutely dependable, so utterly free from failure, that you can entirely replace the human element, and I am not exaggerating the effect of that? For example, when I drive across a crossing with a wigwag on it, even though it is not working I look each way on the assumption that possibly the signal is not working.

Mr. GORDON: I can say that the centralized traffic control system is operated from a central board. Some day I would like to show you the one in Montreal. It is an interesting and worthwhile visit. If the system went out of order it would be immediately seen on that board and we would reinstate train orders and time table authority at once. On that particular section if the signals went out



of order the despatcher would know at once and he would immediately reinstate train orders and time table authority at the time the automatic signal goes out of order.

Mr. MACDONNELL: What happens to a train that is approaching a signal out of order.

Mr. GORDON: We can stop him running along. We still have signals that can be given to the train.

Mr. FULTON: I know there is a great deal of interest in this matter and I could point out two sentences from the findings of the Board. "A block signal system does not entirely eliminate the danger of accidents, for block signals conceivably could be disregarded by train crews, or in certain circumstances fail to operate effectively, but such a system throughout the mountain ranges would have provided an additional safety device of great value and efficiency and would probably have averted the accidents notwithstanding the conflicting train orders. The Board therefore recommends that the Canadian National Railway take necessary measures to install block signals in mountain territory and other dangerous parts of the C.N.R. system as speedily as possible. Other railways under the jurisdiction of the Board should do likewise in their mountain and other dangerous territory."

You will remember there was a controversy in the press over conflicting orders and I thought it important to place that finding on the record.

Mr. Gordon: I would like to say, dealing with that particular point, and also the point Mr. Macdonnell raises, that I do not suggest in any way that there is any form of signal device that eliminates manpower failure. Man failure can take place. It is significant that some of the worst wrecks on the North American continent, and in the United States, in particular have taken place in areas where centralized traffic control was in force. You just cannot eliminate the hazard that a man will go through red lights for some reason he never seems to be able to explain.

One other thing and then I would like to drop the subject—I hasten to add "if I am so permitted". I want to bring out the point that during the inquiry there was a good deal of talk about the use of radio. Evidence was given to the effect that radio, in its present stage of development, cannot be used reliably and consistently in mountainous country to control movements. This opinion has since been confirmed by experts of National Research Council and by the various manufacturers of radio equipment. The C.N.R. are keeping closely in touch with radio developments in the railroad field.

I just want to put that on the record to show that we are not ignoring any modern developments.

The CHAIRMAN: Shall maintenance of way carry?

Mr. CARTER: No. Mr. Gordon said, in reply to Mr. Fraser, that the narrow gauge equipment costs were higher than those for standard gauge. I wonder if that is also true of maintenance?

Mr. GORDON: No, it is not. Maintenance costs per mile are somewhat less than for the standard lines.

Mr. CARTER: That would even it off; that would balance it.

Mr. GORDON: If you want it I will give it to you, Mr. Carter.

The CHAIRMAN: You and Mr. Fraser ought to get together, Mr. Carter.

Mr. GORDON: I will give you some figures that I hope will satisfy you. We estimate that the expenditure on Newfoundland district maintenance of way of equipment is somewhat lower, and our estimate is that the relevant cost in Newfoundland is at the rate of \$8,635 per mile as compared with \$9,732 per mile. Having said that I want to point out that our expenditures in Newfoundland as budgeted for 1951 at the rate of \$3,325,945 would, if spending



were at the same rate for the rest of the system, have cost us \$65 million more than we actually spent on the rest of the system. There is a very large increase in expenditure on the Newfoundland railway under the present day conditions.

Mr. CARTER: I think the committee understood the purpose of the question was not my sensitivity about this extra burden business. I was just wondering if the cost of the equipment were higher than for replacement and, if the cost of maintenance also happens to be higher, surely that would be an argument for putting in standard gauge there, if only over a very long term program.

Mr. GORDON: I would hate even to guess at the cost of standard gauge in Newfoundland on the present road bed. You must remember that you are dealing fundamentally with a geographic factor. You have a railway there which has steeper grades, very much higher degrees of curvature; and to attempt to put a standard gauge on the present road bed would, I think, be foolish. So if we were talking about a standard gauge railway, my opinion would be that it would mean a new route altogether, because it would not be worth while spending an extraordinarily large sum otherwise. You are getting into a question of hundreds and hundreds and hundreds of millions of dollars when you talk about that.

The CHAIRMAN: "Maintenance of way equipment". Shall the item carry?

Mr. POULIOT: Will you please tell the committee what you intend to do with regard to the maintenance of way on the Temiscouata Railway?

Mr. GORDON: We intend to keep it at the same general standard as the rest of the system.

Mr. POULIOT: The same as the other parts of the system?

Mr. GORDON: Our program there is to bring all parts of the railway up to the same general standard, having regard to traffic elements and so forth.

Mr. POULIOT: What are your estimates in that respect for the current year?

Mr. GORDON: Could we not leave that until we come to the budget? I think we could cover it then.

Mr. POULIOT: Very well. That is all right. Thank you.

The CHAIRMAN: "Other research".

Carried.

"Condition of property".

Carried.

Mr. FULTON: I would like to ask Mr. Gordon a question with regard to steel and wooden passenger cars. I do not want to be unfair so I shall not say anything beyond the fact that there was a great deal of controversy and misunderstanding following the accident to which reference has already been made. But it does seem to be a fact that some of the coaches concerned were wood with steel under-frames. I base that statement on the findings of the board in their inquiry into the accident.

Mr. GORDON: The coaches on that ill-fated train all came under the ruling of the Board of Transport Commissioners and were regarded as steel coaches. Certain of them were, however, what we call steel sheeted coaches; but under the ruling of the Board of Transport Commissioners they constituted steel coaches and they were permissible under the Board of Transport Commissioners' rule.

The reason some of those coaches were thought of as wooden is that they were originally wooden coaches covered with a frame of steel. So technically we were within the provisions of the board's order.

Mr. FULTON: They were steel coaches?



Mr. GORDON: Yes, steel coaches.

Mr. FULTON: Are you yourself satisfied with this type of coach, or are you trying to eliminate this type?

Mr. GORDON: If we could eliminate them, we would be very glad indeed to do so. But again, it takes time to get coaches. You will find in our budget that there is provision for the purchase of a number of passenger coaches and as rapidly as we feel we can meet the demand of traffic, we plan to take the wooden coaches out of service.

We have 518 wooden coaches in our present position, and our general program in dealing with system requirements is that we hope to replace these coaches at the rate of 57 new steel coaches annually. That is our present program. But that again is contingent and dependent on the matter of supply.

Mr. FULTON: Do you know whether, following upon this inquiry, it is contemplated that any change will be made in the board's order with regard to the type of wooden coach with steel sheeting to which you referred—to have them taken out of use?

Mr. GORDON: I have no information about that. I do not think that the board suggested that there be a change. Do you know anything about it, Mr. Dingle?

Mr. DINGLE: It came to the attention of the board and consideration was given same. I can at this time put on the record what Mr. Fulton wants in regard to the result of the meeting in Ottawa and the recommendations.

The CHAIRMAN: Are they long?

Mr. DINGLE: No, they are fairly short.

Mr. GORDON: I am sorry to interrupt, but there is some confusion here. As I pointed out before, the Canadian National made certain recommendations. That is not what Mr. Fulton is after. He wants to know what the board decided, what the end result was.

Mr. FULTON: Yes.

Mr. GORDON: If you will leave it for the moment, we will work it out. I do not think it has been decided, really, and that is why I want to check it. Both railways made certain recommendations to the board.

Mr. FULTON: But reverting to the question of wooden coaches with steel construction, I take it that it is still permissible to include in a train a coach of that type, but not to place it between two steel coaches.

Mr. GORDON: It is permissible because of general order of the board No. 707, to include steel sheeted coaches.

Mr. DINGLE: A steel under-framed coach with steel sheeting.

Hon. Mr. CHEVRIER: The board's order included among other things that passenger trains shall be marshalled in such a way that no wooden coach carrying passengers is placed between cars of steel construction and that all wooden coaches are placed in the rear of the train; and also that coaches with steel under-frames shall not be deemed to be wooden cars or coaches within the meaning of the order. The board did not amend that order. And in its investigation into the Canoe River accident it went on to say that its technical officers are kept informed of the progress made in conversion to all-steel cars.

Mr. MACDONNELL: Are there any other questions with respect to the use of wooden coaches?

Hon. Mr. CHEVRIER: That is the last order made by the board and it was made following the accident just outside of Winnipeg, at Dugald.

Mr. POULIOT: I must express the appreciation of the people to you, to Mr. Dingle and the management for the considerable improvement in train equip-



ment which has been made between Montreal and Halifax. For many years it was awful. But now it is just as good as anywhere else and you must be given special appreciation for it.

Mr. GORDON: Thank you, Mr. Pouliot.

Mr. POULIOT: And to the Hon. Mr. Chevrier as well.

The CHAIRMAN: "Condition of property".

Carried.

Mr. MACDONNELL: Would Mr. Gordon care to say a word with respect to that paragraph and the words "reduced by at least 11 years"?

Mr. GORDON: That simply means that the equipment we refer to there is equipment which went through the war. Its service life was exhausted to that extent with the additional usage and pounding that it got through excessive use, so to speak, during the war years. Such excessive use reduced its ordinary service life to the extent, we think, of 11 years.

The CHAIRMAN: It was accelerated to that extent?

Mr. GORDON: Accelerated, yes.

Mr. JAMES: Is any research being done with regard to the use of materials other than steel for coaches?

Mr. GORDON: Yes. We are experimenting in connection with passenger coaches, but I believe that the all steel provision has become ingrained to the point where it would be very difficult to convince anybody that we could get out of it. But with regard to box cars, we are experimenting with composite materials, such as part wood and part aluminum, or part wood and part steel. It becomes a matter of determining how a composite car will stand up against stress and strain.

You may have seen that in the United States they have developed box cars made of laminated wood, plywood. But we are still skeptical about that particular item. However, we have information regarding it.

Mr. JAMES: What brought up the question was the plastic and fibreglass demonstration at the hotel. It showed amazing strength and I wondered if there would be any possible application here.

Mr. GORDON: I do not know. I cannot answer you specifically. But I can say that our research laboratory which, by the way, is a very good research laboratory, in Montreal, is constantly testing materials. They have not brought it to our attention as yet.

The CHAIRMAN: "Operating performance".

Mr. FRASER: This heading covers passenger service as well as other things.

I have here an editorial from the Peterboro *Examiner* dated Saturday, November 4, 1950. The gist of it is that on account of the service between Toronto and Peterborough and other points railways there do not get the traffic that they should get because the trains are run at about the same time. It gives a list as follows:

The second C.P.R. morning train to Toronto leaves at 7:10; the C.N.R. at 7:23. The C.P.R. 5:10 to Toronto is duplicated by the C.N.R. to Toronto via Lindsay, leaving at 5:30 p.m. The C.P.R. from Toronto going east for Ottawa and Montreal arrives a few minutes before noon; the C.N.R. from Toronto destined for Port Hope and a Montreal connection, arrives a few minutes after noon. The only C.P.R. Sunday train to Toronto leaves at 5:30 p.m.; the only C.N.R. to Toronto on Sunday leaves at 7:10. Thus the companies compound their lack of service by duplicating each other's.

That has been felt for years, because the trains leave practically at the same time going east or west.



Mr. GORDON: Yes, I am very conscious of that.

Mr. FRASER: Yes, and moreover Peterboro is a city now of roughly 37,000 yet we have the same facilities in the way of a station and everything else that we had fifty years ago. Of course, once in a while they put a little paint on it.

Mr. GORDON: This just raises the general question of schedules. It is a case of a layman looking at those schedules, or seeing the trains going back and forth about the same time, and it seems to him that it is foolish. But when you get down to examine the train schedule, you get into a very complicated matter and the basic thing is, as I said yesterday, that trains have to run at times which will give reasonable service to intermediate communities as between two main points.

It does not take very much thinking to realize that if one company finds that the appropriate time to service an intermediate point and make connections is roughly say 5:00 in the afternoon, it is not surprising that the other company will feel the same way, and you will find these schedules have got to fit into making connections as well as providing service to intermediate points.

Your general statement, I think, applies all over the country. But our present situation is simply that we are obliged to divert to other and more urgent things the materials you mentioned rather than into the construction of stations. And I can hold out no hope for our reaching the conclusion that we should recommend to this committee the erection of a great number of stations because there are other things which are very much more important under present conditions.

Mr. FRASER: I am not so anxious about the station as I am about the change in time. You mentioned the difficulties: but you leave here at 11.00 at night for Peterboro and you get there at 5.35 in the morning; then you leave there at 1.38 in the morning and you get here at 7.00 in the morning. I think those are terrible hours.

Mr. GORDON: I have a very intensive examination of our schedules under way because it is perfectly obvious from the standpoint of railway management that if we could get more traffic by having additional schedules, we would do so.

Mr. FRASER: I personally think you would.

Mr. GORDON: We would do so. We would not hesitate at all. It is simply a matter of practical operation of the railway and I can assure you that as soon as we can satisfy ourselves that we can get more traffic or more service, at a point where people will get more railway minded, we will do so.

Mr. FRASER: I know your city agent there is out after business all the time and so is your telegraph man.

The CHAIRMAN: "Hotels."

Mr. FULTON: The figures you give here are very interesting and they bring to mind a question which was discussed last year, and a question which was discussed frequently before. I would like to ask you whether in view of the amount of statistics which you now appear to have available as between certain parts of your freight operations and your passenger operations, whether you are getting to the point where you can give us a complete breakdown of your operating expenses occasioned by passenger service, and that part which is occasioned by freight service?

Mr. GORDON: I have not been able really to get anything worth while on that because you strike a fundamental difficulty in that it is very difficult for the statisticians to apportion the overhead that really should be applicable to passenger versus freight.

We can get out statistics as to the actual costs of running a passenger train. We know that. It is relatively simple. But when you begin really to make an



authentic analysis of it, you must ask yourself all sorts of questions. We have situations for example where there is an exchange of freight. And the question arises: would we have a Canadian National line where it was, if there were not an exchange of freight?

I would make a rough guess and say that if we were handling freight only to the point in question, we could do it more cheaply than we can do it if we did not have to cater to passenger traffic. The kind of station we would build, for example, would be different, but nevertheless we do build stations which handle passengers as well as freight, so it is really difficult to get a proper break-down. We are having an analysis made but I am not too hopeful of giving you an all white or an all black figure.

The Royal Commission dealt with this point and there is a short sentence here which I shall read from page 137 of the Report of the Royal Commission on Transportation as follows:

The freight and passenger services are essential and if the passenger fares cannot be raised to produce sufficient revenues to enable the passenger traffic to pay its own way the freight traffic must bear the burden. The two services are so interrelated that segregation is not practical.

That is their view after looking at the question. Personally I am still as interested as you are in the question and although I am pursuing it, I feel a bit frustrated about being able to give you an all white or an all black figure on conclusion.

Mr. FULTON: But you are making progress?

Mr. GORDON: Oh, yes. I understand it better than I did last year.

The CHAIRMAN: "Hotels."

Shall hotels carry?

Mr. MACDONNELL: Can Mr. Gordon say a word or two about the first paragraph at the top of page 19, particularly with regard to the special situation affecting the Hotel Vancouver and the Newfoundland hotel?

Mr. GORDON: I am sorry, but I did not hear your question.

Mr. MACDONNELL: Would Mr. Gordon say a word or two about the first paragraph on page 19?

Mr. GORDON: Well, along what line?

Mr. MACDONNELL: You speak about the general falling off in tourist and travel expenditures. I would like to hear you say a word or two about it. You say "excluding the Hotel Vancouver and the Newfoundland hotel".

Mr. GORDON: The Hotel Vancouver is excluded because it is a joint operation between ourselves and the C.P.R. The Hotel Vancouver is a separate company. And the reason why the Newfoundland hotel is excluded is that it was not operated for all of 1949 for one thing, and secondly, we are now engaged in a major remodelling of the hotel, and until that is completed we will not get statistics which are truly comparable.

Mr. POULIOT: Is it to your knowledge that the province of Ontario did anything to settle the sympathy strike at the Chateau Laurier during the Interprovincial Conference?

Mr. GORDON: It was not a sympathy strike. The unions representing the hotel workers were the same unions that represented the non-operating trades, and it was all part of the same organization in respect to the strike.

Mr. POULIOT: But did the Ontario government do anything to settle the strike at the hotel?

Mr. GORDON: I have no knowledge that they did.

Mr. MUTCH: Is the management concerned with placing their hotels under provincial jurisdiction in the matter of labour matters? During the recent



strike you had a different situation in the Canadian Pacific than in the Canadian National hotels?

Mr. GORDON: Our hotel situation in respect of jurisdiction is in a very muddled condition. The Canadian Pacific have a ruling—I think it came from the Privy Council if I am not mistaken—which stated quite clearly that they were subject to provincial jurisdiction. But one of our problems in the hotel set-up in the Canadian National is that the status of each hotel varies as between provinces.

You would have to go into the detailed history of each hotel. In some cases they were owned by the government while in other cases they were owned by one of the component railway lines which we took over. I have the matter under very intensive examination to determine what is the best thing for us to do, all things considered.

It is a very complicated and very mixed-up legal situation and we are not in a position yet to come to any conclusion or clear choice over all as to what we want having regard to the background of each hotel.

Mr. MUTCH: Are you considering the possibility of going out of the hotel business?

Mr. GORDON: Going out of the hotel business? That may come as a result of our study, but I do not think I would be permitted—unless the government were prepared to support that particular view; I would say it is not under immediate consideration, no.

Mr. MUTCH: I am not urging it. I just wanted to know.

Mr. FRASER: The net operating income amounted to \$565,853, as compared with \$1,053,280 in 1949. It was my understanding that a year ago the Chateau alone showed a profit of about \$500,000. Is that right?

Mr. GORDON: We have the comparative figures here in the table.

Mr. FRASER: I wondered if they were still up.

Mr. GORDON: The figure in 1949 showed that the Chateau had in its operating account, a profit of \$415,209, yet in 1950 that same figure came down to \$269,000.

Mr. FRASER: \$269,000?

Mr. GORDON: Yes.

Mr. POULIOT: Was the loss suffered on account of the Chateau strike last year?

Mr. GORDON: I could not give you that detail. I gave an estimate yesterday of the cost of the strike for the system as a whole, but I have not got it broken down into component parts.

Mr. FRASER: You would know if there were some of these hotels that are not paying?

Mr. GORDON: It is a question of what you call "paying". I am talking about operating results, not of paying interest. With respect to 1950 the results from the hotels showed an operating profit, with the exception of the Charlotte-town Hotel and the Macdonald Hotel.

The Macdonald Hotel is not a fair comparison because we are charging up the amount of \$175,000 covering alterations due to the addition of a new wing; but that is a temporary matter and it will, in due course, provide profit in the years to come.

Mr. FRASER: How about the Newfoundland hotel in St. John's?

Mr. GORDON: That is not a proper comparison on general figures because it is under remodelling.

Mr. FRASER: And it needed it too.

Mr. GORDON: There is no doubt about that. If you should ask me for the figure of the cost of remodelling, I could tell you.



Mr. FRASER: Yes, I would like that. You asked for it.

Mr. GORDON: As nearly as we can estimate at the moment, it will cost us about \$1½ million to put the Newfoundland hotel in shape. But in doing that, I think it is a good investment. We shall so remodel the hotel that we shall get the rooms on a basis which will pay for the costs, and I hope that when we get through with it, the Newfoundland hotel will return us some profit on our operations.

Mr. FRASER: I imagine that it will.

The CHAIRMAN: "Communications."

Mr. MACDONNELL: With respect to the profits on operations, did I understand you to say that that was pure operating profit without charging yourself anything for your investment?

Mr. GORDON: That is correct. This is merely operating revenue less operating expenses.

Mr. MACDONNELL: Well, for your own satisfaction, have you figures which show you what the result of your work is, when you charge for your investment?

Mr. GORDON: It is a very simple figure. It is merely a matter of taking the interest rate on whatever the property investment is.

Mr. MACDONNELL: I realize that. I can work it out for myself. But I wondered whether, for your own satisfaction, and for the setting of rates and such, you personally have the over-all figure?

Mr. GORDON: Oh yes, yes indeed.

The CHAIRMAN: "Communications."

Mr. FRASER: This covers teletype rentals, does it not?

Mr. GORDON: It covers all forms, such as telegraphs, and teletype in connection with communications, and telephones too.

Mr. CARTER: Last year I put before this committee the need for extension of communications, telegraphs and telephones to smaller settlements in Newfoundland and I wonder if Mr. Gordon can tell us whether anything has been done to extend that service to those smaller settlements, and what the policy is for the future?

Mr. GORDON: Well, we have taken very definite action in that respect. You are thinking of a basis for servicing new communities?

Mr. CARTER: I am thinking of new communities and of communities which formerly had telephone and telegraph communication, but which lost those services when we lost responsible government. A good many of those settlements have grown since then and it is a question of the restoration of those services which were enjoyed 15 or 20 years ago.

Mr. GORDON: We looked into that question very carefully. It is a matter of judgment as to the justification for extending services in very small and isolated communities. It is a very costly thing to try to do, to cover that type of community. So we decided the matter as managerial policy and we adopted a formula to apply in the future with respect to communication facilities.

The formula is that where a community consists of a population of at least 50 people, and where the existing communication is 3 miles or more away, we treat it as a matter of public convenience and necessity, rather than one of essential commercial economy.

Mr. CARTER: That is right.

Mr. GORDON: We have experienced judgment along that line and we are prepared to make installations which are not justified on economic grounds but rather on the basis of public convenience and necessity. That is our rough formula.

Mr. CARTER: Have you put that policy into effect in any community in Newfoundland?



Mr. GORDON: Yes. We started in on it about 4 or 5 months ago, I would say.

Mr. CARTER: Could you let me have the names of some of the communities, not necessarily right now, but later on, say tomorrow?

Mr. GORDON: I would be glad to do that. And you will have a list of our projected communities. But we are up against the difficulty of getting materials and supplies, because in that particular field of equipment, defence requirements are very heavy.

Mr. CARTER: You have mentioned public necessity and convenience. I would like to point out that during the last war these little communities played a very vital role in our defence efforts. A large number of airmen owe their lives to the existence of these tiny offices in out-of-the-way places, and I think that in the extension of those offices in the future we should also bear in mind the part they will play in our defence program.

Mr. GORDON: Yes. These considerations have certainly been kept before us, Mr. Carter; and I think when you see our program you will appreciate that it has all been considered.

Mr. KNIGHT: Could Mr. Gordon tell us to what extent the railroad owns its own telegraph or telephone systems, or leased telephone systems?

Mr. GORDON: We have a very extensive telephone system. I do not know just how to describe. It is a necessary part of our communications all along our line. I do not know how far you want me to go. It would take quite an analysis to tell you what we own.

Mr. KNIGHT: If the chairman would excuse me for not putting this in the form of a question, I would like to pay a very strong compliment to the public relations people of the Canadian National in connection with an experience of my own recently. I missed my connection in going to Windsor on a matter of business, and the public relations man was good enough to carry out my business problem for me. He was able to do that because I had told him what it was. And when I offered to pay him for it, he said: "No. We have our own telephone system." So may I pay a compliment to the particular individual and to the company for taking that tremendous interest in my private business. I might add that I missed my appointment because the Canadian National train was on hour late.

Mr. GORDON: That is merely an exemplification of the company's slogan "courtesy and service".

Mr. MUTCH: One of the basic employee difficulties, in employee relations at the present time, I believe, is that dealing with basic pensions. I thought that this might be the opportunity to say what I have to say on that subject.

Mr. KNIGHT: On a point of order, Mr. Chairman, I thought that we had decided yesterday that we were to deal with the matter of basic pensions on the main statement at the beginning, and I think you put my name down for that particular purpose.

The CHAIRMAN: We decided yesterday that, when dealing with the third paragraph on page 2 of the forwarding letter to the minister, we would deal with employee organization.

Mr. MUTCH: I was here at the time and my recollection does not confirm that of the chair. But I asked for your ruling so that the matter can be dealt with under the proper item of the report. I understood there was to be a general discussion on the letter of transmittal. I am a little at a loss to know whether or not the questions which I propose to ask will come under the heading of general discussion. However, I am not anxious to stress the point. It is a matter of extreme indifference when I ask those questions, be it now or later.



Mr. FULTON: I do not think the matter was ruled upon except to defer the questions which Mr. Knight wanted to ask until we reached paragraph 3 on page 5.

The CHAIRMAN: I take it that Mr. Mutch is quite willing that it should be done, as long as he has the right to ask his questions. That is my understanding.

Mr. MUTCH: We discussed this question.

The CHAIRMAN: I understand that you will be allowed in when we come to the 3rd paragraph of the letter. You are quite content?

Mr. GILLIS: Before you leave employee relations, I would like to ask why the non-operating employees were not included in the general agreement and given some consideration by way of wage adjustment as the operating employees were. I know that Mr. Kellock did not recommend that should be so, but there must have been some background of negotiations between management and employees before Mr. Kellock when he arrived at that decision. I think that the dissection, dealing out those employees, makes for bad labour relations. I think it isolated them. Was there any particular reason why that should be done?

The CHAIRMAN: Would you mind reserving that question for the general discussion upon employee relations which is going to take place later on?

Mr. GILLIS: There is to be a general discussion coming up on that?

The CHAIRMAN: Do you mind doing that, to facilitate the work?

"Participation in economic development." Shall the item carry?

Mr. FULTON: I would like to ask a question about oil. I understand that the National Research Council is experimenting with heavier oil, car axle and bearing lubricants. I believe that they will reduce bearing wear and cut down the number of hot boxes and thereby reduce the locomotive power required to pull a train.

Has the Canadian National tried it out? Have you been participating in the development?

Mr. GORDON: We ourselves carry on continuous experiments in the matter of oils through the Research laboratory to which I have already referred, and not only in respect to lubricating oil but diesel oils as well. And we keep closely in touch with such laboratory work as is being done throughout the country. We have already adopted a number of successful changes and they have shown good results, particularly in respect to diesel oil.

And in regard to lubricating oil we make changes from time to time as a result of research work. That is, generally speaking, the situation we are in.

Mr. FULTON: You do not know of any particular field in which they are experimenting with heavier lubricating oils?

Mr. GORDON: I do not know. I have not seen this dispatch you refer to, so I am not familiar with it. But in connection with diesel oil, when we first started our experiments, the feeling was that diesel oil had to be changed at a certain mileage. But we have found that the oil changing specifications were very much exaggerated, and we were able to make oil changes which brought about a marked savings in operating costs. Now, with respect to lubricating oil, have you anything specific in mind, Mr. Dingle?

Mr. DINGLE: No.

Mr. GORDON: Mr. Dingle confirms the fact however that we do change our lubricating oil from time to time in conforming to laboratory experiment. Most research bodies keep in touch with what is going on, and they exchange information. It is regarded as almost traditional.

The CHAIRMAN: Are there any further questions?

Mr. FRASER: In the 2nd paragraph, in the second last line, I read:

"It is estimated that over 60 per cent of industrial capital is invested on plant sites served by Canadian National lines."



What would these lines be? Would they be lines duplicated by the Canadian Pacific or how would they get in?

Mr. GORDON: It would cover any line that we serve, generally speaking, when we traditionally serve a plant. Both railways try as far as possible to get the service of a specific plant by means of a spur line or otherwise. It would give us an advantage in getting the traffic and in a lot of cases it would make the railway company the only access to the plant. However there are a lot of cases where we jointly service a plant.

Mr. FRASER: And the Canadian Pacific could make the same kind of settlement as this?

Mr. GORDON: I do not think their percentage would be that large.

Mr. FRASER: But in a great number of cases both lines could serve a plant?

Mr. GORDON: No, no. There is a great number of cases where only our line goes through a particular territory.

Mr. FRASER: I see what you mean.

The CHAIRMAN: Are there any further questions? The item is carried.

Mr. MUTCH: Is it the practice in cases where industrial plants secure property on your trackage for your company to endeavour to tie up your railway business as conditional to the sale of the property?

Mr. GORDON: That is very often a part of the agreement. It applies on both railways, of course.

The CHAIRMAN: Will you now turn to page 1 of the forwarding letter, and to paragraph 3 thereof.

Mr. FRASER: Are you not going into finances?

The CHAIRMAN: I thought that the Royal Commission would come in under the letter.

Mr. MACDONNELL: Have you got to the end of page 21? Have we covered immigration?

The CHAIRMAN: We have simply been calling one general heading.

Mr. MACDONNELL: I would like to ask something on that subject.

The CHAIRMAN: Very well.

Mr. MACDONNELL: Would Mr. Gordon say something about the organization of the railway, I mean the European organization of the railway in connection with immigration; and in doing so would he explain how it fits in with our two other organizations, I mean the Canadian Pacific organization and the organization of the government department itself. I understand there are three set ups, and that our immigration activity is divided into three efforts.

Mr. GORDON: We have a small organization in Europe and if you will turn to page 48 of the report you will see a list of our European offices there. We have a small organization in Europe which is supervised generally from London.

These men we have there try to get in touch with steamship companies, and they have personal contact and so forth and they keep in touch with the people who are intending—or who can be persuaded that it would be a good idea for them to immigrate to Canada. We then provide service for them in explaining Canadian conditions and giving them particulars of land that might be available if they are interested in farming as an occupation and so forth.

We have a whole series of things that we can tell them about Canada such as soil conditions and so forth.

Now, in respect to co-ordination with the Department of Immigration, we have a very close working relationship with them and we are constantly in consultation with them. They tell us the sort of information that they have received and we do our utmost to welcome these new citizens. We meet them at the station and take them off the boat and generally do as much as we can



to make them feel at home as they arrive. It is a service for which we have received many compliments.

Mr. MACDONNELL: Could you tell us more in that respect? You say you keep in touch with intending immigrants in Europe. I take it that includes both the United Kingdom and the continent?

Mr. GORDON: Quite so.

Mr. MACDONNELL: Does the government authority take charge of the tourist, or do you take charge of him yourself?

Mr. GORDON: If we sell him his passage, we take charge of him. We help him with governmental regulations and we help him by explaining to him about foreign exchange regulations and about the medical examination, and all the varied kinds of red tape, which is very obvious these days having regard to anybody leaving any country. Then, of course, there are matters which are taken up with federal government. There are some things which the department of immigration themselves do to help in specific instances, and we call it to their attention in specific cases.

They do some work themselves of an initiating character and it might finally fall into our hands or into the hands of the Canadian Pacific when the matter of transportation is arranged.

Mr. MACDONNELL: You spoke in a general way about looking after their welfare when they came to Canada, and that certain obvious questions arose. Perhaps you could give us more specific information. For example, to what extent, when a man comes to Canada, to what extent does he come to take up an arranged job? And in addition to that particular question, who would assume the responsibility for his immediate housing? As we all know, I have heard of some very difficult cases.

Mr. GORDON: We try as far as we can when we check on families or persons coming to Canada over our facilities, to have it understood. For example, where an individual is coming out to work as a farmer, we try to present to him a list of places where he may locate, and we try to show him desirable property and we get pictures of such property. We inform him about the land and the sort of croppings that would be suitable for it. As far as possible we like to have these people arrive in Canada with a definite place to go and with at least an initial idea of what they are going to do.

Mr. MACDONNELL: Take the question of a farmer. Can you give us a little information as to what the money requirements are now in the United Kingdom, how much money he can bring out with him, and what you expect to have in that respect?

Mr. GORDON: I am afraid that my memory fails me on the details. I think it is still quite a limited sum, and that is part of the difficulty, in respect to money.

Mr. MACDONNELL: Are you having considerable success with bringing farmers out?

Mr. GORDON: We have some success but not as much as we would like to see.

Mr. MACDONNELL: Could you give us a rough figure?

Mr. GORDON: You will notice from the report that during the year nearly 2,500 families were located, and these were families settled in farming areas.

Mr. MACDONNELL: Was that across Canada or just in a certain area?

Mr. GORDON: Oh, that would be across Canada.

Mr. MACDONNELL: Do you have regard to the question of abandoned farms? I mean, do you scrutinize areas from that point of view, or are you interested only in getting people to come to places which they can buy, which are in full running order?

Mr. GORDON: We have to be careful not to over-sell a man. We produce a brochure for him and give him examples of various kinds of farms which are



available. They may be abandoned farms or new land, but we try to get him to come and settle near the main tracks of the Canadian National. And we very often get actual figures of the type of farm buildings he would expect to meet with in this country.

Mr. MACDONNELL: Can you be a little more specific as to just how much responsibility you assume for his immediate accommodation when he arrives in Canada?

Mr. GORDON: We do not accept any definite responsibility, but we do try to have somebody meet him when he arrives in Canada, and whatever his terminus may be, we try to see that there is somebody to meet him and take him to the place which he may have selected.

Mr. MACDONNELL: We hope it is as good a man as the one who met Mr. Knight.

The CHAIRMAN: Carried.

Mr. MOTT: Might I ask if you have brought many DP's out to work on the railroad?

Mr. GORDON: I do not know if our employee statistics would show that.

Mr. MOTT: Are there many DP's working on the railway?

Mr. GORDON: We do not endeavour to keep a statistical record of that. We do know that there have been quite a number of DP's come to us for track work, but I cannot tell you specifically what that would be in point of number because we do not keep a record of it.

Mr. MOTT: I understood that you had a considerable number of DP's as section hands on the railway and I wondered just what was done for them, whether you regarded them as new Canadians or whether there was any thought along that line?

Mr. GORDON: I think that is part of the same generalization I gave to Mr. Macdonnell, that when these people get here we try to get them to feel at home. Usually section gangs are in charge of a foreman and it is his job to see that his men are in the proper frame of mind. And if there was a DP in a section gang who was having any difficulty, I am sure that our foreman would do what he could to help him.

Mr. POULIOT: At page 48 there are listed your European offices. Would they give the same sort of information to the immigrant?

Mr. GORDON: Are you talking about the list of offices recorded there in Europe?

Mr. POULIOT: Yes.

Mr. GORDON: Yes. Information is available through those offices for any people who wish to immigrate to Canada or who have immigration to Canada in mind.

Mr. POULIOT: I take it then that there are places besides London where that is done. I note, for example, Antwerp in Belgium and Paris in France.

Mr. GORDON: Yes.

Mr. POULIOT: I wonder if your staff speaks French as well as English in order to inform people who come to the Canadian National offices?

Mr. GORDON: Oh yes. We would not send somebody to Europe who could not at least speak the language of the people he is to talk to.

Mr. POULIOT: Be it Antwerp in Belgium or Paris?

Mr. GORDON: That is right.

Mr. MACDONNELL: I wonder if Mr. Gordon could say something as to the results to date? I am thinking of the people who have been brought out to work,



or would he say that it is too soon to assess them. They have been coming out steadily. I suppose the company has kept records from which Mr. Gordon could tell us in a general way how these new farming immigrants are getting along?

Mr. GORDON: Yes. I could have that brought out from the report that my department of colonization and agriculture prepares for me. It is a report covering the sort of thing you are asking about. Our staff keeps in touch with them and my impression is that the people who come here via the Canadian National Railways take root very well and that their general development is good.

Mr. MACDONNELL: Could we get this further report from Mr. Gordon at a later meeting? I think it is a matter of interest as well as of importance.

Mr. GORDON: I shall get a report of some kind that will try to give you a general picture.

Mr. POULIOT: Who is the head of your colonization and agriculture department?

Mr. GORDON: Mr. McGowan, who is located in Montreal. He has been on this work for quite a long time, and he is well and favourably known to all the governmental departments as well as to other interested parties.

The CHAIRMAN: Carried. Now, if the committee will turn to the forwarding letter on page 1, you will recall that we agreed, I believe, yesterday that under the third paragraph a discussion would take place concerning the capital structure of the Canadian National.

Mr. FRASER: Page 4 is it not?

The CHAIRMAN: Page 4. The first page of the letter. It is now five minutes to one, and we perhaps should adjourn until 4.00 o'clock but before we adjourn Mr. Gordon has asked if the members of the committee would now indicate in a general sort of way any questions they wish to ask this afternoon with regard to the capital structure of the Canadian National, so that during the lunch hour he would have an opportunity of getting ready to answer the questions. Mr. Gillis, I believe you were one of them?

Mr. GILLIS: I was wondering how far Mr. Gordon could go. He made very strong representations to the Royal Commission on Transportation on the subject of the revision of the whole capital structure. Now, the Report of the Royal Commission is in the hands of the Board of Transport Commissioners, is it not?

Mr. GORDON: No. It is in the hands of the government.

Mr. GILLIS: Well then, it will be all right to discuss it. So I would like Mr. Gordon to indicate to us this afternoon to what extent he expects his ideas as presented to the Royal Commission on Transportation to be implemented?

Hon. Mr. CHEVRIER: He cannot answer that.

Mr. GORDON: I cannot answer that question. In fact, I would be very interested in having the answer to it myself.

Mr. GILLIS: Then perhaps the minister might inform us about it this afternoon.

Hon. Mr. CHEVRIER: I have already indicated what the answer is. I have said that the government has not had an opportunity to study the recommendations of the Royal Commission on Transportation in so far as capital structure is concerned. It has given some study to the first part of the report. It will be my responsibility to prepare a draft bill, and then after that is done, I propose to place it before my colleagues for consideration. But until that is done, I do not think that the government is in a position to review the recommendations of the Royal Commission with respect to recapitalization.

Mr. MACDONNELL: We have in the Turgeon report a very interesting review of the whole situation. They have set out Mr. Gordon's recommendations



with respect to a revision of the capital structure, and they proceed with a long and reasoned argument to discuss the matter. At the same time, that is something which is available. I do not know how you could decide that it could come before this committee but it seems to me that we would be having a play without Hamlet if we do not have regard to these very detailed and carefully reasoned comments on the whole capital structure situation.

Hon. Mr. CHEVRIER: The committee is free to discuss it as much as it likes but I certainly am not free to make any statement on whether or not it will be accepted. I want to make that clear because I do not think it would be fair to my colleagues or to this committee since we simply have not given the matter any consideration.

Mr. FULTON: Would it be fair to ask Mr. Gordon to make some comment for us on the result of the implementation, or the results which would follow if the Royal Commission's recommendations were implemented, and how far this would assist the Canadian National, and in what respects they would fall short of his recommendation, and what would be the net disadvantage which would accrue to the Canadian National as a result of the differences between the two recommendations?

The CHAIRMAN: It would seem that you are going to have quite a nasty lunch hour, Mr. Gordon. Now, in regard to our meeting tomorrow morning. It will be Wednesday and some parties have a caucus on Wednesday. So I would like to know the feeling of the committee on whether we should sit tonight or sit tomorrow morning besides this afternoon. We have with us Mr. Gordon and his large staff of very important officials and we should not keep them here any longer than is necessary. On the other hand, we should not hurry our inquiry. So I think we should either sit tonight at 8.00 o'clock or tomorrow morning, but it is for the committee to decide.

Mr. FRASER: I move that we sit tonight, Mr. Chairman.

The CHAIRMAN: Mr. Fraser moves that we sit tonight. All those in favour? Those opposed? I declare the motion carried. We shall sit tonight at 8.00.

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#### AFTERNOON MEETING

The CHAIRMAN: Order gentlemen, we have a quorum.

Mr. MACDONALD: Before we go on to recapitalization, may I have your permission to go back and ask another question about coal, if I may, please?

The CHAIRMAN: It is a very dangerous precedent.

Mr. MACDONALD: Well, Mr. Chairman, it is my information that C.N.R. purchasing policy with regard to Alberta coal has been on a month to month basis, whereas the Canadian Pacific Railway has a purchasing policy for Alberta coal such that C.P.R. orders have already been placed for a year ahead. I am informed that the Canadian Pacific Railway has placed orders for the period April 1, 1951 to March 31, 1952 for 2,340,000 net tons. Now, to have the mines maintained in the national interest is it not reasonable to ask the C.N.R. to give longer term contracts with the coal mines of Alberta.

The CHAIRMAN: I understood Mr. Gordon already to have said that he was quite prepared to enter into long term arrangements but that by and large, up to the present time, the Canadian National Railway was simply taking what was left after they had not been able to sell to anybody else.

Mr. MACDONALD: I accepted Mr. Gordon's explanation this morning, but I made further inquiries and I find that these miners can produce more but that they have been going on a policy of a month to month basis.



Mr. GORDON: Let me settle it this way. If those people want to come to the Canadian National Railway and talk about making contracts for coal we will be glad to talk to them.

Mr. MACDONALD: Fine, I am not talking about any particular company.

Mr. GORDON: Certainly up until this year we have never been able, with the Alberta coal miners, to establish anything on purchases except for what they had left over after they had sold elsewhere. If they want to talk contracts on an annual basis we will be very glad to talk to them.

Mr. GILLIS: Coal operators, not miners?

Mr. GORDON: I stand corrected and I yield to your superior knowledge.

Mr. GILLIS: Miners do not sell coal; they just dig it.

The CHAIRMAN: Have you an answer for Mr. Carter?

Mr. GORDON: I have an answer on the matter to which Mr. Carter referred. Out of 48 applications received for service 15 have been gone ahead with, 21 are in the process of being approved, and 12 are under study. That takes care of the situation before us immediately.

Mr. CARTER: I would like the names if I may have them?

Mr. GORDON: I have not the names available and I hoped that you would not ask that question because I would rather not give them. It puts us in an invidious position as between communities. They say: "Well, you have approved of so and so; why can't you get on with us?" We are just doing the best we can. If it is permissible, I have no objection to giving it to Mr. Carter personally, but I would not like it to get into a matter of press discussion.

The CHAIRMAN: I would think that Mr. Carter would be desirous of helping the C.N.R.—

Mr. CARTER: Well, I would like it for my own information. I have made requests myself for some of this and I would like to know which ones are being proceeded with.

Mr. GORDON: I will let you have it, but I would not like it to get into a matter of general discussion.

The CHAIRMAN: Shall we deal with paragraph 3 on page 4 of the forwarding letter?

Mr. FRASER: Before you get on to paragraph 3 we will be able to discuss almost anything on this letter, will we not?

Hon. Mr. CHEVRIER: Anything that is in the letter?

The CHAIRMAN: Our understanding was that we would discuss subjects which we had not already covered as we went through the narrative. You will recall that on several occasions it was indicated that these subjects had better be discussed under the letter or under a budget item. I hope it is not the wish of the committee that we should go over all of the ground again.

Mr. FRASER: I never asked for that but I just wondered if you were going through the statement in regard to the assets and one thing and another, afterwards?

The CHAIRMAN: We will be dealing with the Auditor's report and you have always been very reasonable, Mr. Fraser. I do not think you will have any difficulty in your questions.

Mr. KNIGHT: Can we relate our discussion to each paragraph?

The CHAIRMAN: I think it would be preferable. I shall call 'capital structure', paragraph 3 of the letter.

Mr. GILLIS: According to the minister's explanation this morning, Mr. Chairman, there is not very much you can do about this except hope that the representations made by Mr. Gordon to the commission that inquired into the whole thing will receive some attention by the government. I have always felt the crux of the whole C.N.R. problem is that load of unnatural debt that it



carries. Unless they get clear of that and get it straightened out in some way I do not think there is much chance for anyone, regardless of his abilities for management, to handle that C.N.R. problem. You just cannot keep on dumping additional freight rates on the public year after year and expect to compete with the Canadian Pacific and trucking and all the rest of it.

Mr. Gordon has made a gallant effort; I want to compliment him. His report shows there certainly has been something happening to the whole system. He has reduced the debt considerably, but I think they are in an impossible situation unless the government is prepared to relieve the C.N.R. of the debt it never should have had: these bonds; this interest on defunct railways that should have gone into bankruptcy—they should have been written off instead of being taken over and the interest charged to the C.N.R. at 100 per cent on the dollar. I do not see any point in discussing it here. The government has considered it. The commission has made some pretty decent recommendations on it and all we can do is hope. The minister cannot state government policy, but I would urge the committee to pay some attention and get in behind management and urge the government to relieve the company of that particular tangle there. Unless that is settled I think the C.N.R. is in an impossible position.

Hon. Mr. CHEVRIER: I would like to assure Mr. Gillis that the government has given this recapitalization of the C.N.R. very careful consideration ever since I have been in the department. At least once if not more in each year since 1945 the question has been up for discussion and I think the government welcomed the opportunity of including in the terms of reference of the royal commission a request to review the capital structure of the C.N.R. I agree with you that the report is a very exhaustive and complete one in so far as that part is concerned. I believe it will be understandable to the committee that the government in the short time available has not had an opportunity of studying it carefully. After all, the report was only handed down a little more than a month and I think we have done pretty well in approving, in effect at least,—and I am quite sure in its entirety,—the first part of the report,—that having to do with the equalization of freight rates. We have felt all along that until that is out of the way we should not make a decision on the question of recapitalization.

I can assure you and the committee that I am very happy about the recommendations made by the royal commission. Beyond that I am afraid I cannot go.

Mr. MACDONNELL: Mr. Chairman, I thought possibly Mr. Gordon would be saying something as to his recommendations. Actually I am not clear as to the full details although I infer what it was from reading the recommendations of the commission itself. Would it be in order for me to refer to two or three things particularly in the recommendation? I do this because Mr. Gillis has made a statement which really simplifies things a little too much and leaves an impression which I do not think is the impression that a full reading of the commission's recommendations would leave.

The CHAIRMAN: I would think, Mr. Macdonnell, it would be right that a reasonable amount of discussion of opinion of the committee members would be admissible at this time and I think Mr. Gordon should be free to answer any questions by way of explanation of the recommendations which he made and the recommendations which have been made by the commission; but I do not think it would be fair or proper that he should express any personal opinions. I think any questions directed to him should be rather in the nature of clarifying anything that is in doubt.

Mr. MACDONNELL: May I draw briefly to the attention of the committee some things which seem to be in this reference and I begin with recommendation number 2 on page 196 because I rather imagine it is the vital recommendation and deals with the most vital recommendation which Mr. Gordon made. It is quite brief:



That Government loans totalling \$743,661,000 at 31st December, 1949, be converted into three per cent income debentures on which interest would only be paid if earned and would not be cumulative.

There are other recommendations which I will not go into but I read that one as the vital one because we all realize the problem which bothers Mr. Gordon, and bothers the system, is the load of debt which the system is carrying.

I would like to read just two or three comments which the commission makes and which I think are relevant to this recommendation which they finally arrived at. I begin reading at the bottom of page 192.

The CHAIRMAN: I wonder if it would be wise to put on the record paragraph K—that is the actual recommendations that appear at page 196. They are not long. Is that agreed?

Agreed.

3. That the shares of the Canadian National Railways Securities Trust now held by the Government be turned over to the Canadian National Railways in exchange for an equal number of shares of the latter company. This would serve to simplify the capital structure of the system, but would not change its total capital or the Government's equity therein.

4. That after payment in the first place of the interest charges on debts due to the public, the Canadian National Railways be allowed to accumulate out of earnings in each year a reserve or "something to come and go on", such reserve to be not more than the lesser of:

- (a) one-third of the income after providing for all charges and deductions from income except interest on the Company's obligations, or
- (b) the balance of the income after payment of interest on debts due to the public.

5. That after payment of the interest on the debts due to the public and the setting aside of the reserve or "something to come and go on" referred to in (4) above, an amount equal to three per cent of the then outstanding Government loans, or the balance of the earnings, whichever is the lesser, be paid to the Government.

6. That to the extent that reserves as defined in paragraph 4 above and surpluses have been accumulated, losses, if and when realized, should be charged against such reserves and surpluses. If no such reserves or surpluses are available against which to charge the losses, such losses be reimbursed to the Company by the Government.

7. That any capital required to finance the company, in addition to funds provided from operations and payments made under the provisions of paragraph 6 above, be obtained from the sale of bonds to the public and income debentures to the Government.

8. That surplus earnings, if any, after the payment of interest on debts to the public, the provision for reserves or "something to come and go on" outlined in 4 above, and the payment of interest on Government loans, be dealt with at the discretion of the directors.

Mr. MACDONNELL: The bits I wish to read have reference to the difficulty and it is a very general difficulty which is raised as between the comparison of charges carried by the National companies and other large railway companies. Let me say in advance that I do fully accept the proposition put forward by the railway officials, that psychology enters into this and people should not be asked to carry loads which are too grievous to be borne.

Let me read very briefly extracts from what the report says and which seem to me to be relevant and worthy of careful consideration. On page 193 under "conclusions", the second paragraph:



It would seem that comparisons of the fixed charges on one railway with those of another and of the percentage of fixed charges to revenues do not establish a case either for or against the comparability of total financial charges. It is doubtful whether a useful comparison can be made without taking into account all the financial charges including taxes on income and dividends on stock which a company is required to earn if its credit is to be maintained.

While there is no doubt that in bad times when earnings are low it is advantageous for a private company not to have heavy bond interest payments to meet, nevertheless it is also true that smaller earnings are required to service bonds than an equivalent amount of common stock. For example, it requires earnings of only three and a half million to pay bond interest on a hundred million issue with a coupon rate of  $3\frac{1}{2}$  per cent. A common stock issue of a similar amount would probably require a dividend rate of 5 per cent. In order to have five million dollars available to pay dividends, gross earnings in excess of eight millions are required to provide for the income tax liability and leave an amount sufficient to pay the dividend.

Again he refers to the high fixed charges, and he says:

The disadvantages of the high fixed charges of the Canadian National Railways are largely, if not entirely, of a psychological nature and do not in fact result in any financial embarrassment to the Company or affect its credit, as deficits are paid by the Government.

And further, down here about the middle of the page and the middle of that paragraph:

In other words, it should be recognized that, in addition to fixed charges, a private company must, over a period of time, have sufficient earnings to pay reasonable dividends to its shareholders and set aside reserves for a rainy day. Before dividends can be paid and reserves set aside, approximately 45 per cent of all earnings must be paid as income tax under present tax rates.

The evidence submitted does not establish comparability with other railways; the Canadian National Railways' witnesses and counsel have admitted that complete comparability cannot be achieved. Any privately owned railroad would go into bankruptcy under comparable circumstances, and its reorganization plans would not be affected by considerations of public policy which must play a part in a public utility owned and operated by the Government.

I have read these excerpts, Mr. Chairman, because they seem to me to bear directly on the question raised; first of all, we will accept the psychological argument; and, secondly, that they do point out the very substantial differences which exist between the National Railway, which pays no taxes, and a company which has to pay taxes; and also a company which has to depend on being able to sell equity shares to the public at 5 per cent and on the other hand a company whose deficits are met out of public funds.

The CHAIRMAN: Are there any further comments?

Mr. FULTON: Mr. Chairman, I would like to put a general question to Mr. Gordon. I have been thinking it over during the adjournment, and I am not sure that it is a fair question to ask him. What I would like to know is this, if Mr. Gordon would indicate to us his assessment of the results of the C.N.R. on the basis of the proposals concerned in the report of the royal commission?

Mr. GORDON: Yes, I think I can give you something on that. Perhaps before doing so I should say that I should like to make two comments as a sort of background. The first is with reference to the extract which Mr.



Macdonnell read, and in that connection I would like also to place on the record page 195, where it reads:

The Canadian National Railways has established a case for reduction of its fixed charges and for the desirability of the Company being able to accumulate out of earnings a reserve or "something to come and go on.

I am just pointing out that the commission did find that we had established a case. In my presentation to the commission I made certain recommendations, and as I see it the commission has made certain recommendations. I think it is difficult to take these two recommendations and try to compare them, to set them out as putting the one against the other. Each proposal must be taken as a package in order to come to a sound appreciation of what they really mean. Therefore I think I should offer some word of explanation.

I have prepared a statement here in which I have taken the commission's recommendations and I have applied them to the results of our 1950 operations on the basis of a reconstructive year; that is, I have taken 1950 and have reconstructed our operations assuming that the various freight increases were in effect throughout the whole of the year which were in effect at the end of the year, and all the other costs, as if all the other costs in the way of increases, wages and so on had been in effect all during that year. I want to say a word of caution as to the results which may be expected if the relief which is recommended by the commission is applied. This is purely in the interests of explanation and not intended as a criticism. It is simply to get the figures before the committee as to what they really mean. On page 197 of the report there are examples furnished illustrating the effect of the recommendations of the committee at various levels of earnings, and these earnings range all the way from \$25 million to \$75 million. This latter figure or anything approaching it is I am quite sure outside of the realm of the probable in the light of conditions facing us today. So, if we take the table based on a recommended relief of about \$25.8 million, and if you applied that to the deficit for 1950, you will be left with the impression that by taking that deficit off we would actually be left in 1950 with a surplus of \$22.5 million. Now, some further examination is desirable if a correct appraisal is to be made. Last year we had a wage increase of seven cents an hour, which went into effect on August 31; and, naturally, it did not cover the full impact of the rise in prices for materials which was in evidence at the end of the year. In addition to that, our operating expenses had been reduced by the transfer from the deferred maintenance reserve of \$9 million, and that is the end of the deferred maintenance reserve. We estimate that in the year if our operation was recast so as to reflect for the whole of the year the freight rates, wage rates, material prices, etcetera, as they existed at the end of the year, and when the credit from the credit from the maintenance reserve is excluded—that is a non-recurring item—and if that relief of \$25.8 million is applied then we should have finished up with a surplus of only \$2.5 million, after the payment of interest on public held debt. That is what the picture looks like to a realist. Since the first of this year additional wage increases have been given the running trades; and then, of course, we will have to meet the impact of the 40-hour contract clause generally. I am not saying this as a pessimist. I am merely trying to show the application of the commission's recommendation at that level of operation. This statement which has been prepared against the background which I have described to you brings out here on a reconstructed basis the fact that if the recommendations of the commission had been implemented and were made applicable to the year 1950, with the qualifications I have made we would have had a surplus available to transfer to reserve of only \$2.5 million; which shows us that for the year under review the relief afforded on that basis would not appear to be extravagant.

Mr. FULTON: In the course of your explanation, as I recalled it, you had based your reconstructed year on paying the wage rate that was in effect at the end of the year, paying it for the whole of the year?



Mr. GORDON: Yes.

Mr. FULTON: Did you prepare the figures in your estimate on the basis that you will be granted an increase in freight rates on the application which you now have before the Board of Transport Commissioners but which has not yet been decided?

Mr. GORDON: No. I said in my statement that we have not included the wage increases that have been given in 1951; that is for the running trades, or whatever might be coming to us further out of the 5 per cent, or the 40-hour week. We have not estimated anything for the future. I am just taking what we included as existing in 1950, but making a whole year out of it instead of just part of year. If we were to take this \$2.5 million, and supposing we knew our result for 1951 exactly, that \$2.5 million would come down and we would probably show a deficit, arising out of the impact possibly of the 40-hour week; unless we receive freight rate increases to offset them. Have I made that clear?

Mr. FULTON: Yes, thank you.

The CHAIRMAN: Are there any further questions on this point?

Mr. GORDON: Mr. Chairman, would you care me to table this statement and have it put on the record.

The CHAIRMAN: Yes. It will be added in the record at this point.

#### RECONSTRUCTED RESULTS OF OPERATION YEAR 1950

##### Operating Revenues

As published .....		\$553,831,581	
Rate increases—to annual basis .....		6,664,606	
Freight and allied services—Canada			
Eight per cent effective Oct. 11, 1949 superseded by			
16 per cent effective March 23, 1950, 20 per cent June			
16, 1950.			
Passenger—Canada .....		382,794	
Military Fares, April 1, 1950; commutation ticket			
fares, Oct. 7, 1950; cancellation of second-class fares and			
increase in round trip first and coach class fares			
between Montreal and east to maritimes and			
Newfoundland, October 1, 1950.			
Retroactive Mail Pay:			
Canada .....	\$1,178,800		
United States .....	469,200		
		1,648,000	
			\$559,230,981

##### Operating Expenses

As published .....		493,997,079	
Increased wage rates to annual basis:			
Canada .....	\$8,706,000		
United States .....	1,040,000		
		9,746,000	
Increased material prices to annual basis:			
Canada .....	\$5,157,295		
United States .....	680,864		
		5,838,159	
Elimination deferred maintenance credit .....		9,000,000	
			518,581,238
Net operating revenue .....			40,649,743
Taxes, equipment rents and other income accounts .....			17,417,730
Available for interest .....			23,232,013
Plus deficit, Newfoundland Services (Restated) .....			3,311,508
			26,543,521
Interest on bonds held by the Public .....			24,019,158
Transferred to Reserve .....			\$ 2,524,363



The CHAIRMAN: Now we come to the next point dealt with in the letter, namely paragraph 3 on the second page of the letter.

Mr. GILLIS: Mr. Chairman, before you finish with this item of structural changes in the Canadian economy there is a question I would like to ask Mr. Gordon, and if I do not do it now I doubt if I will have another opportunity.

The CHAIRMAN: All right, Mr. Gillis.

Mr. GORDON: I am sorry, Mr. Gillis I missed your point.

Mr. GILLIS: I just wanted to ask you a question here under this note on structural change in the Canadian economy. You will remember that last year I discussed the question of the handling of the smaller coal operator, and his position in the market in supplying coal to the C.N.R. The situation is this, that usually it is the large operator who sets the price. This case is a specific problem. I have resolutions here from the board of trade of the town of Inverness. These people are pretty badly situated, and at times during the summer they have difficulties. They have I think been in negotiation with the C.N.R. in regard to a price for their coal, a price that would be suitable for the small operator, and this resolution to which I refer suggests that you might give further consideration to the bid this particular operator makes. I would just like to know if you have any data on what the picture looks like, and what the chances are on meeting them in that particular area.

Mr. GORDON: Well, on your general question last year, as I recollect it, Mr. Gillis, I pointed out that in establishing price we had to take into consideration the question of the quality of the coal plus delivery, et cetera and et cetera; and that while we buy coal from the larger companies, establish contracts with them, that all tends to set the market price. Naturally, when we buy a large amount of coal at a price we expect that to establish more or less the market price, but we enter into negotiations with each one of these little mines and we go as far as we possibly can in the matter of meeting their supply; but we have had difficulty with certain mines in the maritime provinces in the matter of volume and quality. I have one in mind in particular, although I cannot recall the name at the moment. There are some of these mines which cannot give us the quality of coal which is needed. But the real trouble is not a matter of deliveries, it is not a matter of price; it is the fact that the quality was so poor that we could not haul our locomotives from one coaling station to another. It does not pay to load up a locomotive with fuel that is not going to take it to the next coaling station because you would have to send another locomotive out to haul it back to a coaling station.

Mr. GILLIS: I do not know that the question of the quality of the coal would enter into the picture here. The resolution states this: we are of the opinion that the Canadian National Railways should increase the price of local coal to a figure whereby the local operators could obtain and accept a railway order—. Those particular people are probably badly located. As you know the mine has been operated under a subsidy from the provincial government of something of the order of half a million dollars a year. There are a couple of mine operators there and it is pretty difficult for them to market their coal. The grade of the coal I think is good. There must have been some negotiations about this matter because the board of trade has taken it up.

Mr. GORDON: It may well be that the same economic factors apply to western coal as well as to eastern coal, and it is not easy from a management point of view to justify a general policy that we should subsidize coal production. We are prepared to pay a fair market price on a competitive basis, and in many cases we lean over backwards, particularly when faced with emergencies, to help out the little fellows. We have done that both in the east and the west, but when it comes down to a question of the payment of a higher price to the little fellow



it merely comes down to a question of subsidizing that mine, and I do not feel that we are justified in doing that.

Mr. GILLIS: No, I do not feel you are either, and my main reason for raising it here now is that I think it is a problem for the Dominion Coal Board and that the operation is absolutely essential to the economy of that particular part of the country.

Mr. GORDON: The question comes up even more acutely in regard to a certain Alberta mine where a failure to sell coal to us at a price which is reasonable and competitive has meant and is meaning the actual closing of that mine for all time to come. That is just how serious it is. And if it should become a matter of policy to keep coal mines in operation when their actual production cannot stand the test of reasonable competition, then I must repeat that it is not a matter for the Canadian National Railways.

Mr. GILLIS: I agree with you in that respect. It is a matter for the government. I raised the question merely to get your reaction so that I can talk to somebody else about it. I wonder if the minister would care to comment on the question? A subsidy which is necessary to straighten out the Canadian National market for that particular area would be very, very small. The government has a policy of subvention of mines. They pay subsidies to some of the largest operators to some considerable extent, while smaller ones have never enjoyed that privilege. In this particular case the provincial government heavily subsidizes that operation.

I am going to take the matter up with the Coal Board. But I wonder if the minister might not care to comment on the matter at this time?

Hon. Mr. CHEVRIER: I believe the Minister of Trade and Commerce has already spoken about it in the House on more than one occasion. Moreover, I believe that the Dominion Coal Board has been assigned from the Hon. Mr. Howe to the Minister of Mines and Technical Surveys, so I would hesitate to make any pronouncement on a matter which is really not my responsibility. But I have noted the comments which Mr. Gillis has made, and shall be glad to bring them to the attention of both Mr. Prudham and the Hon. Mr. Howe, although I think they are Mr. Prudham's responsibility now.

The CHAIRMAN: Are there any further questions in regard to any other paragraph of the letter prior to the paragraph concerning employees' pensions?

Mr. FULTON: Yes, Mr. Chairman, the paragraph immediately preceding that where you say:

... the evidence is clear that extensive capital programs must be contemplated in the coming years in order to bring the system to an appropriate state of readiness in both equipment and facilities.

May I ask whether those contemplate anything over and above the budgets which you presented to us last year and this year?

Mr. GORDON: Yes. I have a program which contemplates expenditure on a basis which is beyond the existing budget which I have before the committee and, as a matter of fact, I have submitted to the government for Order in Council approval the purchase of various types of equipment which will not be included in the 1951 budget but which will be in some future budget. That program has been laid before the government and there have been certain Order in Council approvals of it.

Mr. FULTON: Obviously I should not ask you anything which would reveal information of a competitive nature as to your intended additions.

Mr. GORDON: I would suggest, Mr. Minister, that since these are Orders in Council and since they deal with equipment and purchases, that this question might be better dealt with in the regular budget review when we come to it.



Hon. Mr. CHEVRIER: Yes, if it is agreeable to Mr. Fulton.

Mr. FULTON: Yes, I would be glad to agree. But what sort of capital structure over and above the ordinary annual budget do you visualize? Can you give me an answer to that without saying things which you would not wish to say because of competitive considerations?

Mr. GORDON: No. I think I can give you that when we come to our budget on analysis—I mean the program which we have definitely laid before the government having to do with the purchase of equipment and the placing of orders in advance by reason of the fact that these days it is essential to get on to mill schedule in advance.

Mr. FULTON: Is the type of purchase which you have in contemplation confined to the addition of capital betterments to your existing facilities, or does it embrace a program of expansion?

Mr. GORDON: It includes an estimate of increased traffic but I am talking about the question of equipment.

Mr. FULTON: For example, are you considering buliding a railway into the Yukon or anything of that nature, something to open up the north? Is it that sort of thing you have in mind when you speak of a capital program?

Mr. GORDON: No. What I am talking about is the request we have made to the government, which they have approved, as fast as we put it before them, covering the purchase of equipment which may not come into our annual budget until 1952, 1953, or 1954. It is a planned budget.

Mr. FULTON: I agree with you that we can discuss it better when we come to the budget.

Mr. FRASER: I do not know if I am allowed to discuss it at this time, but it was brought to my attention that the line between Coniston and Kincardine, the passenger end of it is to be done away with and that it is just going to be freight. It runs a distance of some 82 miles.

Mr. GORDON: We have an application for that before the Board of Transport Commissioners. It is now being considered by the board. That is the same kind of change we discussed before.

In connection with our study of that particular service we believe that we can substitute a highway service in the form of bus or truck to handle passengers, mail and express and give a better service, and to make a definite economy in respect to rail operation.

Mr. FRASER: Did you take into consideration the fact that that section is in the snow belt and that there might be a week at a time during the winter when it would not be possible to carry out that service?

Mr. GORDON: That matter will be part of the evidence to be heard by the Board of Transport Commissioners. Our submission is before the board.

Mr. GILLIS: Does not the provincial government keep the highways open?

Mr. GORDON: Mr. Dingle reminds me that I am a little ahead of myself and that we have not yet actually filed our application with the Board of Transport Commissioners. But we are in the process of discussing it with the municipalities, and we are listening to their representation in respect to it. After that is done, we shall determine whether or not to forward our application to the Board of Transport Commissioners.

Mr. FRASER: You say you are doing that now?

Mr. GORDON: We are doing that now. We are having discussions with the municipalities and listening to their representations.

Mr. FRASER: It was brought to my attention about the snow in that district, and that the highway plows cannot keep up with the snow sometimes, even the rotary plows.



Mr. GORDON: That will be a question of fact which we shall consider when we deal with the final application. We would expect to show that under any reasonable conditions we could service the community.

Mr. FRASER: There are some sections in there which are not served by roads, I mean there are just side roads, not main highways.

Mr. GORDON: That is a thing on which the Board of Transport Commissioners will have to form judgment when we make application for abandonment of the line. At that time all interested parties will have their day in court. Generally bias is usually against us, including the fact that the people who make representations come down by bus or by automobile to tell us that they must have a railway passenger line.

Mr. FRASER: A case was brought to my attention today where in the summer ice cream for a number of stores and hotels came in there by bus or by truck. The station agent did not inform those people who were getting the ice cream that they could have brought it in much cheaper by railway, saving 75 cents on a can shipping it in by railway.

Mr. GORDON: Well, I would be glad to look into that lack of salesmanship.

Mr. FRASER: They just discovered that, I believe, last summer. It should have been railway business. And I think that in some cases where you are doing away with the railway line, if only the proper initiative was brought to play, you would get sufficient business to carry on and you would not have to do away with the line.

Mr. GORDON: That is the sort of generalization that is always made in hearing these cases and I can assure you that these kind of things are sifted very thoroughly by our people before we make application. In such a position as this we find it likely that the bias will be against us, so anything of that kind, I am certain, would come out in the course of review. If we did not produce it, somebody else would.

Mr. FRASER: You would be biased before you started in with it?

Mr. GORDON: I would not be biased until I formed a judgment on whether we had a case. But after studying it and reaching a conclusion that we did have a valid case, I would be biased in the sense that I would authorize the application for abandonment to go forward before the board.

Hon. Mr. CHEVRIER: We had a very full discussion of this matter during the discussion of the estimates of the Department of Transport. I have received quite a number of representations protesting against the withdrawal of this service and have brought them to the attention of the railway. But I have also made it quite clear that in this instance the railway's proposed action is dictated by the need for economy and that they have no alternative but to find other means of serving the district.

As Mr. Gordon has clearly pointed out, the people interested will have their day in court and all individuals who want to protest against the withdrawal of the train service between Coniston and Kincardine will be heard.

Mr. FRASER: It is the passenger service I understand which is to be withdrawn. The freight service would be continued.

Mr. GORDON: Passenger, mail and express, yes.

Mr. FRASER: The railway is paid \$25,000 to carry the mail. I wonder if, when you are snow-blocked in the winter, it would be possible, if you do away with the passenger service, to institute during that time a service by bus or by passenger car?

Mr. GORDON: Our general approach to a matter of this kind is that we recognize our obligations and when we withdraw a service, we recognize our



obligation to provide a service to the community in some alternative way. If any difficulty should occur such as you describe, I am sure that an effort would be made to provide an emergency train.

This whole subject is typical of the difficulties you set me as president of the railroad in running it in a businesslike way. I have before me a number of situations where, according to any business standard, we should apply for abandonment, and we should apply an alternative service. But the very people who are shocked to find that the Canadian National Railways cost the taxpayers money continue to resist our efforts to economize.

Mr. FRASER: I agree with you but at the same time you took over the railroad in the riding of my friend from Temiscouata and it was not paying.

Mr. GORDON: You say that I took it over?

Mr. POULIOT: For your information, Mr. Fraser, a gentleman who is a prominent lumberman and who was president of the Canadian Lumbermen's Association two years ago, asked for 5,000 cars. Mr. Dingle can say that it is a fact. This lumberman asked for those cars for shipments from Whitworth.

Mr. FRASER: 5,000 cars?

Mr. POULIOT: Yes, 5,000 cars. But the cars were not available last winter. It is going to be a booming business.

Mr. FRASER: I am glad to hear that.

Mr. POULIOT: Just you wait and see.

Mr. FRASER: If my hon. friend from Temiscouata has anything to do with it, it will be booming.

Mr. POULIOT: Thank you, sir.

Mr. JAMES: There is a line down in our area from Port Hope to Millbrook, which is the next station past Palmerston. The Board of Transport Commissioners has ruled in favour of the Canadian National, allowing them to abandon it. My only hope is that before the Canadian National sees fit to abandon that line—there is a considerable rumour of industrial development in that particular area around Port Hope which I believe will be of great importance if it goes through, to the Canadian National. It may not include the service on the whole line from Port Hope to Millbrook but on the other it may. But I repeat that my only hope is that, before abandoning that line, you will check with the Port Hope people and bring yourselves up to date on the matter before you decide upon abandonment.

Mr. GORDON: I might say that representations have already been made to me by the Port Hope people and you may rest assured they will be given full consideration before we actually take action under the authorization by the board.

Mr. FRASER: Peterboro was also represented there and I know that back in 1944 we interested ourselves in the matter and we kept the line open at that time. In fact, I had quite a lot to do with it.

Mr. MACDONNELL: Do I understand from Mr. Gordon that in cases such as this the railway has the right to operate trucks or buses itself? I had the opposite impression but I gathered from him that the railway can offer such a service.

Mr. GORDON: Well, it varies across Canada. Local conditions are not the same and when we do suggest an abandonment and offer to provide a highway service we first establish that we can get the necessary licences and permits.

Mr. MACDONNELL: From the provincial authorities?

Mr. GORDON: Or alternatively, if we cannot do it someone else will do it for us, but it is part of the case we make to the Board of Transport Commissioners. We have to show the Board of Transport Commissioners that we are



prepared to provide an alternative service and are able to do it, so in some cases we get a permit to do it or in some cases where we cannot get a permit we will hire someone to do it for us.

Hon. Mr. CHEVRIER: In any case, an application will have to be made before the Municipal Board of Ontario for such a permit.

Mr. GORDON: Yes, it would depend on what locality it was in.

The CHAIRMAN: Any further questions?

Carried.

Now, we have reached employee pensions and before doing that there are two matters I would like to bring up. The member for Restigouche-Madawaska who is not a member of this committee spoke to me indicating that he would like to speak on this question to the committee. I suggested to Mr. Dube that perhaps he would be contented with writing a short letter and having a letter appear in our stenographic report.

Mr. POULIOT: Mr. Dube is right here, Mr. Chairman.

The CHAIRMAN: Yes, I see him but I thought perhaps since he has indicated that he is satisfied with that that it would be preferable if I would simply produce the letter.

Mr. POULIOT: Perhaps Mr. Dube will have some new facts to bring before the committee and if the committee has no objection he could be heard.

The CHAIRMAN: He could be heard but I think he should be heard after the matter has been discussed or at the end of the discussion, Mr. Pouliot.

Mr. POULIOT: I give in to you, sir, to do as you wish.

The CHAIRMAN: The other point I wanted to mention is one that is rather embarrassing to me and I am in part to blame. During the lunch hour two members of the committee have indicated to me that they, in their opinion, are entitled to the floor when this question of employee pensions is called, Mr. Knight and Mr. Mutch.

Mr. MUTCH: If that is causing you any concern it makes no difference to me. I am not going to make a speech, I want to ask a couple of questions and if it is of any concern to Mr. Knight I will not argue about it.

The CHAIRMAN: I think the chairman should be fair and as I say, I am in part to blame as I would like to indicate. When the matter was first mentioned it was first mentioned, Mr. Knight, by Mr. Mutch, and I perhaps choked him off probably more quickly than I should have done. He raised the question first at page C-3—I have checked the stenographic report—but I did not give him an opportunity. Then, later, you, Mr. Knight, brought the matter up.

Now, in view of those circumstances I believe that I should rule that Mr. Mutch has the floor.

Mr. KNIGHT: On a point of order, Mr. Chairman, I may say that I brought the matter up not on question 3 which has no connection with the matter but on paragraph No. 9.

The CHAIRMAN: I was referring to page C-3 of the stenographic report of what took place yesterday. I checked the stenographic report as I wanted to be fair in this.

Mr. MUTCH: Under the circumstances, my only point of raising the urgency was that I would like to get away before six o'clock this afternoon. I have not a prepared memorandum with regard to this but there are a few remarks I would like to make. My impatience is with the chair and not with Mr. Knight. But, if he is ready, it makes no difference.

The CHAIRMAN: Go ahead, let us have it.

Mr. MUTCH: You stated in this paragraph, Mr. Gordon, that one of the by-products of inflation, which is engaging the attention of management, is



a need of adjustment of the system of pension plans. I am very well aware that this particular question divides itself into two phases. There is the phase which concerns those former employees of the railway who are today pensioned on a minimum pension, in some cases as low as \$25 per month, and I am aware that their problem and plight fits in somewhat with the general plight of other superannuated civil servants and that is the attitude which the government has formally taken. For the moment, while I have strong views on that question which I have made known previously in the House and elsewhere, what I wanted to concern myself here with was the question of the present negotiations which I understand both from management and from some of the men concerned are presently going on; I should like to have, if you can give us any idea of the nature and extent of the progress being made between management and representatives of the employees with respect to the establishment at the present time of a higher basic pension for those currently employed.

I do not know whether it is impossible in one discussion to reconcile the position of those who have been retired already with those who are being employed now or are still employed but I do think it would be of advantage to the committee and certainly it would be of advantage to many of the people whom I represent here, if they might have something from you in the nature of a forecast of what is to be expected or what management expects from the discussions which are going on.

Although, I think perhaps I represent one of the largest Canadian National constituencies in western Canada, if not the largest, and while I know the importance which is attached to this question, not only by those employees themselves but by others in the community, I have refrained up to now from making any attempt to speak of it in the House or to engage in any discussion on it at all, and I would be content for my part if we could get an indication from Mr. Gordon, first of all, of the satisfactory nature or otherwise of the negotiations going on and a forecast, if he feels that he can make it as to what we may expect in the immediate or near future with respect to the upward hike of the basic pension of those being employed and currently employed.

Mr. POULIOT: If you have strong views on the matter why do you not present them now to the president of the Canadian National Railways? Why do you not try to impress on Mr. Gordon your strong views? You stated you have strong views, so why do you not express them here?

Mr. MUTCH: With your permission, Mr. Chairman, I think if Mr. Pouliot had listened to me as carefully as he usually does—

Mr. POULIOT: I listened carefully to you in the House last year and you complained about the pensions and I would like you to explain the same thing to Mr. Gordon before the committee.

Mr. MUTCH: Regarding my remarks with respect to my strong views, I was dissociating myself from the remarks of retired civil servants generally and those who have already retired. It was at that time that I said I expressed strong views but I went on to say with respect to my remarks I was confining them at this moment to the question of the basic pensions for those currently employed.

Mr. POULIOT: It is just as clear as mud.

Mr. GORDON: Well, I will try to clear it up a little. The first thing I would like to say to Mr. Mutch is that I want to disabuse anybody's minds of any impression they may have that the Canadian National management needs to be prodded into a consideration of the pension fund situation as it exists today. The management of the Canadian National Railways has been very conscious of this situation and one of the first things I did following my appointment was to formalize the appointment of a committee of executive officers to



study and make recommendations for the revision of our pension plan and to review the experiences and practices of other organizations as well as the changing concept of pension fund matters over the past fifteen years.

At the same time we also took steps, and I would like Mr. Gillis to notice this particularly, we took steps to secure the views of representatives of labour organizations feeling they would be of considerable assistance to us in really assessing the sort of views that labour generally have on this subject. The committee to which I have referred has worked very hard over the past several months and while they have not yet completed their assignment I can say that considerable progress has been made and they are about ready to submit to me a tentative report on the main principles. That will, of course, in due course, involve the estimation of costs.

Now, that covers the general approach that Mr. Mutch has made because included in that review we will consider the questions which he has raised. I may say that only last week I had a personal interview with Mr. A. A. Hutchison, who is the Chairman of the General Chairmen's Association of the Canadian National Railways and to him has been entrusted the policy considerations affecting the whole question of pensions and following the remarks in the House by Mr. Diefenbaker and Mr. Knowles, Mr. Hutchison took occasion to write them a letter expressing the views of labour, and he sent me a copy of that letter. On inquiry as to whether or not he would have any objection to my placing that letter before the committee he said he would be quite satisfied if I did. So the best thing I can do to put this whole question in perspective is to read that letter.

It reads:

THE ORDER OF RAILROAD TELEGRAPHERS  
CANADIAN NATIONAL RAILWAY SYSTEM  
DIVISION No 43

WINNIPEG, MAN.  
April 12th, 1951.

Mr. John DIEFENBAKER, M.P.  
House of Commons,  
Ottawa, Ontario.

Mr. Stanley KNOWLES, M.P.,  
House of Commons,  
Ottawa, Ontario.

Gentlemen:—It has come to my attention that you asked some questions of the government in connection with C.N.R. pensions and I would understand that it is your intention to ask further questions before the special committee probably next week.

I wish to assure you, on behalf of the C.N.R. employees, that your interest in this matter is very sincerely appreciated and we know the sincerity of your desire to improve the condition which we know only too well to be very bad indeed.

However, I would like to give you an outline in brief of the situation as it is at the moment.

Through our General Chairmen's Association we have been trying for some years to effect improvements but have met with no success or encouragement until quite recently.

At our annual meeting, held in November 1950, we had the pleasure of having Mr. Donald Gordon, President of the C.N.R., to address a joint meeting of our association and the representatives of the Canadian Brotherhood of Railway Employees. The combined meeting represented practically all organized labour on the C.N.R.



At our request Mr. Gordon spoke on the subject of pensions and told us that he realized that our present pension plan is inadequate and outdated. He promised to set up a committee of railway officers to meet with a corresponding number of representatives of organized labour to undertake to revise the existing rules.

He fulfilled his promise and set up a committee of high ranking officers. We, on our part, selected a committee of Labour representatives drawn from the Canadian and International unions.

Negotiations have been carried on by the joint committee in a very co-operative atmosphere and we have now reached the stage where certain concrete proposals are being considered and the proposals have just been submitted to actuaries for their report and advice as to the cost to employer and employee of the various plans which are now under consideration.

It is expected to take at least six weeks to get a report from the actuaries and following the receipt of that report it is intended that we proceed as rapidly as possible to revise the pension rules.

I feel very sure that we are finally on the way to completing a very satisfactory revision of the rules and that it will not be delayed any longer than is absolutely necessary.

One of our prime objects is to improve the status of those who are now on pension and we have reached tentative agreement on what can be done to improve their situation but our plan is dependent to a great degree on the action of the government in regard to the institution of an old age pension at age 70 without a means test, and we earnestly solicit your continued support of that project.

As I said previously we appreciate your action in asking questions and your interest on behalf of the employees whom we represent. I wished to give you the facts in the matter and to say that I doubt that our interests would be advanced in any way by pressing the government or the railway officers for additional information at the present time.

I fear that pressure exerted now might result in hurried decisions which would not be as satisfactory as those we hope to reach by negotiations now in progress.

It would be appreciated if we could continue the present negotiations to a conclusion along the lines on which we are working.

If the conclusions reached are not satisfactory we will then hope to have the privilege of calling on your good selves and all our other friends in the House for such assistance as is necessary to reach a satisfactory solution of our problem.

In all fairness I cannot do other than say that I believe Mr. Gordon and his officers are doing all that is reasonably possible to cooperate with us in our present efforts and the fact that this revision has been so long delayed is not the fault of the present administration of the railway.

I should have stated that I was elected to act as spokesman for the committee which was set up by the Canadian and International Unions in matters pertaining to the revision of pension rules so that you may regard this letter as being from the elected representative of the employees.

Again thanking you for your interest on our behalf and trusting that you will find it possible to comply with my suggestion that you do not press the matter too much at this time, I am,

Yours very sincerely,

(Sgd.) A. A. HUTCHINSON,  
*Chairman, General Chairman's Association,  
 Canadian National Railways.*

Mr. FULTON: You said that letter was addressed to Mr. Knowles and Mr. Diefenbaker, and that you yourself received a copy. Did anyone else receive a copy?



Mr. GORDON: I do not know any more than what the letter shows—that a carbon copy was sent to the Hon. Lionel Chevrier, Minister of Transport and Mr. Donald Gordon.

Hon. Mr. CHEVRIER: I received one.

Mr. MACDONALD: I would like to express a word of thanks to Mr. Gordon for placing that information on the record.

Mr. KNIGHT: May I now ask a few questions?

Mr. GILLIS: I wonder if I might just say a word in reference to that letter. I am not going to discuss pensions at all but I am very glad to hear that letter read. I think it is a very sensible letter and it also indicates to me the progress the management is making in linking up with the employees. That was not the case when Mr. Gordon came before us the first time and I think it was myself that suggested that the road to good relations was by working closely with the elected representatives of the employees. I am glad to see that Mr. Gordon has done that.

I think now that Mr. Knowles and Mr. Diefenbaker have been advised that the management is co-operating and that they are working out a formula on this very vexing question of pensions they will be quite satisfied to let the matter rest with the management and the employees—the two parties affected. I take that letter as an indication that Mr. Gordon has taken some sound advice from this committee last year and it is paying dividends and they perhaps can arrive at a solution.

Mr. KNIGHT: May I, before I start these few questions, say in regard to the order of preference between myself and Mr. Mutch, on which the chairman has referred me to a place in the minutes which show that Mr. Mutch has precedence over myself, that there is no reference anywhere that I can find.

The CHAIRMAN: You will find it.

Mr. KNIGHT: I would be pleased if you would indicate the place.

The CHAIRMAN: We had a long-winded discussion on box cars and moving wheat and your interruption—

Mr. KNIGHT: My interruption was after Mr. Gordon read his preliminary report—

The CHAIRMAN: Yes.

Mr. KNIGHT: Let me draw this to your attention. I asked if the matter of pensions was in order at that time and you said and the committee agreed that it would be better left until the details of the report had been taken. I then withdrew and you said that you would write down my name as having priority on pensions—

The CHAIRMAN: Well—

Mr. KNIGHT: Let me finish the story.

The CHAIRMAN: I want to correct you if I may. That came up under the heading of employees compensation and at that time I made a notation on the forwarding letter under "employee relations": "Mr. Knight". If you will hand me the record I will be glad to turn it up for you.

Mr. KNIGHT: May I say the reference you have given to Mr. Mutch's claim for precedence does not at all mention the matter of pensions but simply says—

The CHAIRMAN: I indicated, I was in part to blame.

Mr. McCULLOCH: What difference does it make which one brought it up?

Mr. KNIGHT: May I say I am simply justifying the position of being a little impatient about the order of business.



Mr. McCULLOCH: Let us get on with the business.

Mr. MUTCH: For my share I offer my apologies.

Mr. KNIGHT: There are no apologies required, Mr. Mutch. I was only explaining my apparently stubborn position in the matter.

Mr. POULIOT: If I am permitted—or have you got something else?

Mr. KNIGHT: I want to ask a couple of questions. First of all I want to know for the record, and I am not going into a discussion of the three types—service, contributory and so on, but what is this basic pension in the matter of amount in terms of dollars per month?

Mr. GORDON: The basic pension, which is a free pension in the sense that it takes no contribution from the employee, is a free pension of \$25 a month subject to the rules of the fund.

Mr. KNIGHT: How long has that amount been in existence?

Mr. GORDON: Since 1935 when the pension fund went into existence.

Mr. KNIGHT: There has been no increase since?

Mr. GORDON: There has been no increase in the basic free pension.

Mr. KNIGHT: Presumably that pension would be based on shall we say, to some extent, the need of the time and the cost of living at the time?

Mr. GORDON: Yes, but that is my trouble. It is so difficult to discuss any specific questions without having to clarify or elaborate. The basic pension was a free pension but attached to it was the right of the employee to make contributions up to 10 per cent of his wages. The company undertook to match similar contributions up to 5 per cent and the accumulated moneys accruing therefrom would be added to the pension.

Mr. KNIGHT: What is the comparable pension of the C.P.R.?

Mr. GORDON: We can talk for hours when you start comparing pension plans but, broadly speaking, in respect to the basic pension, the C.N.R. pension is still more generous than the C.P.R. pension for the reason it is a free pension and the C.P.R. pension is a contributory pension—3 per cent I think is the amount. Let me put it this way. If the interested C.N.R. employee had contributed to the C.N.R. fund 3 per cent of his wages in the same manner as he would be required to do in the C.P.R., then the end result when he went on pension would be that the money which he had accumulated, plus what the C.N.R. had deposited in his favour so to speak in the pension fund, plus the basic free pension, would on the average yield a larger pension than the C.P.R. I am referring to the lower brackets; I am not referring to the salaried officers.

Mr. KNIGHT: I understand. Whose responsibility is it to increase these pensions if it is decided that they shall be increased? Is it in the hands of the pension board?

Mr. GORDON: Are you talking about the basic pension?

Mr. KNIGHT: Yes.

Mr. GORDON: Well that again is a difficult thing to answer. It would first of all require a recommendation from the pensions committee. It would then require recommendation from myself, as president, to the board of directors and, assuming the board of directors agreed with it, it would be a matter which would require approval of the government in one form or another. I am not dealing with the legal aspect of it, I am dealing with the practical aspect.

Mr. KNIGHT: Would there, in your opinion, be any validity to the assertion that these pensions—or the amount of them—were tied up with any other pensions enjoyed for instance by civil servants or any other classes?

Mr. GORDON: I do not know how to answer that except to say that the C.N.R. pension fund is not a fund you can compare with another broad group.



We are trying to make comparisons now but it was a pension fund set up at that date representing the practical solution at that time, and it had in mind the atmosphere of the day, if you will, and everything else that went into it.

Mr. KNIGHT: Times have changed?

Mr. GORDON: Times have changed and that is why I have told you our committee is looking at the sort of changes that have taken place.

Mr. KNIGHT: What you say in the report is they are considering revision in the pensions of those retiring. I am interested in the pittance of those who have already retired and I have here answers given by the assistant to the minister in *Hansard* at page 1129 and following. I find what I ask you to corroborate—that there are certain people who are retired and who are in receipt of a pension of less than the basic amount of \$25, to the number of some 100. Secondly, according to information given in the answer there are 3,256 persons who are in receipt of the actual amount of \$25.

Mr. GORDON: Well I can clear that up in a moment. The basic pension is the free basic pension which went into effect in 1935. The basic pension has been \$25 a month but there are some employees on pension who are covered by a pension fund which was in existence before that date. There are 24 of such employees who are in receipt of less than \$25 a month, and that number refers to the old plan in effect before 1935.

Mr. KNIGHT: Then those who are in receipt of exactly \$25 a month are listed in *Hansard*, by the answer I suppose of the C.N.R., as being 3,256?

Mr. GORDON: That would be correct.

Mr. KNIGHT: That is correct. Then would my calculation be fair, and I am thinking of the basic old age pension in the country being \$40 a month, that there are now 7,000 retired Canadian National employees who are receiving under \$40 a month—which is the basic amount of the old age pension?

Mr. GORDON: You are about right I think.

Mr. BENEDICKSON: Of course, some of those are in the age group 65 to 70 who receive no old age pension.

Mr. GORDON: Again there is some qualification but around 7,000 would be right.

Mr. KNIGHT: Well I would like to ask you something on this paragraph, which I shall call paragraph 9 in the report—the one which we are discussing:

One of the by-products of inflation which is now engaging the earnest attention of Management is the need for adjustment of System pension plans if the decline in the value of money and its effect on retiring employees in the lower pension brackets is to be recognized.

Does that mean exactly what it says or does this mean revision in the amount received by those already retired—or is it to be like the superannuation of civil servants in which we make plans for the future but we do not take into account the pitiable condition under which those people live who have already retired? Does this, for instance, cover the revision of pensions for those who are already in receipt of pensions, or is it merely a plan for the future in view of the increased cost of living and all the rest of it?

Mr. GORDON: Well you see this is indicative of how we get from one question to another on this, and it is endless. The fact of the matter is that the people who are on pension have a contract for life. They have a contract for life and there is no way in which we can legally amend that contract without their consent.

Mr. KNIGHT: I think it would be forthcoming?

Mr. GORDON: Well it just shows you how many implications there are. We have been considering a plan whereby we can bridge the gap between 65 and 70,



until we get into the old age pension bracket. In respect of employees to be retired that is fairly easy because we can talk to them while they are our employees and if the government agrees with our plans we would not expect much difficulty there. But, before we can make that applicable to employees who have retired they would have to be searched out and give up an existing contract—about which they would be suspicious. They would not believe the C.N.R. was going to give them something better. We would find it difficult to break that down, and remember also these men are old men and they are not too competent to judge what is in their own interests, and so on and so forth. So, I cannot give you any assurance whatever that the plan as finally agreed upon will be made applicable to retired employees.

Mr. KNIGHT: Would it be a fair position—and there is nothing personal in this—to say that it is a perfectly satisfactory arrangement to the railroad, in view of what you have said about the old age pension as such, the government has been taking over; that it is a fairly satisfactory arrangement to the railroad that there are presently 4,000 retired people who are receiving less than the old age pension, so that when and if they reach an old enough age the government will assume the responsibility that the railroad is now undertaking.

Mr. GORDON: No; now, that is not quite it. The plan we have in mind will still cost the railway exactly the same as the present contract extended would cost, but I cannot make it clear without going into the details of the plan. I do say the plan we contemplate is not going to save the company money or cost it less for these retired employees.

Mr. KNIGHT: I am glad to hear that. My last question is: in view of the success of this report—and I congratulate you, sir, and the railroad upon it—in view of this report which states that the income deficit has been reduced from \$42 million to \$3 million, do you not think that the time is here and now when some increase, some consideration—call it what you like, charity or a gift—I presume there is no legal argument why they should have it—should be given to these people. Taking into account this inflation, taking into account the difficulties these people are under due to the cost of living in which they have had no part and in which they had no share; taking into consideration that these are the men who have built up this country in rail service—do you not think that something should be done for those people, at least for those people who are receiving, shall we say less than \$40 a month; or if you wish, \$25? That is the object of the whole series of questions.

The CHAIRMAN: Mr. Pouliot?

Mr. KNIGHT: Mr. Gordon has not answered my question.

The CHAIRMAN: I think he has already answered it.

Mr. KNIGHT: I did not hear the answer.

The CHAIRMAN: Has he not already answered it?

Mr. POULIOT: He did when he read the letter.

Mr. KNIGHT: I was going to suggest that the logical place for the answer is at the end of the question.

Mr. GORDON: Well, of course, you are summarizing the question in too narrow limits for me to answer intelligently, because as I have said already we must discuss our final plan with the government and get their approval. The government has already indicated—and I think I am not expressing government policy by simply repeating what has been said already—that in regard to any adjustment which must be made in respect of retired C.N.R. employees that the government must necessarily consider other types of people who are in similar circumstances. They have said that repeatedly, but I hope I will not be drawn into any long discussion. As a result of our discussions we hope to come up with



a plan which will certainly help considerably, but you can impede the measure if you try to fix a definite plan at this time.

Mr. KNIGHT: I would like to say that the record of the Canadian National in that regard is very good. It has been better than that of the Canadian Pacific. I am speaking particularly of the men who went out on strike in 1919. I think that perhaps in the light of the record here that you may regard the position of the Canadian National Railways as not so good.

The CHAIRMAN: Just a second, Mr. Knight.

Mr. GORDON: I wish you had not said that of the Canadian National Railways, because, as I said at the beginning, the Canadian National Railway management is very seized of this pension problem and has been for some considerable time. There is no lack of sympathy on the part of the Canadian National Railway management, and I think Mr. Hutchinson's letter makes that abundantly clear.

Mr. KNIGHT: In conclusion may I say that I did not get a clear answer on the comparison of this road with the C.P.R., which is the question I asked. I quite agree that there are many applications.

Mr. POULIOT: Mr. Chairman, I wish to thank Mr. Gordon and the management. I am satisfied that they are all doing a good job; but I do hope they will give kind consideration to a memorandum submitted to them by old people and by the unions. Now, as Mr. Gordon knows, in the system there are quite a number of pension plans.

Mr. GORDON: There are, what?

Mr. POULIOT: There are several different pension plans.

Mr. GORDON: Yes.

Mr. POULIOT: I am going to start with the first one, that of the Inter-colonial and Prince Edward Island pension fund, which was established by the government; and at the time all railway employees were government employees, just as much as any civil servant here in Ottawa today is; and they were all paid by the government, they were government employees; and their salaries were very low although the government was paying its share of the amount; and it is now still the same thing.

Mr. GORDON: I can say this to you, Mr. Pouliot, on that; that any people who were members of the I.C.R. pension fund at the time of the amalgamation have retained the rights which they then had. I can also say to you that the I.C.R. pension fund was a very generous one, and the surviving members of that fund have far better benefits, it is in no way comparable with the rest of the Canadian National Railways.

Mr. POULIOT: I can tell you, Mr. Gordon, that there are many of these people who receive a very small pension and I have here a petition which was given to me some time ago. I do not know to whom I should give the original copy and to whom I should give the other—whether to Mr. Gordon or the minister.

Mr. FULTON: Let the chairman decide.

Mr. POULIOT: I will give it to the chairman and he will act as King Solomon. Thank you. Mr. Gordon, I cite to you the case of these people in the hope that they will receive your earnest consideration.

Mr. GORDON: Thank you. We will look after it.

Mr. POULIOT: And the kind consideration of the management. I know some of these old engineers many of whom worked with the Inter-colonial Railways some years ago, and they were getting \$1.25 or \$1.35 a day, with



the result that the basis of their pension was very low; and I know that many of them live in very difficult circumstances. They are old and faithful employees and they deserve a better pension.

Mr. GORDON: May I say this, Mr. Pouliot, that as a general statement any person receiving benefits from the I.C.R. pension fund receives nearly twice as much as the same type of employee in the rest of the Canadian National system.

Mr. POULIOT: Of course, there are many kinds of pensions.

Mr. GORDON: As I say, the general benefit is almost double the average of the rest of the system, so in making an examination of this and expanding the pension fund I am glad to be able to take this case on because it is much easier than many I have had to look at.

Mr. POULIOT: Yes, and besides that you get some consideration from the dominion government. There is a precedent for that, is there not?

Mr. GORDON: May I say that we have this year through C.N.R. funds, contributed \$3,288,000 into this fund, which definitely is far beyond what the railway was intended to assume at the time the amalgamation was made. There is nothing in the I.C.R. that needs any apology.

Mr. POULIOT: No, but you see there are several systems of pensions. There are many of these retired employees whom I know and whose cases I could bring to your attention, but I will not do that today. I want to present the case just as it stands and I want the management to give it as full consideration as may be possible. I am bringing this matter to the attention of Mr. Gordon, and the minister, and I am satisfied that what is being done will apply, as I understand it, to all railway men, and to the men who are not under any pension scheme. Is that so?

Mr. GORDON: I am ready to say specifically at the moment that in all probability it would not apply to the I.C.R.

Mr. POULIOT: Well, is there some provision for these men? I refer to the men who are working on the Canadian National Railways and have been working there since the amalgamation of the I.C.R. and the Transcontinental Railway and the Grand Trunk System. Those people are not in the same case at all as the people who were contributors to the I.C.R. pension fund.

Mr. GORDON: There is no person under the I.C.R. pension fund plan, who thinking of his own selfish interest, would transfer out of that fund into the C.N.R. fund, even after revision. The I.C.R. fund is a really generous fund, and even after any proposed revisions that I could recommend the beneficiaries under the I.C.R. plan would still be better off than anybody else on the C.N.R. system.

Mr. POULIOT: I hope that Mr. Dube or the minister or Mr. Gordon or someone will make an explanation to the committee about this. I would also like to bring out another case, that is the case of the veterans of the Temiscouata Railway who have been working for many years at very low salaries.

I will make representation in due course to Mr. Gordon and to the members of the committee. But in the meantime I am sure that the committee will listen with great interest to what Mr. Dube has to say about the pensions of the men on the Canadian National.

Mr. GORDON: I would like to make a comment on that because I do not think we should leave any impression that there has been any prejudice to the employees of the Temiscouata railway.

We have given every employee on the Temiscouata railway a status which gives him exactly the equivalent of a Canadian National employee, just as though he had served all his service in the Canadian National. I do not know what more we can do.



Mr. POULIOT: I must admit that they are all thankful to you and I wish to convey their thanks now. But there are old men who are not in a similar position who have worked for the Temiscouata railway going on 40 or more years.

Mr. GORDON: We have to work in accordance with a general rule of the pension fund, and it is impossible for management to pick out individual cases and make discriminating rulings.

Mr. POULIOT: I am not going to argue about it now. I shall do so later and I shall prepare a memorandum for them and I hope it will be received with due consideration.

Mr. GORDON: No doubt with your usual kindness, you will bring to our attention any specific cases which you think demand attention.

Mr. POULIOT: I have to carry the burden, and I will deliver it to you.

Mr. GORDON: Thank you.

Mr. POULIOT: I am sure that you will take good care of my request.

The CHAIRMAN: Mr. Fulton I think you have the floor but would you allow Mr. Dube to finish with his Temiscouata railway problem?

Mr. FULTON: I should be glad to.

Mr. GEORGE: Before you leave the subject of the provident fund and the centre of operation of that railway, as you know, many of the staff have made representations to you in the same way as they have made them to Mr. Pouliot. There is no doubt that these men have been treated fairly. I think we would all agree with that statement, but we are getting into higher costs of living and many of these chaps certainly have not sufficient on which to live. I would like to associate myself with Mr. Pouliot in his remarks on that subject. I do not think I can add any more to it.

The CHAIRMAN: Thank you. Now, Mr. Dube. Would you have anything to add?

Mr. DUBE: I would be very pleased to tell Mr. Gordon that we have employees who belong to the old I.C.R. pension fund who are getting today only \$30 a month pension. It was based on 1 per cent with the Canadian National Railways at the time—they were getting no salary. Take myself, for instance. When I draw my pension, I take advantage of the rise in salary which has been given to employees, so my pension would be raised according to the rates which have been given to me. But, on the other hand, these old people are on pension now and they never took advantage of that rate. They were getting a low salary and at 1½ per cent, therefore they are getting a very low pension. I have several representations to make. They cannot live on the pension they are getting now.

If I understood correctly, it seems that the old I.C.R. pension does not come under the new negotiation. What are the railways going to do about pensions? If the old I.C.R. pension does not come under the new regulation that you are to go through with, what are the old people, who come under the old I.C.R. plan, going to do for a living?

The cost of living is very high today and these people have to go to the municipalities for aid, they have to ask for charity. With the pension they are getting now they must go to the poorhouse because they cannot live on it. And I would like to know if the old I.C.R. pension fund will come under the new negotiation?

Mr. GORDON: My answer is that I would recommend very definitely that they should not because they would not benefit themselves under any possible revision that I would think practicable.



The fact of the matter is that the average pension paid on the Canadian National Railways is \$556. Remember that I am talking of the average. But on the I.C.R. it is \$1,050. So I cannot conceive of a man on the I.C.R. transferring, even if he were given the opportunity to do so.

I have just as big a heart as anybody else; but upon my soul I do not see how we can start in to correct all the sins and errors of the past. We are not discussing a problem which affects only pensioners of the railway. It is a much broader social problem than that. It is much broader, and there are many people who are getting no pensions at all, or people who are getting much lower pensions than the railway employees.

Our hearts may bleed for the railway pensioners, but if we are discussing this as a matter of social conscience, I would suggest keeping in mind the fact that there are lots of people in this country who are worse off. Would you not agree with that, Mr. Gillis?

Mr. GILLIS: Absolutely. I think it adds up to fact that what this country needs is an over-all social security plan administered by the federal government which would absorb and liquidate all of the schemes that are costing millions and millions of dollars in the way of administration alone.

I shall refrain from saying anything on the subject. I am not going to get into a discussion of it. But that letter was brought up, and I wish to say this: I take it that the men who are now handling this problem on behalf of the employees and the management are working out a formula, trying to straighten out this whole pension scheme as it applies to the Canadian National. And I think that those who have been raising this matter in public should refrain from doing so in the future. We should not get the public mind all cluttered up, but rather leave it with them. I think that the proper mechanics are now being employed. The main factor is to protect the representatives of these men who are handling the problem of management. And whatever we in the House or in this committee may say about it, we cannot help it in any way shape or form. The responsibility lies where it belongs.

The CHAIRMAN: Yes.

Mr. GILLIS: I see no solution in this case. All these patches that we are making will never cure the problem. It goes on and on and on. As has been said, there are many people who are in a worse position. I can think of many of them. But until the government gets around to establishing in this country an over-all contributory retiring pension and administers it centrally, with the facts that they have available to them today, there is no other answer by way of a cure. We are merely putting patches on a ship which will be a little worse next year and the year thereafter. I think we should leave this matter to the people who are paid to do this job, and to the ones who are affected.

Mr. FULTON: I am not going to comment on the letter which has now been tabled. The reading of it was done by Mr. Gordon. But I think it does raise one question which is important to have answered, if Mr. Gordon is able or willing to answer it and that question is: am I to take it from the letter—and I listened carefully to it—that the successful outcome of negotiations now under way depends upon the institution of this over-all contributory old age pension without a means test? Is that the inference we are to draw from the letter?

Mr. GORDON: No, it does not necessarily follow. It says:

It would be appreciated if we could continue the present negotiations to a conclusion along the lines on which we are working.

If the conclusions reached are not satisfactory we will then hope to have the privilege of calling on your good selves and all our other friends in the House for such assistance as is necessary to reach a satisfactory solution of our problem.



Mr. FULTON: No. There was an earlier passage in the letter which made reference to the outcome of the negotiations, by the institution of a proposed national contributory old age pension.

Mr. GORDON: I shall read that paragraph again:

One of our prime objects is to improve the status of those who are now on pension and we have reached tentative agreement on what can be done to improve their situation but our plan is dependent to a great degree on the action of the government in regard to the institution of an old age pension at age 70 without a means test, and we earnestly solicit your continued support of that project.

The real difficulty lies in the case of those between the age of 65 and 70 years. That is the group of pensioners who are in receipt of the minimum of \$25 a month.

At the age of 70, if this old age pension should go through, they will become entitled according to present rates to around \$40 a month plus the pension of \$25. So, at the age of 70 years, assuming that the old age pension plan comes in, they will get \$65 a month.

We have a plan whereby if we take the cost of the \$25 pension for life on an actuarial basis, that money should provide an annuity or provide an amount between the age of 65 and 70 which would equal what they would get at the age of 70.

Mr. FULTON: I have not been able to gather from your answer whether the plans now under review or under negotiation, the details of which I do not want to bring up because of the letter—but would the successful working out of that scheme depend in whole or in part upon the implementation of the national contributory pension scheme without a means test?

Mr. GORDON: I cannot comment on that. I am simply saying that the old age pension at the age of 70—that our plan is based on the idea that there will be some form of governmental old age pension payable at the age of 70.

Mr. FULTON: Without a means test?

Mr. GORDON: Without a means test.

Mr. FULTON: That is the statement or the information that I wanted.

Mr. GILLIS: That is the policy of most industries today in this country.

Mr. GORDON: It is the people who are on pension that I am talking of now.

Mr. FULTON: So the only part of your plan affected is the part which might cover people presently on pension?

Mr. GORDON: That is right, in that particular area. Now the general revision of the situation they occupy between sixty-five and seventy will also be dealt with.

The CHAIRMAN: Any further questions?

Mr. FULTON: I have about three. They are just short questions. Is it a fact that the Canadian Pacific had increased recently its pensions to its already retired employees?

Mr. GORDON: That is another one of those things with respect to which we have to answer yes and no. They did not actually increase the pension to them but they did make an arrangement for an additional sum. Mr. Cooper has the details.

Mr. COOPER: The Canadian Pacific Railway recently announced an increase in minimum pensions. For those who had retired prior to 1951 the minimum pension became \$35 a month; if they retire in the six months January to June 1951, the minimum pension is to be \$40 a month; if they retire in the second half of 1951 the minimum pension is to be \$50 a month; if they retire after December 31, 1951, the minimum pension is to be \$60 a month.



Now, the figures I have given relate to contributing members of the Canadian Pacific pension plan. Comparisons are made between the Canadian National and Canadian Pacific and generally the comparison is between a non-contributor of the Canadian National against a contributor of the Canadian Pacific and when that is done you are not comparing like with like; you will not get a correct comparison by that method.

If you compare a non-contributor of both the Canadian Pacific and Canadian National or compare a contributor of the Canadian National with a contributor of the Canadian Pacific then, as the president said, in the lower brackets at any rate the Canadian National pension is at least as good as that of the Canadian Pacific as of today. Further they require five years more service than we do.

Mr. FULTON: I was not questioning that statement, Mr. Cooper, although I am glad to have your further remarks, but I just wanted to have it established for the record whether or not the Canadian Pacific did in fact increase the pension to already retired employees and I take it from your answer that they did.

Mr. COOPER: They did.

Mr. FULTON: Could you tell me, if you have it readily available, what is the total number of retired employees of the Canadian National and the amalgamated railways now on pension?

Mr. COOPER: 16,425.

Mr. FULTON: There was one other statement which Mr. Gordon made, if I remember it correctly, in which he said that the Canadian National pension payments were more generous, but I think one could ask for a clarification of that by way of another question: The actual contribution made from the Canadian National Railways towards its pension fund is not as substantial,—it may be ample,—as that amount contributed by the Canadian Pacific Railway from company funds.

Mr. COOPER: I do not think we could answer that.

Mr. FULTON: The Canadian National report shows on page 29. pensions \$11,802,098.

Mr. GORDON: Again that is a question that we are not comparing like with like. We are not comparing the same things. The figure which we charged into our accounts represents—we charged, in 1950, our accounts with \$12,086,472 but that represents the cost of the pensions which have become in contract form.

Now, I am not sure how the Canadian Pacific Railway do it, but my impression is that they contribute to a pension fund, we do not. We take the pension contracts as they fall due, and we take the money which the employees contributed and the amount which the company has contributed on his behalf and the gross amount of that money is used to purchase an annuity, and then we charge to the company accounts the total amount of the company's contributions which belong to that particular contract.

Mr. FULTON: I was not asking at the moment for comparison of what the pensioners received. What I am trying to make is a comparison between what the company has to pay per man on pension by way of contribution to pensions.

Mr. GORDON: That varies again because the Canadian Pacific Railway have a compulsory contributory plan and we have not. We give an employee the option of contributing during his period of service as from the institution of this fund which was in January 1935. As from the time this plan went into operation an employee of the Canadian National Railways was entitled to contribute up to ten per cent of his earnings for pension or superannuation purposes.



Now, the company agrees to match contributions up to five per cent so that it is a fluctuating figure. It is not a company's decision. One man may decide to contribute one per cent, another man two per cent, three or four per cent, whereas in the case of the Canadian Pacific it is a compulsory contribution and therefore I think their contributions per man would tend to look higher than ours.

Mr. FULTON: I have the figures with regard to the number of pensioners of the Canadian Pacific Railway, numbering 11,208, and pension expense to the company for the year amounted to \$11 million. You tell me you have 16,000 in round figures on pension, and your cost of pension plan to the company was \$12 million.

Mr. GORDON: I will ask Mr. Cooper again to answer that because we are getting into technicalities here again, and we are not comparing like with like.

Mr. COOPER: You must read the whole paragraph carefully to understand the Canadian Pacific Railway situation. They say, "pension expense for the year amounted to \$11 million. This included the proportion of pension allowances made by your company" (the Canadian Pacific Railway).—That means a payment to men already on pension.—Then they say "its contributions to the pension trust fund",—that is a provision for people who have not yet reached pension status—"and also taxes imposed in respect of the employees covered by the United States Railroad Retirement Act". The figures we have used first of all do not include anything we pay into the United States Railroad Retirement Fund, and we pay a great deal more than the Canadian Pacific. But we are not paying into our pension trust fund any amount with respect to employees still in service, whereas the Canadian Pacific is, and my understanding is that a considerable amount out of the \$11 million is a payment by the Canadian Pacific Railway into the trust fund for employees still in the service, so that you cannot correlate their \$11 million covering 11,000 employees, to our \$12 million covering 16,000 employees and say that the Canadian Pacific Railway is doing better than we are. They are charging expenses with pension costs, both for the past as well as for the present, but we only charge for past service.

Mr. FULTON: I do not say they were paying more to their pensioners but I was just suggesting—

Mr. GORDON: They are taking more out of the company funds, that is what you are suggesting, Mr. Fulton?

Mr. FULTON: Yes.

Mr. GORDON: The Canadian Pacific Railway is adopting a different procedure in the handling of its pension finances. When they refer to their pension expense they include an annual charge to expenses on an actuarial basis for pensions which are contingent, for pensions which will one day have to be paid as men reach the retiring age.

Now, that is the essential difference between the Canadian Pacific Railway and ourselves. The expense that we charged in our annual operating expense includes nothing for the actuarial cost of pensions still to come. We meet that as they mature, so that apparently our annual expense may appear to be lower with reference to total pensioners than the Canadian Pacific Railway but our accounts do not reflect what might be called the contingent liability with respect to people who have not gone on pension.

The CHAIRMAN: Could you give us that contingent liability?

Mr. GORDON: It is quite impossible to do without an actuarial examination which would take months.

Mr. FULTON: Your present plan in contemplation would be to place your pensioner on an actuarial basis, Mr. Gordon?



Mr. GORDON: That is one of the many considerations. Once we get on to a contributory plan we would. Our present plan is what we call a money purchase plan. In other words, we buy an annuity out of the amount of money which is accumulated for the pensioners. If we go under a contributory pension plan the chances are that it will have to become a fixed benefit plan so to speak where the benefits are outlined and the company underwrites whatever additional costs there may be over and above the contributions made by the employee.

Mr. FULTON: Without saying that the benefits would be equal to the general scheme what plan would be comparable to that in effect on the Canadian Pacific Railway?

Mr. GORDON: I cannot tell you anything as I have not made the comparison but I have not got my pension fund committee's official recommendation.

The CHAIRMAN: I believe we have now concluded the letter of transmittal and at 8.00 o'clock—

Mr. FULTON: There is at least one question I want to ask.

The CHAIRMAN: I will not declare the report carried until the budget items are dealt with in the event that anything is overlooked.

## EVENING SESSION

The CHAIRMAN: Gentlemen, we have a quorum. You have before you the budget.

### CANADIAN NATIONAL RAILWAYS SUMMARY OF FINANCIAL REQUIREMENTS—YEAR 1951

	1950 Budget:	1950 Actual:	1951 Budget:	Details on Page
<b>OPERATING BUDGET</b>	\$	\$	\$	
Deficit.....	32,236,000	3,261,236	20,997,000	2
<b>CAPITAL BUDGET</b>	\$	\$	\$	
Additions and Betterments.....	30,872,059	16,579,612	37,302,823	3 and 3-A
New Equipment.....	10,698,430	6,387,675	15,722,177	4
Barraute Branch Line.....	230,000	79,664	—	—
Acquisition of Securities.....	717,000	463,268	3,712,000	5
	42,517,489	23,510,219	56,737,000	
Less amounts available from reserves for depreciation and debt discount amortization.	17,935,000	16,598,230	16,522,000	
Total—Capital Budget.....	24,582,489	6,911,989	40,215,000	
Additional Working Capital.....	—	—	\$ 20,000,000	

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New Equipment to be financed in 1951 is estimated at \$56,722,177, of which \$41,000,000 will be covered by a proposed equipment trust issue, leaving the balance of \$15,722,177 to be provided under the Canadian National Railways Financing and Guarantee Act, 1951.



## CANADIAN NATIONAL RAILWAYS

## OPERATING BUDGET

	1950 Budget:	1950 Actual:	1951 Budget:
	\$	\$	\$
Operating Revenues.....	516,764,000	553,831,581	588,600,000
Operating Expenses.....	482,500,000	493,997,079	543,750,000
Net Operating Revenues.....	34,264,000	59,834,502	44,850,000
Net Income Charges, excluding Interest.....	20,753,000	17,417,730	19,837,000
Interest on Funded Debt—Public.....	24,088,000	24,019,158	24,117,000
Interest on Government Loans.....	21,659,000	21,658,850	21,893,000
Deficit.....	32,236,000	3,261,236	20,997,000

NOTE.—The 1951 Budget includes \$3,339,000 for contribution to the deficit of the I.C.R. and P.E.I. Provident Fund also \$100,000 for contribution to the Grand Trunk Superannuation Fund Association.

The 1951 Budget does not provide for any additional revenue which may result from the hearings now before the Board of Transport Commissioners and the Interstate Commerce Commission in respect of increased freight rates. Neither does it make any provision for increased wages for employees in the so-called "running trades".



## CANADIAN NATIONAL RAILWAYS

## ADDITIONS AND BETTERMENTS AND NEW EQUIPMENT

	1950 Budget	1950 Budget	1951 Budget
	\$	\$	\$
<b>ADDITIONS AND BETTERMENTS—(Details on Page 3A)...</b>			
Atlantic Region.....	3,019,634	2,102,583	4,580,868
Central Region.....	10,447,799	4,392,618	18,519,722
Western Region.....	7,385,944	5,076,391	11,779,205
Grand Trunk Western Railroad.....	2,958,810	1,086,227	5,708,873
Central Vermont Railway.....	350,790	94,605	377,096
Subsidiary Companies.....	297,909	Cr. 324,901	285,149
Express, Communications and Other Departments..	9,205,394	5,091,298	12,961,576
Additions and Betterments to Equipment, Canada..	5,977,779	4,015,992	6,006,106
Equipment Retirements.....	Cr. 3,771,980	Cr. 4,955,201	Cr. 5,515,772
	35,872,059	16,579,612	54,702,823
<i>Less—</i> Portion of projects included in the above requirements not physically completed by the end of the year.....	5,000,000		17,400,000
<b>Total—Additions and Betterments—Net.</b>	<b>30,872,059</b>	<b>16,579,612</b>	<b>37,302,823</b>
<b>NEW EQUIPMENT (Details on Page 4)—</b>			
<i>1950 Programme—</i>	1950 Budget	1950 Actual	
Revenue Equipment	34,751,400	\$18,076,572	
Less Trust Series "V".....	26,000,000	13,500,000	
	8,751,400	4,576,572	
Miscellaneous Equipment.....	1,947,030	1,811,013	
	\$10,698,430	\$ 6,387,675	10,698,430
<i>1951 Programme—</i>		1951 Budget	
Revenue Equipment.....		\$54,868,280	
Less Proposed Trust Series "W" ..		41,000,000	
		13,868,280	
Miscellaneous Equipment.....		1,853,897	
		\$ 15,722,177	15,722,177
<b>Total—New Equipment.....</b>	<b>10,698,430</b>	<b>6,387,675</b>	<b>15,722,177</b>
<b>EXPENDITURES FINANCED THROUGH EQUIPMENT TRUSTS—</b>			
Trust Issues:		1950 \$	1951 \$
Series "U".....		14,975,105	
Proposed 1951 Trust Series "W".....			41,000,000



CANADIAN NATIONAL RAILWAYS

ADDITIONS AND BETTERMENTS—YEAR 1951

	Atlantic Region	New- foundland District	Central Region	Western Region	Grand Trunk Western Lines	Central Vermont Railway	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>ADDITIONS AND BETTERMENTS</b>								
Rails and Fastenings.....	215,163	4,817	879,852	1,381,404	216,300	21,508		2,719,044
Tie Plates and Rail Anchors.....	286,355	141,241	1,210,935	1,460,142	133,000	69,194		3,300,867
Ballast.....	327,026	32,755	39,378	1,860	184,500	69,921		655,440
Widening Cuts and Fills.....		21,840		47,990		4,000		73,830
Rip-Rap, Retaining Walls and Cribwork.....	30,750	32,000		155,000				217,750
Ditching, Drainage and Sewers.....	4,200		5,000	54,000	600			63,800
Yard Tracks and Sidings.....	576,077	74,935	1,331,746	574,292	173,700			2,730,750
Roadway Machines.....	59,663	27,600	594,354	344,935	99,300	10,955		1,136,807
Bridges, Trestles and Culverts.....	452,845	43,768	933,766	1,148,737	156,340	39,622		2,775,078
Tunnels.....				668,455				668,455
Highway and Crossing Protection.....	225,640		604,752	21,800	111,784	35,351		999,327
Montreal Office Buildings.....			10,000					10,000
Stations and Station Facilities.....	401,401	79,620	6,583,036	1,957,720	3,349,993	5,597		12,377,367
Water Supplies.....	11,600	27,352	88,349	170,050	Cr. 600	606		297,357
Fuel Stations.....	197,320		830,687	1,468,545	125,888			2,622,440
Shops, Enginehouses and Machinery.....	791,134	117,900	3,748,065	785,103	382,426	50,517		5,875,145
Docks and Wharves.....				22,500	11,600			34,100
Grain Elevators.....			185,000	490,600				675,600
Signals and Interlockers.....	30,660		968,770	806,718	392,271			2,198,419
Communication Systems—Railway.....							1,890,153	1,890,153
Communication Systems—Commercial.....							6,156,395	6,156,395
Land.....	3,000		120,000	7,000				130,000
General Additions and Betterments and Contingencies..	202,731	3,100	384,032	205,254	263,209	28,000	282,911	1,369,237
Express and Miscellaneous Equipment.....		158,375	2,000	7,100			616,105	783,580
Subsidiary Companies.....							285,149	285,149
Hotels.....							4,016,012	4,016,012
Additions and Betterments to Equipment.....					108,562	41,825	6,006,106	6,156,493
Equipment Retirements.....							Cr5,515,772	Cr 5,515,772
<b>ESTIMATED ADDITIONS AND BETTERMENTS—NET.....</b>	<b>3,815,565</b>	<b>765,303</b>	<b>18,519,722</b>	<b>11,779,205</b>	<b>5,708,873</b>	<b>377,096</b>	<b>13,737,059</b>	<b>54,702,823</b>
Less—Portion of projects included in the above require- ments which will not be physically completed by December 31, 1951.....								17,400,000
<b>TOTAL ESTIMATED ADDITIONS AND BETTERMENTS—NET.....</b>								<b>37,302,823</b>



## CANADIAN NATIONAL RAILWAYS SYSTEM

## NEW EQUIPMENT

## CANADIAN NATIONAL RAILWAYS SYSTEM—

## 1951 Programme—

28	Standard baggage cars
5000	Box cars
500	Refrigerators
500	Box cars (G.T.W.)
40	Box cars (Newfoundland)
100	Flat cars (Newfoundland)
20	3000-3200 H.P. road diesel locomotives
6	Road diesel locomotives (Newfoundland)

Total cost, including Sales Tax and inspection charges.....	\$ 54,868,280	
Less amount of proposed Equipment Trust Issue.....	41,000,000	\$ 13,868,280

## MISCELLANEOUS EQUIPMENT—

4	Russell snow plows, single track, steel, with flangers and ice diggers
1	Wrecking crane, 200 tons capacity, diesel-operated, self-propelled
30	Air dump cars, Austin-Western type, 30 cu. yd. capacity
75	70-ton Enterprise longitudinal hopper cars for ballast service
1	Scale test car (G.T.W.)
2	Diesel electric cranes, 30-ton capacity, self-propelled
1	16-cylinder engine for diesel units (G.T.W.)
1	Magnet generator flat car
1	50-ton locomotive crane (Newfoundland) { Revote
20	16-cubic yard air dump cars (Newfoundland) { AFE 71/260
17	Water transports (Revote AFE 71/274)
5	Units work equipment (D.W. & P.) (Revote AFE DWP-1026)

Total—Miscellaneous Equipment..... \$ 1,853,897

GRAND TOTAL..... \$ 15,722,177

## CANADIAN NATIONAL RAILWAYS

## ACQUISITION OF SECURITIES

	1950 Budget	1950 Actual	1951 Budget
	\$	\$	\$
<i>Toronto Terminals Railway—</i> (Joint with Canadian Pacific Railway Co.)— General Additions and Betterments—C.N.R. proportion 50%..	100,000		
<i>Northern Alberta Railways—</i> (Joint with Canadian Pacific Railway Co.)— General Additions and Betterments—C.N.R. proportion 50%..	425,000	150,000	300,000
<i>Shawinigan Falls Terminal Railway Company—</i> (Joint with Canadian Pacific Railway Co.)— Purchase of the Capital Stock, having a par value of \$300,000— C.N.R. proportion 50%.....		62,500	
<i>Chicago and Western Indiana Railroad—</i> Advances under agreement of March 1, 1936.....	187,000	250,768	195,000
<i>Atlantic and St. Lawrence Railroad—</i> Purchase of Capital Stock.....	5,000		2,000
<i>New London Northern Railroad Company—</i> Purchase of Capital Stock and redemption of funded debt.....			3,215,000
	717,000	463,268	3,712,000



## CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

	1950 Budget	1950 Actual	1951 Budget
	\$	\$	\$
<b>OPERATING BUDGET—</b>			
Operating Revenues.....	5,245,000	5,124,200	5,692,582
Operating Expenses.....	5,475,000	5,725,632	6,102,120
Net Operating Deficit.....	230,000	601,432	409,538
Vessel replacement fund earnings.....	120,000	133,128	125,000
Interest requirements on 5%—25-year Bonds due 1955, principal amount \$9,400,000.....	470,000	470,000	470,000
Exchange on U.S. funds.....	49,000		
Interest on Government Notes and Advances.....	91,000	90,463	90,462
Deficit.....	720,000	1,028,767	845,000

The CHAIRMAN: It is not my intention to call individual items on each page but I will call the budget a page at a time and you may ask questions in regard to any items.

Page 1? Shall the page carry?

Mr. CARTER: May we ask general questions on page 1?

The CHAIRMAN: Questions on any item referred to on page 1?

Mr. CARTER: Well, my point is this. I asked earlier in the committee meeting about passenger accommodation on steamships and you said we would take it up on the budget. I would like to know now, and I have been trying to find out, under what particular heading that would come.

The CHAIRMAN: What accommodation?

Mr. CARTER: It is really coastal steamships. Where would we discuss new ferry terminals and that sort of thing?

Mr. GORDON: Under new equipment, when we come to it.

The CHAIRMAN: Shall page 1 carry?

Mr. POULIOT: Before it is carried, may I ask a question of Mr. Dingle. Mr. Dingle, do you expect to have a diesel engine for pilot in the yard of Rivière du Loup this year?

Mr. DINGLE: I would not promise it this year, Mr. Pouliot but we have it definitely in mind.

Mr. POULIOT: Do you expect it early next year?

Mr. DINGLE: I would say in the next two years.

The CHAIRMAN: Shall page 1 carry?

Carried.

Page 2, operating budget?

Carried.

Page 3, new equipment.

Now, Mr. Carter do you wish to ask your questions?

Mr. CARTER: The problem I have in mind was presented last year when I called attention to the coastal service. Now the coastal service in my riding has improved both in frequency and quality except in one section and that section is very poor indeed. I refer to the Placentia Bay service which is a service by a motorboat bought from the Newfoundland government. I have made several representations about this matter and I would like to know if Mr. Gordon can tell us if they have any plans for improving that service during the year?



Mr. GORDON: I can tell you, Mr. Carter, that the question of the coastal service of Newfoundland has been the subject of intense inquiry generally with the C.N.R. officials and the officials of the Maritime Commission. Just before leaving Montreal I received their preliminary report and, on the basis of that report, I will immediately on my return be able to submit to government the sort of improvements which we would recommend and which we would hope would include some additional ships. I have not the details of that as I have not had time to submit it to the government yet. It will come in the 1951 budget but, in the meantime, if the government approves our recommendations no time will be lost taking preliminary steps so that we will not lose time between now and the next budget.

Hon. Mr. CHEVRIER: The 1952 budget?

Mr. GORDON: Yes.

Mr. CARTER: What I am concerned about is this particular part of the service is working a very great hardship. The accommodation is far too little and it is not adequate at all in quality. This constitutes a hardship and I hate to think that as that has been in effect now for a year and a half or nearly two years that it will continue for another year.

Mr. GORDON: I think I must ask you to be reasonable, Mr. Carter. That service had been in effect a great deal longer than two years when we took it over. We have only been operating this service a very short period of time. The design and specification of boats cannot be done overnight. It takes a good deal of time. The survey recommendation has been completed and I assure you no time will be lost as soon as we get the necessary authority to go ahead, but those ships need to be built, and that takes time.

Mr. CARTER: I am sure Mr. Gordon would like to be reasonable too, but I pointed out last year that ships cannot be bought over the counter. Also I would like to correct him on one point. This particular service we are talking about went into effect since Confederation. I refer to the motor ships *Burin*, *Clareville*, and *Codroy*. That service was not in effect prior to Confederation but it is totally inadequate.

Mr. GORDON: That is recognized fully in this report. Our officials and the Maritime Commission have gone into this very fully and there is no doubt about it there is a complaint in regard to the service you mentioned, namely the motor ship *Burin*.

In fact the whole service has been analyzed but the recommendations which we will put forward to the government will definitely have in mind correction of that condition. I am hoping, if the government approves the recommendations I am a little handicapped in saying what the government will approve of and I cannot say myself whether I am prepared to recommend it because I have not thoroughly digested it. It came to my desk on the Saturday before I came here.

However, we now have specific recommendations of the two interested parties whose business it is to examine and to decide upon that service. I assure you from what I have seen of it, from a preliminary examination, assuming this program goes through, much of the complaint which you properly call to our attention will be eliminated.

Mr. CARTER: I just wonder. It would take at least a year even if your plans are approved and then, to get that ship built and commissioned will take at least one year and possibly two years. In the meantime would it not be possible, with a relatively small expenditure of say \$20,000 or \$30,000 to increase the accommodation already on that boat?

Mr. GORDON: That is one of the things already included in our recommendation, I would hope—increased berth and seating accommodation on those vessels. However, these things are very easy to say and very difficult to get. It means having our plans approved by Lloyds, and the Canadian Steamship Inspection Branch, and I may tell you that the inspection service on ships these



days is very, very stringent and it is very, very difficult to get permits and authority to meet an emergency situation—because, in meeting it, we are not necessarily able to live up to the stringent rules and regulations which have been recently imposed on steamship operators as a result of recent disasters that have happened. Included in our recommendation is a proposal, as an interim measure, that we can increase the berth and seating capacity of the ships now in operation.

I would like very much to tell you of our recommendations but I do not think I am in a position to do so until I have submitted them to the government.

HON. MR. CHEVRIER: Further there is no assurance that steel will be available at the time the recommendations are given to us.

MR. CARTER: That is what I want to be sure of. I want to stress the necessity for an interim measure to relieve the hardship that is being experienced.

HON. MR. CHEVRIER: That is exactly what the committee gave consideration to—an interim measure pending the construction of new ships.

MR. CARTER: That does not necessitate much steel, Mr. Chairman?

MR. GORDON: No, but it does necessitate our getting approval for the temporary lifting of the steamship inspection service present regulations which are attached to those particular vessels. There will be difficulty about that, I must warn you. I do not think any official who is charged with the responsibility of imposing the regulations will himself take a chance on giving us authority to violate them. It is just one of those psychological matters you cannot get away from.

However, we are going to make suggestions and proposals but whether we can get them through the responsible officials, or ultimately through the government, I do not know but at least we will point out that there are certain interim measures which might be approved.

MR. CARTER: Does that mean that an extension or building an extra deck of cabins would not be approved on one of those ships? \*

MR. GORDON: I would say that under present day regulations it is almost impossible to touch an old ship or to increase its accommodation without running smack bang into almost impossible regulations. Perhaps I am overstating that.

HON. MR. CHEVRIER: No, you are not. By virtue of the regulations promulgated following the Kellock Commission inquiry into the *Noronic* disaster, it is quite clear that ships must now meet the new requirements which were tabled in the House last year, and that means that all these rules must be put into effect during the 1951 navigation season. There was some relaxations during the 1950 navigation season because of the fact that certain of the operators could not put all of them into effect; but the steamship inspection branch of my department has been given strict instructions to see that the regulations are carried out.

MR. CARTER: If we are going to encounter all those difficulties, with no assurance at all that we will ever be able to solve the problem because of steel shortage and so forth, would it not be better instead of trying to build ships to purchase them?

MR. GORDON: That has been thoroughly surveyed and I assure you there is nothing overlooked, but those ships are of a very special structure to meet the requirements of the Newfoundland service. It is difficult to get a ship that you can ply in and out of those small coves that you have around your out-ports, as you know. I do not wish to exaggerate the difficulties but we are dealing with ships that are very old—some of them over 50 years old.

MR. CARTER: I know.



Mr. GORDON: You cannot expect any responsible official charged with imposing regulations to just meet without question the enlargement of a ship 50 years old and say: for that particular ship we will not apply the regulations. That is the very one on which he would be suspicious.

Mr. CARTER: I would like to say that nobody is asking for that, and also the ship I am referring to, the motor vessel *Burin*, is not 50 years old but only 15 years old and it has got a good many years of life left. However, it has accommodation for only 8 passengers.

Mr. GORDON: That is right, and that is one where we are hoping we can enlarge the accommodation. We have no reason to fear on that particular ship that we will not be able to make a bargain with the authorities. I am saying only that it is one of the many considerations in our proposal. We will use every effort to get our recommendation through just as smartly as we can, and the program has reached a stage where we are ready to recommend.

Mr. FRASER: Pardon me for butting in, but if you get your proposals in will you still meet the safety regulations that should be applied there?

Hon. Mr. CHEVRIER: We would have to decide that in the steamship inspection branch of Transport.

Mr. FRASER: And you should be very careful about that too.

Hon. Mr. CHEVRIER: We certainly intend to.

Mr. FRASER: If you recommend it being done and afterwards you found out that it was not safe, it would be just too bad.

Mr. GORDON: And even if it is recommended we are still not sure that it will go through, but I am sure that it will not be recommended unless it is considered adequate, because the group who are dealing with it are the officers of the C.N.R. and of the Department of Transport.

Mr. FRASER: You have the safety provisions which must be observed.

The CHAIRMAN: Are there any further questions?

Mr. CARTER: I am not finished yet, Mr. Chairman. I would like to make it as plain as I can that there are difficulties as far as this particular ship is concerned, and with respect to this particular service may I take it that there is reasonable hope that something will be done? Is that right?

Mr. GORDON: I will read you the actual sentence which deals with that point: the railway has a tentative plan for the provision of additional housing accommodation—that means the provision of berths or seats, as the case may be—and we are endeavouring to have Lloyd's and the Canadian Steamship Inspection Service approve these plans. That is where the matter stands at the moment. We have not yet had a reply, but the request is under way.

Mr. CARTER: Well, Mr. Gordon, what do you propose for the future then? You have something in mind I take it?

Mr. GORDON: I have told you already what we propose for the future. What we are going to recommend to the government is a program in regard to these coastal ships which we hope and expect will be a reasonable and adequate service. I do not think that I am divulging too much in saying that that includes the provision of new ships. I cannot say anything more personally because, frankly, this report has just been received, it reached my desk only last Saturday, and it has not been possible to study it and formulate a report or recommendation to the government as yet. I have not had an opportunity myself since Saturday morning to go into the details of it to see whether I am prepared to recommend it to my board of directors and to the government. You may be sure that it is one of the first things I shall tackle when I go back to my office.

Mr. CARTER: What I was going to ask you is this, you have no reserve in case of accident or emergency?



Mr. GORDON: No.

Mr. CARTER: And you have one ship that is 50 years old?

Mr. GORDON: Yes.

Mr. CARTER: And you have another ship which is getting along about the same age?

Mr. GORDON: Yes.

Mr. CARTER: You have one here which is 38 years old?

Mr. GORDON: And another which is 52 years old; and they have not acquired that age since we took them over.

Mr. CARTER: That is obvious. I was going to say, if you can't get steel and if you can't get ships within the next five or six years, what plans have you?

Mr. GORDON: No one has said that we can't get steel. What we point out is that there may be difficulty in getting steel even if we get the program through. I am prepared to press it as a high priority item but I have no way of knowing what effect that would have on the responsible minister and the other officials. It would depend on whether it is felt that this service had a degree of prior priority which ranks at the head of the list. I cannot give you an answer on that until the matter has been submitted. I would say though that I think it is reasonable to expect that we would get a fairly high priority rating on it.

Hon. Mr. CHEVRIER: I would assume that there are other places in Canada in a similar position. There is a proposed ferry between Yarmouth and Boston which received some attention during the last few months; and, again, there is a service on the west coast. The government must look at the whole picture in the light of all the circumstances.

Mr. CARTER: Well, Mr. Chairman, I quite agree with you. I am not familiar with all the problems all across Canada. I am naturally familiar with the ones in my own particular riding, and I have a responsibility with respect to that riding to see that it is presented and to urge that it be met. I quite understand that I am not the only one that has need.

Hon. Mr. CHEVRIER: But, Mr. Carter, let me point out that the main responsibility is with the Canadian National Railways for the services they have taken over, and I can assure you they keep making representations to me and to the government in connection with the services in Newfoundland, as they do with reference to the services elsewhere in Canada; so, please do not get the idea that the responsibility is yours exclusively, it is that of the C.N.R. and of the government as well.

Mr. CARTER: I know that, but there is a difference with respect to Newfoundland. Prior to Confederation this was the responsibility of the Newfoundland government and the people have not yet become familiar with the idea that the Canadian National Railways is not a part of the government, it does not recognize such a distinction.

Mr. GORDON: I would take issue with you on that.

Mr. CARTER: You take issue with me on that?

Mr. GORDON: Oh yes, indeed; just from the reports we have been getting and the things we have had it is apparent there is a very keen awareness in Newfoundland that they are no longer dealing with the Newfoundland government.

Mr. CARTER: I did not say that. You are placing an entirely wrong interpretation on what I said. I said that they did not disassociate the C.N.R. from the government, that they still think of it as a government service. They are not confusing the Newfoundland government with this government.



Mr. GORDON: Then might I ask you a question? In the light of what I have told you is there anything further you think the C.N.R. can do about this particular problem which it is not doing?

Mr. CARTER: Well, yes.

Mr. GORDON: That will be helpful. I ask it in all seriousness. I want you to tell me if there is anything we can do that we are not doing in respect to this particular problem.

Mr. CARTER: I think that, as I have brought to your attention a year ago, this particular ship should have been then examined and the proposal which you are making now should have been made a year ago.

Mr. GORDON: Just one minute now, in respect of that; this is a subsidized service, and the subsidy is a subsidy which has to be recommended by the Maritime Commission. It is therefore necessary that there should be an examination by the Maritime Commission and that Commission has to say what would be a proper program; and it takes time to make a proper analysis and a proper investigation. We could have made a hasty decision last year, but I may say that if we had we would not have recommended as much as we are prepared to recommend today. We have made a proper analysis so now we are in a position to support our request in a much more coherent way on behalf of Newfoundland than we could have done had we made a slipshod approach to it. I do know that all these things do take time and that the officials who have to deal with it have also had to deal with a great many other matters.

Mr. CARTER: I realize that, Mr. Gordon. I pointed out last year that it takes time; and you can't afford to wait a year before you start moving. We need action now. As it stands it will still take at the best three years to get this recommendation through and get these ships into operation. I made a request last year for this thing to be speeded up. I made a trip around my riding on this particular ship last year and I know that people had to sit up all night and they had to sleep on their suitcases; some of them had to go outside on deck so that others could turn around, and some of them slept on deck all night. You wouldn't treat cattle that way and I think I have a right to protest against that. I do not think there is anything more urgent irrespective of what the situation may be anywhere else in Canada. I do not think there is anything more urgent than that.

Mr. GORDON: That is one of our suggestions here. It is only a matter of getting these things in orderly shape so as to find out all the demands that have to be met. We cannot discriminate between one part of the country and another. There are urgent requirements in Newfoundland and I would suggest that they have received very effective consideration already. I would point out to you this matter of the ferry that is being built. It is under construction now for Newfoundland, and that demand has been met even when they have refused to supply steel for other sections of Canada. I am exerting my efforts on their behalf just as strongly as you are doing.

Mr. CARTER: That is entirely the responsibility of the federal government, or the Department of Transport or the Canadian National Railways. I am very pleased, like everyone else in Newfoundland, that we are going to have a new ferry. Whether we need a ferry as big or as expensive as the one you are contemplating is another matter. I am not criticizing that. I think, myself, that this coastal service is more urgent than is this big ferry that is now being built.

Mr. GORDON: Let me assure you that you would not get unified Newfoundland opinion on that either.

Mr. CARTER: I think you would if they knew all the facts.

Mr. GORDON: I remember I had a delegation in my office just a short time ago with regard to the ferry and there was certainly nothing said at that



time which indicated that they were prepared to let any of the type of service you refer to in ahead of the ferry. Let me finish that this way; that the Canadian National Railways are responsible for providing transportation services in Newfoundland and they are as interested in seeing that we remove complaints wherever possible as you are; so they are greatly interested in seeing that we give you the kind of service that will stop these complaints. I do not like to hear these complaints any more than you do, and we have just as great an interest in solving them. So far as I am concerned and so far as the officials of the C.N.R. are concerned, there is no need of urging upon us the necessity of getting something done, of getting a proper program under way. You are complaining about the delay. I am pointing out to you that the delay is working this out in your interest because as a result of a proper examination of the problem we will bring forward a program which is better than would have been brought forward if we had gone after it in a slipshod fashion and just spent a large amount of money. We cannot urge upon the government the expenditure of large sums unless the government feels that we are doing so in a state of responsibility. If I came dashing in to the government and said give us so much so that we can get this done the minister would certainly look at me and say you are a sort of harum scarum sort of fellow, what kind of an investigation have you made; and I would have to say, none. I would not have the courage to face him unless I knew that he had confidence in my recommendations.

Mr. CARTER: I am not blaming you. You are misinterpreting the whole thing. Two years have passed now since confederation, and before we entered confederation this problem was urgent.

The CHAIRMAN: Now, Mr. Carter, I don't want to be unreasonable, but I do think the committee have been very patient. You have made out a strong case. You have got a very favourable answer. Why can't you leave it at that?

Mr. CARTER: I am prepared to leave it at that, but I am not prepared to leave it with that misunderstanding.

The CHAIRMAN: There is no misunderstanding. Every member of the committee understands it; surely, you do.

Mr. CARTER: Now the last remarks that Mr. Gordon made are quite opposite to what I have been trying to say. I don't want to prolong this debate but I would like to keep the record straight.

The CHAIRMAN: Yes. Have you any further questions, Mr. Carter?

Mr. CARTER: I want to ask a question about telegraph services. Is the Canadian National telegraph company building a line from St. John to Grand Bank?

Mr. GORDON: From St. John's to Grand Bank did you say?

Mr. CARTER: Yes, the present line is inadequate.

Mr. GORDON: I do not quite understand your question, you referred to the line from St. John's to Grand Bank?

Mr. CARTER: Yes.

Mr. GORDON: Is that a new line?

Mr. CARTER: Yes. The present line is absolutely inadequate, the line which connects Grand Bank to the main C.N.T. service.

Mr. GORDON: I am afraid that I cannot give you a satisfactory answer to that, there is so much work being done in Newfoundland that I have not had time to keep up with it. I do not know where it stands. We are dealing with the improvement of the services all over Newfoundland. If this has reference to improvements to existing facilities I think the answer is yes, but if you are talking about a new line, I do not know about that.



Mr. CARTER: All I know is that at the present time the present line service is entirely inadequate and I was just wondering whether that was being considered. Then there is another question I wanted to ask you, have you done anything in connection with the F.M. station at Grand Bank? That is the radio telephone circuit which connects us with St. John's and the outside world. I know what the situation was there last year, 1950, that you had not put the service in operation up to that time, and I was wondering what was going to be done during the coming year.

Mr. GORDON: Are you referring now to the connection with Red Rock?

Mr. CARTER: No, this is the F.M. circuit.

Mr. GORDON: Let me read this, does this answer your question? I have this report before me and it says:

To link the Newfoundland network with the dominion's mainland network, Canadian National arranged for circuits between Sydney and the Department of Transport's F.M. station at New Waterford, N.S., also between the department's F.M. station at Table Mountain and our pole line feeding the Newfoundland stations.

Mr. CARTER: Well that may be part of it. But you took over equipment which the Newfoundland government had installed previous to Confederation. That equipment was installed and ready to operate and it was taken over by the Canadian National Telegraphs. It was not however put into operation. I think I got a letter from the minister at one time saying that it was proposed to operate that circuit, but it had not been put in operation during 1950, and I wondered if you planned to put it into operation in 1951.

Mr. GORDON: I must ask you to make your question in the form of a specific one as to a particular point when I shall try to get an answer for you. There is a great deal to this question of F.M. links, and it gets a bit confusing until we know what we are talking about.

The CHAIRMAN: Shall page 3 carry?

Carried.

Page 4. Page 3A gives simply the details.

Mr. THOMAS: Under that heading, Mr. Chairman, I would like to ask Mr. Gordon about the Macdonald Hotel in Edmonton. First, what is proposed to be spent on that during the year? Can he give the committee some idea as to when they expect it to be completed?

Mr. GORDON: You want to know the expenditures this year, and the date of completion. Is that the general idea?

Mr. THOMAS: That is right.

Mr. GORDON: Are you talking about 1950 or 1951?

Mr. THOMAS: No. I mean the expected expenditures in 1951. Have you got the 1950 expenditures there as well?

Mr. GORDON: During 1950 we spent \$916,473. We have awarded a great number of contracts and we expect them to be pretty well completed during the year 1951. Have you got the total of that, Mr. Dingle?

The provision in the 1951 requirements in connection with the Macdonald Hotel is for a total of \$2,583,688. Now, the date of completion—I would not care to tie myself down. Practically all of the contracts, however, have been awarded and a good deal will depend there on the availability of materials and so forth. We do not expect there will be any undue delay.

The CHAIRMAN: Are there any further questions on page 4?

Mr. GORDON: I do not want to convey the impression that it will be finished in 1951. No. With all the contracts which we can properly look after in 1951



awarded, I think we should have the hotel pretty well finished by some time in 1952.

Mr. FRASER: There is another \$1½ million there under hotels. Where is that money to be spent?

Mr. GORDON: Where is that money to be spent?

Mr. FRASER: Yes, that \$4,016,000.

Mr. GORDON: The main item I mentioned earlier is about \$1¼ million on the Newfoundland hotel.

Mr. FRASER: That would come under this heading?

Mr. GORDON: Under hotels, yes.

Mr. FRASER: Under highway crossing protection I notice \$999,000. Where is that mostly to be spent? I mean the \$604,000 central region; would that by any chance be in Peterboro?

Mr. GORDON: I can get that for you in just a moment.

Mr. FRASER: I hope so. I wondered if that included the highway crossing between here and Carleton Place. It is a very bad spot. It is on the Trans-Canada Highway.

Hon. Mr. CHEVRIER: Is that the highway crossing protection that you are asking about?

Mr. FRASER: Yes, highway crossing protection.

Mr. GORDON: Carleton Place is the one you mentioned.

Mr. FRASER: Yes, and it is between Carleton Place and Ottawa. It would be on highway 17, I think.

Mr. GORDON: Here it is. The highway crossing protection in the central region covers a number of items. I do not see the Carleton Place one. I do not see a specific item for Carleton Place, if that is what you are asking about.

Mr. FRASER: It would not be under Carleton Place. It would be under No. 17 highway, the Trans-Canada Highway between here and Carleton Place.

Hon. Mr. CHEVRIER: Has an application been made to the board?

Mr. FRASER: I do not know.

Mr. GORDON: It is not included in this budget, no.

The CHAIRMAN: Carried. Page 4?

Carried.

Mr. MACDONNELL: In the equipment trust the cars are ear-marked as security. There is no special ear-marking to pay for the service charges?

Mr. GORDON: It comes out of ordinary revenue.

Mr. FRASER: That magnet generator flat car, is that to pick up metal on the road bed?

Mr. DINGLE: Yes, that is right, as well as for other uses.

Mr. FRASER: That is all that it is for?

Mr. DINGLE: That is what we call an idler car which carries a magnet.

Mr. FRASER: And it picks it up off the right of way?

Mr. DINGLE: It is used for scrap handling, rail, etc.

Mr. FRASER: Have you had any in operation?

Mr. DINGLE: Oh, yes, for years.

Mr. FRASER: Do you pick up much?

Mr. DINGLE: All our own material.

Mr. FRASER: That is what I mean. I wondered if you saved much, because some years ago you used to see men going around the right of way with bags over their shoulders, picking it up.



Mr. DINGLE: We have instructions out that scrap must be picked up regularly.

Mr. KNIGHT: They do not operate it over the Canadian Pacific lines.

The CHAIRMAN: Carried. Page 5?

Carried.

"Acquisition of securities." Page 5.

Mr. GORDON: Yes. On the acquisition of securities the large item there is for the purchase of the New London Northern Railroad Company. That represents a piece of road between Brattleboro, Vermont and New Haven, Connecticut on the Central Vermont Railway. It has been under lease by the Central Vermont Railway ever since 1891. There was a ninety-nine year lease which gave us running rights over that particular railway.

The New London Northern Railroad Company, therefore, is a railroad company only in name. They conducted no operations; and their total asset was this road bed and the facilities there which had been leased to the Central Vermont Railway since 1891 under a ninety-nine year lease.

The lease was a peculiar one in the sense that it was written back in 1891 when no one had the slightest idea that there would be an income tax. The consequence was that included in the lease was an obligation on the lessee, that, in addition to the stipulated rental, we should assume responsibility for all taxes. The result was that when income tax came into operation, the cost of that particular line became very high indeed.

Now we worked it out that if we could acquire that line we could then avoid the obligation to pay income tax because the over-all operation of the Central Vermont Railway showed a deficit. So we worked out the economics of it and we made a proposition to the company which meant that we bought the capital stock of the railway and acquired ownership of it. And we are now in the process of winding up that particular railway altogether. The facilities and road bed will become part of the Central Vermont System.

It shows a very handsome return on our investment by reason of the savings we are able to effect by eliminating both the rental charge and the other taxes which were obligated to us under the lease.

Mr. MACDONNELL: Is the stock of the Central Vermont owned by you?

Mr. GORDON: Oh, yes. The Central Vermont is a wholly-owned subsidiary.

The CHAIRMAN: Are there any questions on page 5?

Mr. MACDONNELL: What about the other items there, Mr. Chairman?

Mr. GORDON: As to the other items, the \$100,000, I think, is self-explanatory; Toronto Terminals Railway. We operate that railway jointly with the Canadian Pacific Railway. There is nothing in the 1951 budget for that item.

As to the \$300,000 in the budget for the Northern Alberta Railways, I may say that the Northern Alberta Railways are owned jointly by the Canadian Pacific and the Canadian National. We finance it jointly, and we share any operating profit or deficit jointly.

Now, in the case of the Chicago and Western Indiana Railroad, that too was owned jointly through our subsidiary, the Grand Trunk Western. The control is in the five companies which share the ownership of that particular company. This amount represents our advances under the ownership agreement, for the particular facilities. It is part of the necessary facilities which the company operates, part of our Grand Trunk Western Railroad.

Now, as to the Atlantic and St. Lawrence Railroad, that is but a petty item.

Mr. MACDONNELL: Do you mean to say that these advances are made on account of a contract to buy?



Mr. GORDON: No, no. It is an ownership by five railroads including the Grand Trunk Western Railroad. This particular payment covers sinking fund payments made to cover the maturity of bonds which are outstanding.

Mr. MACDONNELL: And the title to it rests in those five railroads jointly?

Mr. GORDON: Yes.

Mr. MACDONNELL: And this is our share of the sinking fund?

Mr. GORDON: This is our share of the sinking fund which fell due on the particular issue, which is a 4½ per cent issue due in 1962.

Mr. MACDONNELL: For how much?

Mr. GORDON: \$13,747,000 as at December 31, 1950.

Mr. MACDONNELL: With respect to the Toronto Terminals Railway, that first \$100,000 in the budget—

Mr. GORDON: That is the 1950 budget.

Mr. MACDONNELL: Yes. You budgeted for \$100,000 but the actual is nothing.

Mr. GORDON: Yes, we did not use it.

Mr. MACDONNELL: Do you do much of that?

Mr. GORDON: We have lots of items that we budget for and find we are under-spent for in some cases we do not spend it.

Mr. MACDONNELL: I can understand that happening in a big transaction, but this is a definite and special thing. Why would that happen here?

Mr. GORDON: I do not know. As a matter of fact, the \$100,000 was voted more or less as a contingency item. It was not applied to any specific project. We did not actually carry it forward into any practical project.

Mr. MACDONNELL: Would you say that it was not voted for any specific project?

Mr. GORDON: It was voted as a contingency for the Toronto Terminals Railway.

The CHAIRMAN: Carried.

Mr. FULTON: I appreciate Mr. Gordon's being before this committee and I appreciate that this is the third day now but I make no apology for coming back at Mr. Gordon for not having any item in his budget or having any interest in the acquisition of a pipe line. I have been thinking over what Mr. Gordon told me yesterday. This is probably the last opportunity we shall have to discuss this budget for 1951.

I am very much concerned that this railway—and I dare say the Canadian Pacific is doing the same thing—is not more concerned in acquiring an interest in an oil pipe line. I find nothing in the budget to bear out what Mr. Gordon said yesterday, that an oil pipe line was not a thing which concerned the railway.

With respect, and I mean that, to what you said about the difficulty of a railway company getting into the operation of a pipe line company, nevertheless after consulting the balance sheets of these companies in the States which are concerned with the transportation of oil through pipe lines, one can see that it is a very profitable operation. So I repeat what I said yesterday. You are in the transportation business. You transport oil at the moment among other commodities.

Now, pipe line companies are going to transport oil and they are going to do so. They will have an exclusive right to transport oil if the railways, which are the great carriers in this country, do not interest themselves in the matter. I am not content, as I said before, to see the railway company give up all possibility of entering the pipe line transportation field without registering a protest.

The CHAIRMAN: The protest has been noted, Mr. Fulton.



Mr. FULTON: No, I want to hear more from Mr. Gordon about it.

The CHAIRMAN: He has already answered quite fully. If he wants to say anything more, that is fine, but I do think you have made your point quite fully and the answer has been quite decisive. You have not cited any railway company in the United States, for instance, where they have many pipe lines, you have not referred to any of them being owned and operated by railway companies.

There is the question of supply of oil to the line and what assurance would we have if our Canadian National Railways built pipe lines unless we had the oil fields to feed the pipe lines, what assurance have they that they will be utilized?

Mr. FULTON: I will answer your question in two parts if I may: first, I do not consider we are governed by what they do in the United States and secondly, according to the evidence given the other day before the Railways, Canals and Telegraph Lines Committee, the company which is going to build the pipe lines does not own any oil fields.

The CHAIRMAN: Are there no interlocking shareholders or directorates?

Mr. FULTON: That is what they told us.

Mr. GORDON: In connection with what company?

Mr. FULTON: The Trans-Mountain Company that proposes to build a line from Edmonton to the Pacific coast, through the Yellowhead Pass right alongside your main line except for a diversion from Kamloops to Hope on to the Pacific Coast.

Mr. GORDON: And they are going to do that without any arrangements with the oil companies to take their loads?

Mr. FULTON: They told us they approached the oil companies but had no commitments from them to put the oil through their lines.

Mr. GORDON: I do not think I can add much to my statement of yesterday. I can only repeat that this question of whether the Canadian National Railways can get into the oil pipe line business at this stage, and I emphasize at this stage, has been carefully analyzed by our officers and carefully reviewed by myself and we in our managerial judgment feel we do not care to recommend such a capital expenditure by the government on behalf of the Canadian National Railways. The remnant of the business that is left does not, after analysis respecting the economics of the proposal, make us ready to advance a proposal to the government. That has been our advice to the government and that is what we stand by.

Now, you may say if we had entered this field in its original stages that the benefits of one might have carried the other but as far as we can judge the taking hold of a pipe line through to the west at this stage would not be the kind of business which I would be prepared to recommend to the government.

Hon. Mr. CHEVRIER: May I add to that, Mr. Chairman, that even if the Canadian National Railways had recommended such a proposal to the government I doubt very much whether the government would have given it serious consideration because of the vast amount of capital required at this time and because we think there are far more important things at the moment in the way of equipment, as already pointed out by the president, required by the Canadian National Railways than the construction of a pipe line.

Mr. FULTON: Since the minister has made that remark I might just say with respect to the vast amount of capital required it did not take very much to vote \$65 million for another purpose the other day and with respect to the answer of Mr. Gordon at this stage that the railways would not care to get into it, I would like to say that there is only one pipe line of any major



importance built at the present moment and that is the Interprovincial pipe line from Edmonton to Superior, Wisconsin, so it seems to me that the field is by no means exhausted at all particularly in view of discoveries in Alberta.

However, we have a complete divergence of opinion on that, but I wish to take this opportunity of going out on the limb, if you like, and expressing my regrets that the president and directors of the Canadian National Railways should have arrived at that decision, which I think is an unfortunate decision, from the point of view of the railway and the economy of the country.

Mr. GORDON: I am prepared to be judged by that judgment, Mr. Fulton.

The CHAIRMAN: We have completed the Canadian National Railways budget so I declare the Canadian National Railways report carried.

Mr. FULTON: No, Mr. Chairman, I would like to ask Mr. Gordon a question with regard to the report. Last year, Mr. Gordon, you told us, and I am referring to page 148 of the report of the committee last year that you were undertaking—I will read your remarks:

I may say that I have in mind a pretty careful review of those subsidiary operations to make certain that we are keeping up to date in our outlook, and to see if any of them can be given up. It is a subject which is constantly under review but I intend to take a special look at it as a part of a new managerial review.

At that particular moment we were discussing some of your subsidiary operations and I recall particularly the elevator terminal at the head of the lakes and one or two others that were reported as not being profitable operations. I wonder if you can say anything as a result of your review as to whether it has led to an abandonment or whether it was decided to put more money into them in the expectations that they will become profitable.

Mr. GORDON: The review has been undertaken but we have not completed it, it is still in process. You made particular reference to the elevator operation. We did succeed in working out a very satisfactory leasing arrangement which removed the matter from my mind as being a non-profitable operation. That came as a result of the review in a sense, but to be perfectly honest with you I have not had personally enough time to settle down to the kind of analysis I expected to make last year. I have on my desk waiting some place along the line a series of reports analyzing these different companies and I will have to take them up one by one and deal with them but I am not in a position to report progress at this time.

Mr. FULTON: We can expect this, perhaps, next year?

Mr. GORDON: I hope to have something next year and be able to give some more detailed appreciation of the pros and cons of these particular companies we have referred to. I should mention there that we have a great number of operations under way that we are examining in respect of highway competition and the possibility of working out co-operative arrangements and so forth. It is all part of the review but it is difficult to get any one of them on a specific basis at the present time because it is all in a state of flux. I have no definite decision to report at this time.

Mr. MACDONNELL: I would like to ask one or two questions of Mr. Gordon in connection with the auditor's report. There is quite a long reference to depreciation and maintenance. There is reference to various scales and types of various depreciation that are applied. My question is this: Is Mr. Gordon satisfied that the depreciation which is being charged is fully up to the standard which he with his business experience thinks is satisfactory? In other words, are we acting as prudent managers in respect of depreciation or are we just doing the best we can?



Mr. GORDON: No, I think we are acting as prudent managers on it. We are following pretty much—in fact we are following the same depreciation approach as the major railways in the United States. There is, of course, I suppose you have this in mind, the dilemma that every business is in, that the replacement value of equipment tends to outstrip depreciation but I am not at all satisfied that that necessarily should change one's mind in regard to the amount of depreciation write-offs because that would be writing into the accounting records an opinion as to the price level. The best thing to do is to determine what the accounting practice should be from the depreciation point of view and carry on with it and adjust oneself to the price level in the form of special reserves.

Mr. MACDONNELL: Mr. Gordon is saying we are acting prudently and up to the standard of other railways of this class.

Mr. GORDON: Definitely, yes.

Mr. MACDONNELL: Mr. Gordon referred a moment ago to the problem of highway traffic or words to that effect. Would it be relevant or does Mr. Gordon feel that there is a problem? I take it that perhaps this is not the time to be discussing that?

The CHAIRMAN: We have already had a discussion on that but I am sure Mr. Gordon would not mind repeating it.

Mr. MACDONNELL: I will not press it.

Mr. FULTON: What I was going to say, Mr. Chairman, is that the second to the last paragraph in the letter of transmittal was written before the report of the Royal Commission on Transportation was printed and tabled and it contains these words dealing with the subject of highway competition:

and it is hoped that the Royal Commission report will contribute significantly to this end.

Now, I would say, if I may venture another opinion that the one part of the Royal Commission report which above all others dealt with the problem with velvet gloves was that part dealing with the problem of road-rail competition.

Mr. GORDON: The reason I think, if I may interject, is when you look at it, the Royal Commission did not have authority to deal with that because it was a federal commission and it was outside the terms of reference. They made that statement in their own report that touched on the problem too that they were not in a position to make firm recommendations because it affects matters under provincial jurisdiction.

Mr. FULTON: You have answered part of my question right there, which I give you credit for. I was going to say, your report having been written before the report of the Royal Commission was tabled and as a man who is accustomed to dealing with issues have you any further comment to make in the light of the Royal Commission's report on that problem?

Mr. GORDON: I said here yesterday and publicly just recently I regard the problem of the relationship between highway traffic and railway traffic as the major railway problem of today. I think there is no question about that. As to how to deal with it, my opinions are far less firm but I said yesterday and I repeat that one of the first things we must establish are the facts and there is a great dearth of facts, statistical facts, and all kinds of information as to the kind of competition to which we are subject and methods of meeting it.

Now, we have set up, again repeating, we have started not only in our own organization by having officers making a specific examination of the question as nearly as we can but we have also set up a transport economist in the railway association in the hope and expectation that he will be able to gather together for us the kind of information that is necessary to tackle this problem.



I think there has been a weakness in the railway field in that we have not made an exhaustive study and examination over the years as this problem grew. All I can do with it is deal with it as I found it and, speaking for myself, before I could advance to make suggestions as to the sort of thing that would be a remedy or at least be of help, I think there is a great need to get facts. I think the royal commission was handicapped by that very point—they neither had the facts nor could they get them.

Mr. MACDONNELL: Just one other thing. In view of those very strong words Mr. Gordon has used, just before we leave this point, I would like to ask you, Mr. Chairman—and perhaps the minister would like to say something—if there is anything this committee can usefully advance on what is a tremendously important problem? We are all familiar more or less with the constitutional problems and the limitations or handicaps under which the Turgeon Commission sat.

Now, I suppose the meeting tonight is not exactly in the same position as when the commission was appointed—I mean constitutionally speaking—but, before we pass the report, I would like to ask whether there is anything we could usefully say, any recommendation we could make, any registering of the strong statement which Mr. Gordon has just made, any sending it on—or do you feel Mr. Chairman, that whatever can be done has been done by the expression of opinion?

Hon. Mr. CHEVRIER: May I ask Mr. Macdonnell a question. I hope that he will not take this in any offensive way, but would you be prepared to approve of an amendment to the Railway Act which would include both international and interprovincial regulation over highway transport?

Mr. MACDONNELL: I think I would have to take that as notice of a question.

Mr. FULTON: We would do exactly as the government does and say we have not had time to consider all the implications.

Hon. Mr. CHEVRIER: You want to know what you can usefully do and I ask you whether or not you would be prepared to support that kind of an amendment, which would meet the point Mr. Gordon is raising.

Mr. FULTON: He has not recommended that.

Hon. Mr. CHEVRIER: No, but the royal commission presently has recommended that, and now I am asking Mr. Fulton whether he would be prepared to approve and support an amendment of that nature.

Mr. FULTON: I would like to hear your opinion first—

Hon. Mr. CHEVRIER: I see.

Mr. FRASER: Did not the minister suggest that in one of his speeches one time?

Hon. Mr. CHEVRIER: I may have, yes—and I went much further than that.

Mr. FRASER: I think you did.

Hon. Mr. CHEVRIER: That is why I am putting the question to you three gentlemen. I should perhaps ask Mr. McLure too and—

Mr. FULTON: By no means; but what is the next move? Quite literally, it is a question of what is the next move? Here is the problem. Is the only way to deal with it by bringing highway transportation, some phase of it at any rate, under the jurisdiction of an enlarged Board of Transport Commissioners?

Hon. Mr. CHEVRIER: That is one way of dealing with it but that just deals with a small part of the problem. The other part, the most important part, is the regulation of provincial transportation over which this government has absolutely no jurisdiction.

Mr. FULTON: But let us deal with it one bite at a time. Before we go on to provincial regulations what are the advantages or disadvantages of bringing interprovincial highway transportation under a central control—under the



Board of Transport Commissioners' control? Let me put it this way and perhaps provide an easy way out if you like. Has there been any study given to that question following the report of the royal commission?

Hon. Mr. CHEVRIER: No there has not been for the reason I indicated the other evening.

Mr. FULTON: There has not been time yet?

Hon. Mr. CHEVRIER: That is right.

Mr. FULTON: I think we could leave it to the next sitting of this committee.

Mr. GEORGE: Mr. Chairman, does our current reference give us a chance to discuss the Turgeon report?

Hon. Mr. CHEVRIER: Discuss what?

Mr. GEORGE: Do our terms of reference include the Turgeon report?

Hon. Mr. CHEVRIER: No they do not.

Mr. GEORGE: That is what we are on now.

Hon. Mr. CHEVRIER: I know, and we were on this Turgeon report in the House for two days but I did not want to take the position of attempting to stop members from discussing anything they want to discuss. Certainly to this question that is being brought up now I can add nothing useful other than what I have already said, because I do not know what disposition will be made of that part of the report.

Mr. MACDONNELL: As far as I am concerned I think I am answered.

Mr. FRASER: That is why I never asked a question; I knew I would be out of order.

The CHAIRMAN: It has been moved by Mr. McCulloch that the annual report of the Canadian National Railways and the budget of the Canadian National Railways should carry?

Carried.

We will now take up Canadian National Steamships Limited. Is the committee willing to dispense with the reading by Mr. Gordon of the report and may we put it in the record without reading it?

Mr. FULTON: Which report?

The CHAIRMAN: The report on the Canadian National Steamships. It is moved by Mr. McCulloch that the report of the Canadian National Steamships Limited go into the record without being read.

Mr. FULTON: I do not agree; I am opposed to that. If Mr. Gordon is in bad voice perhaps one of his other officials might read it. It is quite short.

Mr. GORDON:

MONTREAL, MARCH, 10, 1951.

The Honourable LIONEL CHEVRIER, K.C., M.P.,  
Minister of Transport,  
OTTAWA.

Sir:

The following report is submitted of the operations of the Canadian National (West Indies) Steamships, Limited, for the calendar year 1950.

The operating results for the year compare with those of the previous year as follows:

	1950	1949	Decrease	
Operating revenues .....	\$5,124,200	\$6,595,007	\$1,470,807	22.3%
Operating expenses .....	5,725,632	6,582,608	856,976	13.0%
Operating loss .....	\$ 601,432	—		
Operating profit .....	—	\$ 12,399	\$ 613,831	



Freight revenues amounted to \$3,812,587, showing a decrease of 26.2% due to substantial rate reductions on sugar and flour, which constitute the principal cargoes, and to a reduction of 51,692 tons or 15.6% in the volume of traffic carried.

The reduction in southbound tonnage, amounting to 17.6% reflected primarily the severe drop in Canadian exports to the British West Indies following the imposition of restrictions against purchases from dollar areas. Northbound tonnage declined by 14.6%, partly because of a reduction in imports of sugar. Freight rate reductions were necessary to protect traffic against increased competition, particularly from ships under foreign flags.

Unfavourable conditions in the charter market reduced revenues from this source by \$112,189 or 31%.

Passenger revenues showed a slight increase, despite reduced fares and increased competition from airlines both on the major portion of the route and inter-island services. In September, 1950 an agreement was concluded with Trans-Canada Air Lines whereby passengers traveling between Canada and the West Indies receive the benefit of round-trip rates in using the aeroplane one way and the steamship the other. This arrangement should result in increased traffic for both Companies in the coming year.

The reduction of 13% in operating expenses reflects the lower volume of freight handled, and the reduction in the number of voyages completed from 65 in 1949 to 63 in 1950. Operating costs were adversely affected by substantially increased handling charges at West Indies ports and increased prices of ships' supplies.

The income statement on page 8 shows an over-all deficit of \$1,028,767 after providing for the payment of interest on bonds and Government advances.

The traffic prospects for 1951 are more encouraging, particularly because of the relaxation of dollar import restrictions contemplated under the "Trade Liberalization Plan" effective January 1st, 1951.

An extensive study is under way on the subject of trade relations between Canada and the British West Indies, with particular attention to the financial position of the Company's steamship services. Pending the results of this examination it is difficult to express a precise opinion about the future of the Company's operations.

The fleet operated during the year consisted of the following vessels, no change having been made during 1950:

	Gross Tonnage	Dead- weight Tonnage
<i>Lady Nelson</i> .....Freight and Passenger .....	7,380	6,410
<i>Lady Rodney</i> .....Freight and Passenger .....	8,252	4,665
<i>Canadian Challenger</i> ....Diesel powered and refrigerated .....	6,745	7,460
<i>Canadian Constructor</i> ...Diesel powered and refrigerated .....	6,745	7,460
<i>Canadian Cruiser</i> .....Diesel powered and refrigerated .....	6,745	7,460
<i>Canadian Conqueror</i> .....Non-refrigerated .....	2,930	4,532
<i>Canadian Highlander</i> ....Non-refrigerated .....	2,966	4,532
<i>Canadian Leader</i> .....Non-refrigerated .....	2,930	4,532
<i>Canadian Observer</i> .....Non-refrigerated .....	2,967	4,532
<i>Canadian Victor</i> .....Non-refrigerated .....	2,963	4,532
	51,073	56,115

An unfortunate incident occurred on June 23 when the *Canadian Constructor* ran aground on the east coast of Grenada sustaining damage to the ship's hull and cargo. The ship was refloated and after temporary repairs at Grenada returned to Saint John, N.B., where major repairs



were effected, permitting a return to regular service on November 10. A full inquiry was conducted into the circumstances of the accident. The cost of repairs and related expenses were charged to the Self Insurance Fund.

The balance in the Vessel Replacement Fund at the year-end was \$4,313,638 and in the Self Insurance Fund \$1,772,458.

During the year the Company enjoyed harmonious relations with the employees, whose loyal and effective services merit acknowledgment in this Report.

For the Board of Directors,  
D. GORDON,  
*President.*



## CONSOLIDATED BALANCE SHEET

At 31st December, 1950

ASSETS				LIABILITIES
<b>INVESTMENTS:</b>				<b>CAPITAL STOCK:</b>
Vessels .....	\$9,844,445			Authorized and issued 400 Shares of \$100 each
Less Accrued Depreciation .....	5,208,083			\$ 40,000
	\$4,636,362			
Vessel Replacement Fund .....	4,313,638	\$ 8,950,000		
				<b>FUNDED DEBT:</b>
<b>CURRENT ASSETS:</b>				25-Year 5% Government of Canada
Cash in Banks .....	\$713,418			Guaranteed Gold
Special Deposits .....	4,850	\$ 718,268		Bonds, due March 1, 1955 .....
				9,400,000
Accounts Receivable .....	83,441			<b>GOVERNMENT OF CANADA ADVANCES.....</b>
Freight, Passenger and Agency Balances....	100,627			3,618,505
Government of Canada—due on Deficit Account	362,421			<b>CURRENT LIABILITIES:</b>
Inventories .....	23,178			Accounts Payable .....
Advances to Captains, Crews, etc .....	30,320			Interest Matured Unpaid .....
Due from Insurance and Replacement Funds	72,835	1,391,090		Unmatured Interest Accrued .....
				Passage Money Paid in Advance .....
				1,057,137
<b>UNADJUSTED DEBITS .....</b>		116,047		<b>INSURANCE RESERVE .....</b>
<b>INSURANCE FUND .....</b>		1,772,458		<b>PROFIT AND LOSS—Deficit .....</b>
<b>DISCOUNT ON CAPITAL STOCK .....</b>		40,000		1,772,458
				3,618,505
				\$12,269,595
				\$12,269,595

NOTE:—A reserve has been provided for pension contracts in force under the C.N.R. 1935 contractual plan, but not for pensions conditionally accruing.

T. H. COOPER,  
Vice-President and Comptroller.

### CERTIFICATE OF AUDITORS

We have examined the books and records of the Canadian National (West Indies) Steamships, Limited and Subsidiary Companies for the year ended the 31st December, 1950. We certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Steamships at the 31st December, 1950, and that the relative Income and Profit and Loss Accounts for the year ended the 31st December, 1950, are correctly stated. We are reporting to Parliament in respect of our annual audit.

10th March, 1951.

GEORGE A. TOUCHE & CO.,  
Chartered Accountants.



## CONSOLIDATED INCOME ACCOUNT

OPERATING REVENUES:	1950	1949
Freight .....	\$3,812,587	\$5,172,073
Passenger .....	911,352	904,216
Miscellaneous .....	45,684	55,760
Subsidies .....	103,031	99,224
Charter .....	251,546	363,734
Total .....	<u>\$5,124,200</u>	<u>\$6,595,007</u>
OPERATING EXPENSES:		
Voyage Accounts .....	\$4,985,802	\$5,763,667
Lay-up Expenses .....	52,027	34,834
Depreciation on Vessels .....	371,699	492,222
Management and Office Expenses .....	226,096	229,950
Pensions .....	25,116	6,272
Other Expenses .....	64,892	55,663
Total .....	<u>\$5,725,632</u>	<u>\$6,582,608</u>
Operating Profit or Loss .....	<u>\$ 601,432</u>	<u>\$ 12,399</u>
Vessel Replacement Fund Earnings .....	\$ 133,127	\$ 104,514
Interest on Bonds held by Public .....	470,000	470,000
Interest on Government advances .....	90,462	90,961
Exchange on U.S. Funds .....	.....	16,450
Income Deficit .....	<u>\$1,028,767</u>	<u>\$ 460,498</u>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

At 31st December, 1950

Balance at 31st December, 1949— <i>Deficit</i> .....	\$3,618,505
The Income Deficit for the year was assumed by the Government of Canada .....	—
Balance at 31st December, 1950— <i>Deficit</i> .....	<u>\$3,618,505</u>

Mr. FRASER: I would like to ask a question, Mr. Chairman. Are the crews of those ships screened as they are going to be on the Great Lakes?

Mr. GORDON: There has been no action taken concurrently with what has been done on the Great Lakes up to now, but I may say most of our employees are people who have been with us for a considerable time.

Mr. FRASER: I understand that.

Mr. GORDON: We have taken no specific action up to now.

Mr. CAVERS: May I ask what the decision of the court of inquiry was on the circumstances surrounding the accident?

Mr. GORDON: It was, generally speaking, that the captain and one of the mates—I have forgotten whether the second or third mate—on duty at the time were jointly responsible for negligence, that they had not kept a proper lookout; that they were off their course; and that the proper safeguards, proper navigational safeguards, had not been fully observed.

Mr. FULTON: What action was taken following that finding?

Mr. GORDON: The captain was removed from command; the second officer, I may say was the one I was thinking of.

The captain was removed from his command and I am looking for what was offered to him. My recollection is that we offered him a job as mate on one of the ships but he decided not to take it. Also it was ruled that the captain and the second officer who were jointly responsible should not serve together on the same ship.



Here is the item I want: The captain . . . refused to accept demotion to chief officer of one of our cargo vessels and has indicated that he intends to resign and seek employment elsewhere.

(Statement off the record.)

Mr. FRASER: May I ask you a question on the second paragraph on page 5: "An extensive study is under way on the subject of trade relations between Canada and the British West Indies, with particular attention to the financial position of the Company's steamship services. Pending the results of this examination it is difficult to express a precise opinion about the future of the Company's operations."

Mr. GORDON: That is all very involved and it is now under study.

Mr. FRASER: But you are making some progress on it?

Mr. GORDON: Yes, they are, but I do not know just how much. It keeps coming up in my diary over and over again and I am informed that we will have a report soon.

Mr. FULTON: Last year Mr. Gordon you made a very accurate prognostication.

The CHAIRMAN: What did you say?

Mr. FULTON: On page 243—you said, "In regards to passenger traffic it is not expected that 1950 will be as good as 1949." I am sorry, Mr. Chairman, I had not intended to be sarcastic, but I had formed the impression from the reading of the report of the committee of last year that Mr. Gordon did prognosticate the results for the year under review, for 1950; that they would not be as high as 1949, and that is amply borne out by the report we have before us. As I recall it, by the written report for last year, on pages 242 to 246 inclusive, a large part of the examination related to the profits or otherwise which might be earned by the Canadian National West Indies Steamships, and that they would depend in large part upon a treaty between the government and the West Indies.

The CHAIRMAN: What pages?

Mr. FULTON: On pages 242 to 246 inclusive. Reading from the bottom of page 242 I asked this question:

Last year the committee discussed this question generally and Mr. Vaughan made a report which will be found in the proceedings of the committee of last year and he made this comment with respect to the treaty agreement, he was referring to the decline in the volume of traffic and the fact that the subsidies should not cover the loss which the company was incurring. He said (this will be found on page 127):

The advances in question did not represent additional capital investment in the enterprise nor did they provide assets capable of earning an interest return.

The accounts of the company do not, however, reflect the full financial advantages to Canada of the company's operations. Prior to the inauguration of its services an annual subsidy of \$340,666 had been paid to private operators for service to the eastern group of islands only. Under the 1925 trade agreement Canada undertook to provide certain ship tonnages and services for which tenders were invited from steamship interests. Private interests asked for an annual subsidy of \$582,783 for operation of the eastern services only. No offers were made for the western service. The company was therefore incorporated for the purpose of carrying on both of the services called for in the trade agreement; and on the basis of the above-mentioned tender for part of the service only it is reasonable to assume that Canada has thereby saved a very large sum in subsidy payments.



Then I asked this question:

I wonder if the minister or the management of the company would care to make any statement as to whether a new treaty has been negotiated or is being negotiated.

To which the minister made the reply:

The question of the treaty depends upon a department other than the Department of Transport; I refer to the Department of Trade and Commerce. I do understand that it was the intention of Canada and some of the Caribbean countries to meet and discuss terms for a new treaty. Unfortunately, during the war, that was impossible. In the postwar period trade was relatively heavy and it was not necessary to do that. But at the moment I would think that the position is such that perhaps the time has arrived when negotiations should be entered into; but as I say, it is a matter for Trade and Commerce. Other than that I cannot add anything.

Then I went on to say:

Mr. Vaughan expressed the hope last year that in any new agreement which may be negotiated cognizance will be taken of the greatly increased cost of operation by the inclusion of enhanced subsidy provisions, and that it will contain some measure of assurance that the company will continue to obtain a fair share of the available tonnage movement commensurate with the services operated. I was going to ask if the tonnage has declined, and if so is consideration being given to a reduction in the number of trips? I notice that under the treaty arrangements there were to be 65 trips a year; is that number to be reduced providing tonnage is not available?

Mr. GORDON: The situation we are in at the moment is that we are keeping up the trips so long as we think we can make something on them at all but our competition is increasing steadily. I have a short statement in regard to the prospects which I shall be glad to read.

Then, in the report that he read he said:

We estimate our total passenger revenue will be in the vicinity of \$800,000.

Estimated freight earnings for the year 1950 are expected to amount to about \$4,313,606.

Let's get back to that statement by the minister with respect to a new trade treaty; I was wondering whether such a treaty had been entered into, and if so what is the result with respect to the company's operations?

Hon. Mr. CHEVRIER: I am not aware that any such treaty has been entered into. All that I am aware of is that we in the Department of Transport have had some negotiations with the Caribbean countries with reference to subsidies and with reference to the payment of subsidies for the service. Beyond that I know, or I have been informed that the Department of Trade and Commerce have not entered into any formal negotiations to amend the present agreement.

Mr. FULTON: Well then, what is going to be done?

Hon. Mr. CHEVRIER: I hardly think there would be much success even if an attempt were made because trade between the Caribbean and Canada is not at its best now and the position there is what it is because of the sterling situation. I doubt very much if this would be an opportune time to negotiate an agreement.

Mr. FULTON: Then I am referring to material immediately below that which I have quoted on the same page to which I have referred, and more particularly to the position which has been taken in past years—that to a large extent these services which were maintained were maintained in order to sustain our prestige in the West Indies and we were reconciled to accepting some loss on the service, which losses will not be overcome until we can work out some kind of a trade treaty. Isn't that the position?



Mr. GORDON: I would like to make a comment there, before the minister replies, if I may speak to that?

Hon. Mr. CHEVRIER: Yes, I wish you would.

Mr. GORDON: I think this situation is one which the Canadian National-West Indies service will have to face, and it will have to be faced this year because ships will have to be purchased anyhow, we are going to have to replace some of them in the reasonably near future. We know that they will have to be replaced, and we know that a recommendation will have to be made this year so we are making as careful a survey as we can to establish all the facts, both in regard to the type that will have to be put into the service, and to determine whether or not we can see any possibility of enlarging the service so as to make it a profitable operation, to see whether we can combine that service with some other service, and a number of factors of that kind. And when we have reached a conclusion it will be my duty to lay before the government exactly what we see in regard to the operation; and then there will have to be a decision taken as to what policy Canada wants to take towards that part of the world. Two things will emerge from that; one is whether or not Canada can persuade certain of the West Indies countries who are to be benefited by this service to contribute to its operation in the form of subsidies, or whether Canada thinks it is sufficiently important for them to provide a subsidized service to that part of the world. Now, that decision will have to be taken and the minister has not yet been provided with the facts on which the government can consider these points. I think that is the way it stands.

Mr. MACDONNELL: I wonder if Mr. Gordon could give us some information as to the result of the operations of this Canada West Indies Steamship Lines over the years.

Mr. GORDON: In the years from 1929 through 1934 and down to date a steady deficit has accumulated. In 1934 it amounted to \$5,039,960.94. In the years 1946, 1947 and 1948 there was repaid from surplus a total of \$1,441,455.20, and at the present time the figure is \$2,618,505; so the only profitable years that I can see from this statement were the years 1946, 1947 and 1948 and those were war-time profit figures.

Mr. MACDONNELL: There is another thing on which I am not clear—

Mr. GORDON: Just a moment, please. We accumulated something else. The figure which I gave you is the figure shown in net results, of the operation, but we have accumulated through those operations other reserves.

Mr. MACDONNELL: Oh yes, I see you have there an insurance reserve fund.

Mr. GORDON: Yes.

Mr. MACDONNELL: Oh yes, that is shown on the balance sheet as the insurance reserve. Now, where do you show this general replacement fund?

Mr. GORDON: Where do we show it?

Mr. MACDONNELL: Yes.

Mr. FULTON: That is shown on page 6.

Mr. GORDON: You will see it on the balance sheet, Mr. Macdonnell. It shows under investments in vessels and in the vessel replacement fund. The total figure there is \$8,950,000.

Mr. FULTON: Mr. Gordon, the fact is that your reduction in earnings as compared to last years forecast is even greater than you anticipated, they declined to an even greater extent than you estimated, while passenger earnings were higher than you estimated. Now, last year we asked you a question with regard to the possibility of increasing freight traffic and my recollection is that you said it would depend largely upon whether you were able to negotiate favourable trade treaties with those countries, and I take it from what you told



us a moment ago, and especially by what the minister said with regard to the fact that we are no longer able to negotiate favourable trade treaties, that the whole service still hangs in the balance.

Mr. GORDON: That is part of the analysis they will have to make when we submit the whole question to the government. It is not only the matter of the trade-treaty, about which I am not informed, but it is a question of the extent to which we are able to negotiate with this group of countries, how much they are prepared to contribute to the service in cash. This, again, is a generalisation, but we see no immediate prospect of making this service profitable.

Mr. FULTON: Last year you also told us—I beg your pardon, you did not tell us, I was wrong again there—the previous year's report indicates that representations had been made to the government that if the service is to be continued we should have to have an increase in the amount of their subsidies. Now, the minister told us in the previous year that a subcommittee of the cabinet was established to deal with the problem, that the problem was under consideration by a subcommittee of the cabinet; and I asked the minister a question last year, what was the result of that consideration; and the minister said—I am sorry, I am reading from page 245—

Hon. Mr. CHEVRIER: I am afraid that I cannot add very much to what I said at that time last year, namely, that the government had given the matter consideration. No further consideration has been given since then. And the view taken at the time was that this loan was in an entirely different category from that of the Canadian National.

Then over the page, on page 246 the minister said:

I should not say that it was an adverse decision, and if I created that impression, I should not have done so. It was not an adverse decision. It was a consideration of the subject matter and it was thought that no favourable decision should be taken because of the attitude of the Department of Finance. It was not a declining of the proposal made. That is why I say, in view of the whole question of recapitalization of the Canadian National Railways being before the royal commission I do not think this would be an opportune time to ask them to consider it, because I feel the answer would be: Let us wait for the report.

Now, we have heard the report and I appreciate that there has not been very much time to give consideration to it, but in view of the earning position of the Canadian-West Indies Steamships, I wonder if the minister could tell us whether any further consideration has been given to the matter of an increase in the amount of subsidies granted to the service, or whether any decisions have been reached on that matter.

Hon. Mr. CHEVRIER: I think what Mr. Fulton is reading from clearly indicates that we were considering at the time the abandonment of the interest charges and not the question of particular subsidies.

Mr. FULTON: Oh yes, that is true. I am sorry, I did not make it clear.

Hon. Mr. CHEVRIER: You coupled it with the trade treaty.

Mr. FULTON: No, I mentioned that subject as one of the conditions behind it.

Hon. Mr. CHEVRIER: As you will recall, the interest charges over the years have amounted to \$3,618,000. I must say that the matter is as stated in the report; namely, that until such time as we take action on the capitalization of the Canadian National Railways I do not think it would be possible to deal with this. There is no immediate rush so far as this is concerned because I think if there had been perhaps it would have been necessary to take action on the capitalization of the C.N.R. many years back.

Mr. FULTON: Mr. Gordon said that a decision would have to be faced this year as to whether or not we are to continue the service.



Hon. Mr. CHEVRIER: He did not say that a decision would have to be taken this year as to wiping out of the interest on the \$3 million and six.

Mr. FULTON: That must enter into the question of whether we continue the service because if we continue to pile up a deficit, that will have a bearing on the decision, will it not?

Hon. Mr. CHEVRIER: It will have a bearing, but not such a tremendous bearing as you would seem to think.

Mr. GORDON: The relative order of magnitude is shown in the statement on the last page where you will see a charge headed "Interest on government advances \$90,462", out of a total deficit of over \$1 million.

Mr. FULTON: That is just under one-tenth.

Mr. GORDON: Bearing in mind that the deficit of this operation is voted each year by parliament, I am not sure if you understand that this does not affect the operations of the Canadian National Railways. This deficit is paid quite separately from the Canadian National Railways.

Mr. FULTON: Certainly it is; but I am talking about Canadian National Steamships. We all are. You said you felt a decision should be reached this year or very very soon as to whether or not the service should be continued. In past years it has been submitted by Canadian National Steamships through the management of the Canadian National Railways which is the same, that there should be a remission of this interest charge.

Mr. GORDON: Yes.

Hon. Mr. CHEVRIER: I can tell you right away that the decision which will be taken on the point Mr. Gordon has brought up is an entirely different one from the decision which will be taken on the interest charges. The question of the interest charges is, shall I say, but a drop in the bucket compared with the other.

Mr. FULTON: It has been a drop in the bucket for three years now.

Hon. Mr. CHEVRIER: It has been dropping for more than three years. It has been dropping for many years.

Mr. FULTON: For three years now it has been referred to in the report to this committee. I ask the minister if we are any closer to a decision?

Hon. Mr. CHEVRIER: As I said a moment ago, unfortunately we are not.

Mr. MACDONNELL: What about that special replacement fund of \$4 million and three? Is that just a bookkeeping entry or was it built up out of earnings?

Mr. GORDON: The fund was built up from recoveries from the British Ministry of War Transport, for example, for the loss of the *Lady Somers*, and the loss of the *Lady Hawkins* which was also sunk. We recovered the insurance on that particular ship. The same is true of the *Lady Drake*.

Mr. MACDONNELL: You have answered me. All I wanted to know was if that fund was one which was built up.

Mr. GORDON: It was made up of payments actually made for ships which were lost during the war.

Mr. MOTT: With respect to those two passenger ships, do they just sail to the British West Indies or do they call in at any American ports?

Mr. GORDON: Montreal, Boston, Halifax. They run to Halifax in the winter months and in the summer they go up to Montreal.

Mr. MOTT: Do they call at American ports both in the winter and in the summer?

Mr. GORDON: Both times, during winter and summer, yes.

Mr. MOTT: What about your diesel powered refrigerators, are they paying? Which of the boats is it that is not paying?



Mr. GORDON: We have not got each vessel here on the results.

Mr. MOTT: I just wondered if the diesel powered boats you have were paying more?

Mr. GORDON: The diesel powered boats are certainly our best ones. We keep a record of each voyage rather than the over-all results.

Mr. MOTT: I did not want you to go into the details.

The CHAIRMAN: Carried.

Mr. FULTON: Last year Mr. Gordon said that the government was keeping its eyes open to see if they could dispose of two ships which had been laid up. May I ask if we have had more encouragement since then?

Mr. GORDON: We have changed our mind because of a change in the international situation. We decided to hold on to the boats. I think that both of them are now under charter hire, but we still own them.

Mr. MACDONNELL: What percentage of your insurance do you carry? You have got a self-insurance fund?

Mr. GORDON: We carry that insurance in our self-insurance fund as it stands now. But if the international situation should get worse, we would have to consider it, probably.

Mr. MACDONNELL: You mean that your only protection against loss is that \$1 million and seven?

Mr. GORDON: That is right.

Mr. MACDONNELL: How much would one of those ships cost?

The CHAIRMAN: All the ships are carried in the inventory at \$4 million.

Mr. GORDON: They are all shown there. The grand total actually is \$4 million, but that is net after depreciation. \$4,636,000 as shown in the balance sheet.

The CHAIRMAN: It is 40 per cent of the total value. The insurance fund is 40 per cent of the total value of the ships.

Mr. MACDONNELL: Surely that is a written-down value. It is not a replacement value.

Mr. GORDON: It is not a replacement value, no.

The CHAIRMAN: But it is the amount at which they are carried.

Mr. MACDONNELL: Is Mr. Gordon satisfied with it?

Mr. GORDON: We reviewed the matter just two weeks ago in respect to our insurance fund, and the report of the officers who examined it was that it was adequate.

Mr. FULTON: I am sorry to have to go back to this point, but I would ask Mr. Gordon about the two ships which had been laid up. I think he told me that they had been chartered, that they had changed their decision, and that they had been chartered. You mention in your report that the unfavourable position in the charter market reduced the revenue from this source by as much as 31 per cent. Has there been any change in that situation since the report was written?

Mr. GORDON: I am not up to date on that, but my impression is yes. I think that is the case. But the real change in our decision was that we decided not to sell the ships. We decided, in view of the international situation, that we had better keep our hands on them and use them to the best advantage.

Mr. FULTON: Do you suppose there will be any possibility of your using them to reduce your over-all deficit by increasing the use of the charter system?

Mr. GORDON: We are watching that very closely, and if we can charter them to better advantage than to operate them, we do so. We are watching that all the time.



Mr. FULTON: You really have to balance the two things against each other. You are operating at a deficit, but nevertheless the international situation is such that we cannot lightly make a decision and let the whole thing go.

Mr. GORDON: Some of these ships operate as tramps. They have no recognized routing. They will pick up cargoes as they find them. And in that situation we sometimes find it to be an advantage to charter hire a specific ship, and we watch it on the basis of doing so. We are proceeding on the basis of the best advantage as to earnings.

Mr. FRASER: I notice that your pension item for this year, 1950, amounted to \$25,116; but for 1949 it was only \$6,272. Why the increase? Was there a different policy put into effect?

Mr. GORDON: Yes, and as I explained earlier when talking about the Canadian National, we provide the actual cash value of the pension for the officers who retired during the year. This merely indicates that we had more officers retire in 1950 than we did in 1949.

Mr. FRASER: Thanks.

Mr. GORDON: Or at least those officers receiving a certain pension.

Mr. FRASER: Officers? Would this not also cover the men?

Mr. GORDON: It would cover anybody who was covered by the pension fund. Incidentally, seamen are not in the pension fund.

Mr. FRASER: You say that the seamen are not in the pension fund but I take it that the officers would be. Would the engineers come under the fund?

Mr. GORDON: Yes, the engineers would be in the fund. This is a Canadian National fund we are talking about. They are covered by the Canadian National pension fund, and those are the terms made under the contract for these particular people.

Mr. FRASER: And the engineer would be covered, the first mate, the second mate, and the captain?

Mr. GORDON: Mr. May tells me that generally the line of division is below decks and they are not covered. I mean the seamen; while those above deck are.

Mr. FULTON: I have two questions I would like to ask. One is with reference to a question referred to last year with regard to the possible shipment of apples from the Maritimes to the West Indies. At that time I think Mr. Gordon stated that he would not lightly undertake the installation of any refrigeration in those ships because of the capital cost. But he said that he would look into the potentiality for markets down there, and if he found it to be justified, he would consider the installation of refrigeration. May I ask if any decision has been made?

Mr. GORDON: There has been no success in the matter. My break-down of export tonnage by commodities shows that we handled no apples at all.

Mr. FULTON: You mean that you had no request for apples?

Mr. GORDON: We were not able to develop a market. I might say that our main commodity during 1950 was flour.

Mr. FULTON: Thank you. My other question will be directed to the minister. I wonder if the minister can tell us whether there is any hope for a new trade treaty with the West Indies? Has it been abandoned, or merely postponed for the time being?

Hon. Mr. CHEVRIER: I do not think I can give you much hope of a new agreement being entered into particularly because of the present situation. The last conversation, which was off the record, I had with the Hon. Mr. Howe was pretty much to that effect. It would be difficult to negotiate a new treaty.



Mr. FULTON: We are just hanging on then by the skin of our teeth?

Hon. Mr. CHEVRIER: It is not very hopeful, I must say.

Mr. FRASER: Some of the men below decks have been with the Canadian National West Indies Company for a number of years. Are they protected at all?

Mr. GORDON: It is such a rapidly revolving constituency, so to speak, that it is not the practice in shipping to put that type of labour under pension fund protection.

Mr. FRASER: And they have not asked for it?

Mr. GORDON: It has not been raised to my knowledge.

The CHAIRMAN: Are there any further questions? If not, Mr. McCulloch moves that the annual report of the Canadian National Steamships carry.

Mr. FULTON: I would second that motion.

The CHAIRMAN: All those in favour? Those opposed? The motion is carried, unanimously. Next, we have the annual report of the Canadian National Railways Securities Trust.

Mr. FULTON: Do we not have a separate budget for the Canadian National Steamships?

The CHAIRMAN: Yes, you are right. Thank you, Mr. Fulton. The budget.

Mr. McCULLOCH: I move that the budget be adopted.

The CHAIRMAN: It has been moved that the budget of the Canadian National Steamships be adopted. All those in favour? All those opposed? I declare the motion carried.

Mr. FULTON: Where is it?

The CHAIRMAN: It is on page 6 of the budget papers which you have before you.

Hon. Mr. CHEVRIER: It is the last page of the Canadian National budget.

Mr. FULTON: You anticipate, based on a quick glance at this page, no betterment in trade next year?

Mr. GORDON: Generally speaking, yes. This budget I might say is pretty much of a guess. It is of course an informed guess. I cannot say it is any better than that. Conditions in the trade are very speculative and we just make the best estimate that we can with such knowledge as we have of the traffic and the minimum prospects.

Mr. FULTON: When do you expect to be able to put the proposition to which you referred earlier before the government?

Mr. GORDON: Well, I do not like to make promises unless I am definite about them. But I believe that our report which I inquired about just the other day should be ready in the course of the next month. I have some investigations which are collateral to it, and they may take longer. But I would hope during the course of the next month to have knowledge whereby I would be in position to reach a decision as to what we should put before the government.

Mr. FULTON: That is your recommendation?

Mr. GORDON: I am not so sure that I am prepared to make a recommendation. I think it is one of those cases of exposing the harsh facts and letting somebody else make the decision.

Mr. FULTON: I agree with you there.

The CHAIRMAN: Next is the annual report of the Canadian National Railways Securities Trust. I believe there are no changes since last year. Are there any questions on this?



THE CANADIAN NATIONAL RAILWAYS  
SECURITIES TRUST

OTTAWA, 6th March, 1951.

The Honourable Lionel CHEVRIER, K.C., M.P.,  
Minister of Transport,  
Ottawa.

Sir,—In conformity with Section 23 of The Canadian National Railways Capital Revision Act, 1937, the Trustees of The Canadian National Railways Securities Trust submit the following report for the calendar year 1950.

No capital losses were charged to Proprietor's Equity during the year, and accordingly the book value of the capital stock of the Securities Trust, as shown on the Balance Sheet, remains unchanged from December 31, 1949.

There were no transactions during the year affecting the collateral securities held by the Securities Trust.

The Trustees present herewith the Balance Sheet as at December 31, 1950.

J. C. LESSARD,  
For the Trustees.



## THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

BALANCE SHEET AT 31ST DECEMBER, 1950.

ASSETS		LIABILITIES	
<i>Claims for Principal Loans—</i>		<i>Capital Stock Owned by His Majesty—</i>	
Canadian Northern Railway.....	\$312,334,805.10	5,000,000 shares of no par value capital stock:—Initial stated value.....	\$270,037,437.88
Grand Trunk Railway.....	118,582,182.33		
Grand Trunk Pacific Railway.....	116,006,599.08		
Canadian National Railway Company.....	96,936,971.75		
	\$ 643,860,558.26	Gain from transactions subsequent to 1st. January, 1937—per contra.....	108,480,697.14
			\$ 378,518,135.02
<i>Claims for Interest on Loans—</i>			
Canadian Northern Railway.....	\$309,702,897.65		
Grand Trunk Railway.....	103,250,802.95		
Grand Trunk Pacific Railway.....	107,326,622.84		
Canadian National Railway Company.....	54,501,313.57		
	574,781,637.01		
<i>Transactions subsequent to 1st. January, 1937, affecting the book value of the capital stock of the Securities Trust—</i>			
Canadian National Railway System:			
	Year 1950	Total to Date	
Surplus Earnings.....		\$112,502,061.64	
Capital Gains.....		19,105,651.38	
Capital Losses.....		23,127,015.88	
		108,480,697.14	
<i>Collateral Securities—</i>		Amount by which the book value of claims and interest thereon—per contra—exceeded the initial stated value.....	
As per Schedule A.1.....			948,604,757.39
	\$1,327,122,892.41		\$1,327,122,892.41

T. J. GRACEY,  
*Comptroller.*

## CERTIFICATE OF AUDITORS

We have examined the books and records of The Canadian National Railways Securities Trust for the year ended the 31st December, 1950. There have been produced for our inspection the Notes and Other Evidences of Indebtedness, the Collateral Securities and the Certificate of the Special Depository, as set out in Schedule A.1 attached hereto.

We certify that, in our opinion, the above Balance Sheet is property drawn up so as to exhibit a true and correct view of the accounts of the Trust as at the 31st December, 1950, in accordance with the provisions of The Canadian National Railways Capital Revision Act, 1937.

GEORGE A. TOUCHE & CO.,  
*Chartered Accountants.*

10th February, 1951.



THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST  
SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

Loans Outstanding

\*Notes and Collateral Held

<b>CANADIAN NORTHERN RAILWAY:</b>			
3½% Loan, Chapter 6, 1911.....	\$ 2,396,099.68	None.	Charge is on premises mortgaged October 4, 1911.
4% Loan, Chapter 20, 1914.....	5,294,000.02	None.	
5% Loan, Chapter 4, 1915.....	10,000,000.00	None.	
6% Loan, Chapter 29, 1916.....	15,000,000.00		Mortgages dated June 23 and June 26, 1916.
Temporary Loan, 1918, repaid.....		6% Demand Notes.....	\$ 497,566.80
†6% Loan, Chapter 24, 1917.....	25,000,000.00	6% Demand Notes.....	33,012,414.32
†6% Loan, Vote 110, 1918.....	25,000,000.00	6% Demand Notes.....	27,203,003.65
†6% Loan, Vote 108, 1919.....	35,000,000.00	6% Demand Notes.....	40,031,122.27
†6% Loan, Vote 127, 1920.....	48,611,077.00	6% Demand Notes.....	53,008,779.65
†6% Loan, Vote 126, 1921.....	44,419,806.42	6% Demand Notes.....	50,259,312.47
†6% Loan, Vote 136, 1922.....	42,800,000.00	6% Demand Notes.....	46,691,634.60
6% Loan, War Measures Act, 1918.....	1,887,821.16	6% Demand Note.....	5,700,000.00
†6% Equipment Loan, Chapter 38, 1918.....	56,926,000.82	3½% and 4½% Debenture Stocks.....	7,139,399.99
Indebtedness refunded by Government under Chapter 24, 1917 and Chapter 11, 1918.....		6% Demand Notes.....	56,858,496.44
†Mortgage covering loans above.....		(Miscellaneous Bonds and Debentures.....)	14,097,470.59
		(Miscellaneous Bonds and Debentures.....)	20,721,191.12
		Mortgage dated November 16, 1917.....	
<b>Total Canadian Northern.....</b>	<b>\$312,334,805.10</b>		
<b>GRAND TRUNK RAILWAY:</b>			
6% Loan, Vote 478, 1920.....	\$ 25,000,000.00	6% Demand Notes.....	\$ 25,479,226.97
6% Loan, Vote 126, 1921.....	55,293,435.18	6% Demand Notes.....	56,646,816.12
6% Loan, Vote 137, 1922.....	23,288,747.15	6% Demand Notes.....	23,288,747.15
4% Loan to G.T. Pacific, Chapter 23, 1913, guaranteed by Grand Trunk.....	15,000,000.00	4% Demand Note.....	15,000,000.00
Temporary Loans, repaid through subsequent issues of guaranteed securities and loans.....		4% G.T.P. Debentures.....	15,000,000.00
		4% Debenture Stock.....	60,801,700.00
		6% 2nd Mortgage Equipment Bonds.....	1,693,113.33
<b>Total Grand Trunk.....</b>	<b>\$118,582,182.33</b>		
<b>GRAND TRUNK PACIFIC RAILWAY:</b>			
3% Bonds, Chapter 24, 1913.....	\$ 33,048,000.00	3% 1st Mortgage Bonds.....	\$ 33,048,000.00
6% Loan, Chapter 4, 1915.....	6,000,000.00	4% Sterling Bonds.....	7,499,952.00
6% Loan, Vote 441, 1916.....	7,081,783.45	Mortgage, June 28, 1916.....	
6% Loan, Vote 444, 1917.....	5,038,053.72	Mortgage, October 18, 1917.....	
6% Loan, Vote 110, 1918.....	7,471,399.93	Mortgage, October 18, 1917.....	
Receiver's Advances, P.C. 635, March 26, 1919.....	45,764,162.35	Receiver's Certificates.....	53,339,162.74
Interest guaranteed by Government of Canada.....	8,704,662.65	Cremation Certificates, coupons destroyed.....	8,698,170.42
Interest guaranteed by Provinces of Alberta and Saskat- chewan.....	2,898,536.98	Cremation Certificates, coupons destroyed.....	2,925,723.88
Agreement with Government under Chapter 71, 1903.....		Grand Trunk Pacific Development Company Capital Stock.....	2,999,000.00
<b>Total Grand Trunk Pacific.....</b>	<b>\$116,006,599.08</b>		

forward



## THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

## SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

<i>Loans Outstanding</i>		<i>*Notes and Collateral Held</i>	
CANADIAN NATIONAL RAILWAY COMPANY:			
6% Loan, Vote 139, 1923.....	\$ 24,550,000.00	{ 6% Canadian Northern Demand Note.....	\$ 12,655,019.57
		{ G.T.P. Receiver's Certificates.....	3,313,530.01
		{ G.T.P. Interest Coupons.....	1,530,831.96
5% Loan, Vote 137, 1924.....	10,000,000.00	{ 5% Canadian Northern Demand Note.....	1,318,315.86
		{ G.T.P. Receiver's Certificates.....	4,691,173.58
		{ G.T.P. Interest Coupons.....	1,530,822.24
5% Loan, Vote 377, 1925.....	10,000,000.00	{ 5% Canadian Northern Demand Note.....	9,496,718.21
		{ G.T.P. Receiver's Certificates.....	Cr. 1,422,425.17
		{ G.T.P. Interest Coupons.....	1,530,802.80
5% Loan, Vote 372, 1926.....	10,000,000.00	{ 5% Canadian Northern Demand Note.....	9,062,624.30
		{ G.T.P. Receiver's Certificates.....	Cr. 364,898.78
		{ G.T.P. Interest Coupons.....	1,530,880.56
5% Loan, Vote 336, 1929.....	2,932,652.91	5% Canadian National Railway Company Demand Notes.....	2,932,652.91
5% and 5½% Loans, Chapter 22, 1931.....	29,910,400.85	5% and 5½% Canadian National Railway Company Demand Notes.....	29,910,400.85
5½% Loans, Chapter 6, 1932.....	11,210,815.56	5½% Canadian National Railway Company Demand Notes...	11,210,815.56
Temporary Loan, 1930, repaid.....		{ 166,877.6376 shares of Capital Stock of Grand Trunk Western Railroad.....	4,171,940.94
		{ 5% 1st and General Mortgage Temporary Gold Bonds of Central Vermont Railway, Inc.....	8,609,000.00
Less: adjustment authorized by the Capital Revision Act, 1937.....	Cr. 1,666,897.57		
Total Canadian National Railway Company.....	<u>\$ 96,936,971.75</u>		
Total Loans.....	<u>\$643,860,558.26</u>		

\* The Notes and Other Evidences of Indebtedness and the Collateral Securities are all held for safekeeping in the vaults of the Department of Finance, Ottawa, excepting Grand Trunk Pacific Railway 3% 1st Mortgage Bonds in the amount of £5,307,000 (\$25,792,020) which are held for safekeeping by the Bank of Montreal, London, England, as evidenced by the certificate of that depository.



Mr. MACDONNELL: What useful purpose does this serve?

Mr. GORDON: I think that the Royal Commission has given the answer to that and it is part of their recommendation that it should be eliminated from the balance sheet of the Canadian National Railways. There has been no change in this report as between this year and last year except that the date is changed from 1949 to 1950.

The CHAIRMAN: It is moved by Mr. McCulloch that the annual report of the Canadian National Railways Securities Trust carry.

Carried.

Before we adjourn, Mr. Gordon has an answer for Mr. Macdonnell and I believe one or two other answers that I would rather have completed tonight.

Mr. GORDON: I think I can do that in a general way here. One question was in connection with, I think it was Mr. Fulton who asked as to where the Board of Transport Commissioners stood with respect to an examination they made on March 15 on the accident records generally and whether they brought in any recommendations. The answer to that is that the board has not made any recommendations yet but we understand that they intend to call in representatives of the various brotherhoods, the various unions, and to have the men themselves make recommendations to the board as to various features which they feel might be incorporated in accident prevention methods, so that the matter is pending and we expect to have that hearing shortly.

The second matter I have here is, I have forgotten who asked me, about the relative prices in respect to fuel oil and coal generally and I have had this worked out on the basis of taking the highest test, namely, the relative efficiency of the Brazeau briquettes as a fuel compared with oil.

Now, the only way to get that is to run tests and this is how it works out. We feel that one ton of briquettes is equal to three and a half barrels of Bunker "C" oil. The price of Bunker "C" oil is \$1.70 per barrel which would mean that the equivalent of one ton of briquettes would cost \$5.95. Brazeau is now out of business temporarily but they will be back in business in July or August. The last price we paid for briquettes was \$7.73 per ton; in other words, \$5.95 for the amount of the oil that I mentioned can be compared with the \$7.73 for briquettes.

Now, that establishes the highest record, so to speak, for coal consumption and the differential between oil and coal would increase as the quality of the coal deteriorated. In other words, the Bunker "C" oil would remain constant in quality and the coal varies all over the place, but if you compare the highest type of coal in a form which gives us the best usage, namely, briquettes, the comparison is \$5.95 for oil as against \$7.73 for briquettes. Does that answer the question?

Mr. GILLIS: Mr. Thomas asked that question but he is not here at the moment.

Mr. GORDON: It is on the record anyhow.

Now, Mr. Macdonnell, I said I would make some more general remarks with respect to our general immigration set-up. Generally speaking, there are three classes of immigrants that are handled, the first are the immigrants which we may drum up ourselves, by direct contact, and we interest them in looking at our lines or coming over our lines to find some place to go and to find work for themselves. We give these people all the information we can. The second type are those who are brought in by federal government or provincial government labour departments who are looking for special types of skills. The third type are those who just want to come out and get along the best they can. Those three classes are again divided up into two classes, namely, those who originate in Europe, and those who originate in the British Isles. Those originating in Europe require to have their passports



visaed by a Canadian official in Europe. That official will always make enquiries to ascertain that the individual immigrants have enough money to see them to their destination and have the intention expressed which would indicate that they are not going to become a charge on the community but are going to be met by some relative or have a job to come to.

In the case of the British they do not need visas but nevertheless if we are handling them we make those enquiries. Now, all classes of immigrants are met at the immigration point in Canada, let us say Halifax, for example. No one is allowed to depart out of the immigration quarters until he is examined by an immigration official who ascertains or satisfies himself that he has enough money to reach his destination or to look after himself and to carry out the intentions that they have declared. At that point we are very much in the picture with them, we provide a service for all these immigrants, we take them to their destinations, we have a person who can speak their language, interview them, they get on board our trains where we have travelling representatives who talk to them and find out what they are doing and we establish that they know what they are doing, and that they are going to be met by somebody, either their relatives or by the representative of whatever government department may have been interested in bringing them here to this country. If we are the interested party we see to it that they are taken to the farm that they may be interested in, look it over, make certain that they know what they are doing and generally keep a pretty paternalistic eye out for them so they do not get into trouble.

That is the way we treat them and we make pretty good friends of these new citizens.

Mr. MACDONNELL: Thank you.

Mr. GILLIS: Mr. Gordon, the immigrants you drum up over there, do you have selection teams in Europe or how do you screen them?

Mr. GORDON: No, we have a very limited staff. What we provide is an information service. We have representatives established in these places and through these contacts they keep in contact with steamship companies. We get leads from the steamship companies with which we are associated and we get in touch with intending immigrants, find out their particular intentions and provide them with a sort of information service.

Mr. GILLIS: The screening over there is done by whom?

Mr. GORDON: I said in the case of Europe it is usually by the immigration officials.

The CHAIRMAN: I might say if the committee is willing to sit for another forty-five minutes, Mr. Gordon is willing and I believe we could clean up the small amount of business remaining. If the committee does not want to do that I am not going to press it. We simply have the auditor's report and the three budget items.

Agreed.

Mr. FRASER: Mr. Chairman, there is the Trans-Canada Air Lines auditor's report in this but we will not be covering that, I mean in the auditor's report.

The CHAIRMAN: We will simply cover the parts that Mr. Gordon is interested in.

We will now consider the auditor's report.



## CANADIAN NATIONAL RAILWAY SYSTEM

THE HONOURABLE THE MINISTER OF TRANSPORT,  
OTTAWA, CANADA.

Sir:—We have audited the accounts of the Canadian National Railway System for the year ended the 31st December, 1950 under authority of The Canadian National-Canadian Pacific Act, 1936, and we now report, through you, to Parliament.

## GENERAL SCOPE OF AUDIT

In brief, our audit of the System accounts for 1950 included:

- (a) Examination of major expenditure authorities in conjunction with the recorded Resolutions of the Directors, which in turn were related to Corporate By-Laws, Orders in Council and Acts of Parliament;
- (b) Audit tests in the offices of Regions, Separately Operated Properties and System Headquarters, limited to a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting department of the System. In this connection we worked in collaboration with the executive accounting officers at Headquarters having as a common objective the securing of maximum internal protection to the System in the control of Cash Receipts and Expenditures, Securities Held, Material Stores and Accounts Receivable of all types. The System is further protected by Fidelity Bond Insurance with outside Underwriters;
- (d) Audit of the Consolidated Income Account and the Consolidated Balance Sheet and certification thereof.

Our test audit covered the various Balance Sheet accounting units in Canada, the United States, London (England) and Paris (France) with Income Accounts originating in the Revenue Offices, Regions, Separately Operated Properties and System Headquarters which comprise the System as an operating entity.

Apart from those pertaining to the Trans-Canada Air Lines and the non-operating Canadian Government Merchant Marine, Limited, the holdings in the Capital Stocks of the Affiliated Companies are insufficient to give voting control and accordingly the Companies are not treated as units of the System nor have their accounts been audited by us. In a few instances their accounts were certified by Public Accountants but for the most part they were audited by joint committees composed of System accountants and representatives of outside interests.

## CONSOLIDATED INCOME ACCOUNT

*Depreciation and Maintenance*

In respect of "depreciable" Fixed Properties—defined in the 1943 Order of the Interstate Commerce Commission as including bridges, buildings, stations, shops, etc., but excluding track structure—provision for depreciation, at rates resulting in a composite rate of approximately 1 $\frac{3}{4}$ %, has been made during the year for the United States Lines of the System through the appropriate Maintenance Accounts in accordance with the above mentioned Order whereas the Canadian Lines have taken up through the Maintenance Accounts provided therefor the loss of service value at the time of replacement or retirement.

Track structure composed of ties, rails, track material and ballast is not classified by the Interstate Commerce Commission as an asset for which provision for Depreciation should be made; accordingly the loss of service value was taken up through Maintenance of Way and Structures accounts at the time of replacement or retirement on both the Canadian and United States Lines of the System.



Provision for Depreciation has been made for the Equipment of both the Canadian and United States Lines of the System. The 3 $\frac{1}{3}$ % annual depreciation rate used for Rail Equipment of the Canadian Lines was approximately the same as the latest available composite of the rates used by the Class 1 Railroads in the United States.

In addition to charges for depreciation and those for loss of service value taken up at the time of replacement or retirement, the Maintenance accounts as a whole included the cost of day-to-day repairs and partial renewals on both the Canadian and United States Lines. These repairs and partial renewals are recognized costs of maintenance whether or not depreciation accounting is in effect.

During 1950 the balance of the Deferred Maintenance Reserve was fully utilized by crediting \$9,000,000 to Maintenance of Way and Structures.

We have received certificates from the responsible operating and executive officers to the effect that the Fixed Properties and Equipment have been maintained in a proper state of repair and in an efficient operating condition during the year; that in so far as traffic demands would permit, such Physical Retirements, which should have been made during the year as a result of wear and tear and obsolescence, have been made and that notification of all such Retirements has been given to the Accounting Department.

#### *Insurance Fund Operations*

The operations for the year resulted in a profit of \$85,000 which was credited to Railway Income. The Reserve which was increased during the year by \$600,000 amounts to \$12,835,000 and includes the estimated amount of \$235,000 set aside to meet the larger unadjusted loss claims.

### CONSOLIDATED BALANCE SHEET

#### *Assets*

Against the Corporate portion of the property investments brought into the National System accounts at the 1st January, 1923, there have been properly applied the reductions authorized by the Canadian National Railways Capital Revision Act, 1937, but no similar reductions were authorized at that time covering the Crown property investments in the Canadian Government Railways. Since the 1st January, 1923, the Additions and Betterments less Retirements of the System have been shown on the general basis of cost. It should be pointed out, however, that, with the exception of two vessels paid for by the Government of Canada, no value has been placed on the property investments taken over from the Newfoundland Railway as at 1st April, 1949.

The several special funds including Capital and Other Reserve Funds, Insurance Fund and Pension Contract Fund, amounting in total to \$73,563,000 are represented by investments in the securities of the Government of Canada, the National System and securities of or guaranteed by the Provinces, together with cash and sundry current assets. At the year-end System Securities included in these Special Funds were valued at par. Securities of the Federal Government and those of or guaranteed by the Provincial Governments amounting to \$56,927,000 were based on cost which exceeded the market value by 1.12%.

The portion of Insurance Fund investments of \$3,876,000 in System Securities, the listings of which were withdrawn from the Exchange as a result of the war-time United Kingdom Vesting Orders, have been taken at par for the purpose of the foregoing year-end market valuation. In view of the fact that these Insurance Fund investments are in System securities no provision has been deemed necessary to cover the devaluation of sterling from the former par of \$4.86 $\frac{2}{3}$ .

The par value of National System securities held in the foregoing special funds aggregates \$14,843,000 of which par value \$10,918,000 is covered by the guarantee of the Government of Canada.



Investments in Affiliated Companies are represented by the Capital Stocks, Bonds and obligations for Advances of Companies affiliated with but not forming a part of the National System. Apart from the Trans-Canada Air Lines, this type of unlisted investment is made, in association with other railways, primarily to secure the benefits of traffic interchange and terminal facilities. The basis of the Balance Sheet figure is cost or, in respect of certain United States securities, less than the special valuations approved by the Interstate Commerce Commission. Apart from the Trans-Canada Air Lines, the 1950 Financial Statements issued by the companies representing the larger investments indicated that profits aggregated some \$1,684,000 and losses some \$353,000 for the year 1950.

Other Investments are comprised partly of unlisted investments of a miscellaneous nature including those in hotel and grain elevator companies held primarily for purposes of traffic benefit and are valued at or below cost. The Balance is represented by securities of the Government of Canada, and the National System (Government Guaranteed), the book figure of which is based on cost and par value respectively. The cost of the securities of the Government of Canada included therein exceeded the market value by .11%.

Temporary Cash Investments are represented by Government and Provincial Securities. At the year-end the book figure, based on cost, exceeded the market value by .31%.

Accounts Receivable and Payable of all classifications have been tested by us with the subsidiary and controlling records, cash and other transactions subsequent to the year-end, departmental files and general supporting information but such Accounts have not been verified by direct communication with the individual Debtors and Creditors.

No physical inventory of Material and Supplies was taken by the Railway during the year. Material and Supplies of the National System at the 31st December, 1950, as represented by the ledger balances, are carried on the basis of laid down cost for new material and estimated utility or sales value for usable second-hand, obsolete and scrap materials after making reasonable allowances for condition thereof.

Other Deferred Assets consist principally of Contracts Receivable in connection with Land Sales and Sundry Deferred Accounts Collectable.

Other Unadjusted Debits consists of the unamortized cost of opening ballast pits which will be written off on the basis of yardage used; the estimated salvage value of non-perishable material in ballast pits and other temporary tracks; accepted interline freight claims paid in advance of investigation with other carriers, and miscellaneous debit items not otherwise provided for or which cannot be disposed of until additional information is received.

#### *Liabilities*

Other Deferred Liabilities consist principally of the outstanding capital value of the workmen's compensation awards by the Provinces of Ontario and Quebec.

#### *Reserves and Unadjusted Credits*

Accrued Depreciation of Canadian Lines Equipment amounts to \$141,889,000. During the year the full ledger value of Equipment retired, less salvage, was charged to this Reserve.

Unadjusted Credits include the estimated proportion of prepaid Revenues on freight in transit; excess of actual Revenues over year-end estimates carried in suspense; estimated liability for injuries to persons; estimated liability for overcharge claims, and miscellaneous credit items not otherwise provided for or which cannot be disposed of until additional information is received.



Where foreign currencies are involved, the Balance Sheet accounts of the System are converted generally as follows:

- (a) United States Currency  
—at the dollar par of exchange.
- (b) Sterling Currency  
—at the former par of \$4.86 $\frac{2}{3}$  to the pound.
- (c) French Currency  
—at approximately 15 francs to the dollar for the original investment in Hotel Scribe and 300 francs to the dollar for Working Capital accounts.

Dollar amounts stated in this Report are to the nearest thousand.

Yours faithfully,

GEORGE A. TOUCHE & CO.

12th. March, 1951.

### CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

THE HONOURABLE THE MINISTER OF TRANSPORT,  
OTTAWA, CANADA.

Sir,—We have audited the accounts of the Canadian National (West Indies) Steamships, Limited and Subsidiary Companies for the year ended the 31st December, 1950, acting under your authority, and we now report, through you, to Parliament.

#### GENERAL SCOPE OF AUDIT

In brief, our audit of the Steamships' accounts for the year 1950 included:

- (a) Examination of major expenditure authorities in conjunction with the recorded Resolutions of the Directors, which in turn were related to Corporate By-Laws, Orders-in-Council and Acts of Parliament;
- (b) Audit tests in the offices of the Steamships limited to a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting department of the Steamships. In this connection we worked in collaboration with the executive accounting officers having as a common objective the securing of maximum internal protection to the Steamships in the control of Cash Receipts and Expenditures, Securities Held, Material Stores and Accounts Receivable of all types. The Company is further protected by Fidelity Bond Insurance carried with outside Underwriters;
- (d) Audit of the Consolidated Income and Profit and Loss Accounts and the Consolidated Balance Sheet and certification thereof.

#### CONSOLIDATED INCOME ACCOUNT

Provision for depreciation on vessels was made during the year on the following bases:

- (a) The three diesel powered and refrigerated vessels—5 per cent;
- (b) The two "Lady" vessels and the five non-refrigerated vessels—3 per cent.

In view of the appropriation for additional depreciation in 1949, the rate of 3 per cent per annum in respect of the last mention vessels (b) is considered adequate.



We have received a certificate from the responsible officers that all equipment has been maintained in a proper state of repair and in an efficient operating condition during the year; that such physical retirements as should have been made during the year, as a result of wear and tear and obsolescence, have been made, and that notification of all such retirements has been given to the Accounting Department.

## CONSOLIDATED BALANCE SHEET

*Assets*

Investment in Vessels is carried on the general basis of cost less accrued depreciation.

The Replacement and Insurance Funds are composed of investments in the securities of the Government of Canada, the Canadian National Railways (Guaranteed by the Government of Canada) and Province of Ontario together with cash and sundry current assets. The book value of the securities held in these funds based on cost is 1.63 per cent in excess of the year-end market value.

The Replacement Fund increased \$372,000 during the year as a result of depreciation accruals charged to Income Account and paid into the fund.

The Insurance Fund decreased during the year by \$276,000. The insurance risks on all ships are carried in the Fund.

Accounts Receivable and Payable of all classifications have been tested by us with the subsidiary and controlling records, cash and other transactions subsequent to the year end, departmental files and general supporting information but such Accounts have not been verified by direct communication with the individual Debtors and Creditors.

Discount on Capital Stock represents the amount set up at the time of incorporation equal to the par value of the shares issued in consideration of the guarantee by the Government of Canada of the Steamships' Bonds.

*Insurance Reserve*

The Insurance Reserve amounts to \$1,772,000 including the estimated amount of \$25,000 set aside to meet the larger unadjusted loss claims. It has been reduced during the year principally due to the grounding of the *Canadian Constructor*.

*Profit and Loss*

The deficit for the year will, we understand, be assumed by the Government of Canada. In considering the accumulated deficit appearing on the Balance Sheet amounting to \$3,619,000, it should be noted that the amount of interest on Government advances for deficits paid by the Company to 31st December, 1950 amounts to \$3,732,000.

Where foreign currencies are involved the Balance Sheet Accounts of the Steamships are converted generally as follows:—

- (a) U.S. Currency—at the dollar par of exchange;
- (b) Other Foreign Currencies—at the current rates.

Dollar amounts stated in this Report are to the nearest thousand.

Yours faithfully,

GEORGE A. TOUCHE & CO.

The CHAIRMAN: Mr. Fulton moves that the report be entered in our stenographic report, taken as read, and the auditor is here now to answer questions.  
Carried.



The CHAIRMAN: Any questions as to page 1?

Mr. FULTON: Would you read my motion again, Mr. Chairman?

The CHAIRMAN: Your motion is that the report be entered into our stenographic report without being read. That is carried.

Any question as to page 1?

Mr. FULTON: Just give us a minute or two on each page, will you? Mr. Turville, is there any substantial difference between the form and content of your report this year and that of previous years?

Mr. TURVILLE (Geo. A. Touche & Co., Chartered Accountants): Not on the first page, certainly not.

Carried.

The CHAIRMAN: Page 2. Would you mind indicating what major change, if any, is made in the content of your report?

Mr. TURVILLE: Mr. Chairman, there is no major change made in the report or in the information furnished in the report.

The CHAIRMAN: Has there been any change made in accounting factors of any consequence during the year?

Mr. TURVILLE: There has not.

The CHAIRMAN: Mr. Fulton moves that the report carry.

Mr. FULTON: Mr. Chairman, I am delighted to find I am taking such a large part in the motions made in this committee.

One further question, which is a very general question: I am sure that Mr. Turville gives a great deal of time with respect to the audit he makes of the accounts of the company and I would like to ask him this question. I recall that in previous audits, I think it was in 1946 and in 1947, you made certain recommendations of a fairly substantial nature which you told us you did not write in your subsequent report.

Mr. TURVILLE: That is correct.

Mr. FULTON: My recollection also is you told us last year that those recommendations were embodied in greater or less detail in some of the recommendations made to the Royal Commission on Transportation. Were any of these recommendations accepted by the Royal Commission on Transportation?

Mr. TURVILLE: Yes, I am happy to report some have been.

Mr. FULTON: Now, could you tell us to what extent, not going into too much detail, those recommendations are embodied in the report of the Royal Commission on Transportation?

Mr. TURVILLE: First of all, I would say that the first recommendation was that uniform accounting should be put into effect in the major railways of Canada and there is reference to that in the Royal Commission on Transportation report, with their approval.

Another recommendation that we made had referred to the very heavy interest burden to which the Canadian National Railways were subjected and as we all know that has been taken into consideration in the report of the Royal Commission on Transportation. Those are the two major points which we mentioned.

Mr. FULTON: Are those the two major points of your 1946-1947 recommendations?

Mr. TURVILLE: Yes, they are.

Carried.

Mr. FULTON: You have added in effect no new material or recommendations in your report?



Mr. TURVILLE: I think I should answer you by stating to the committee that we had considered very seriously as to whether we should in 1949 and in 1950 repeat our recommendations or make additional ones and in my considered view, I felt that that should not be done as the matter was before the Royal Commission on Transportation and has to be settled by parliament, I felt the recommendations we made in 1946 and 1947 were sufficient up to that point.

The CHAIRMAN: And you have no new recommendations to make this year.

Mr. TURVILLE: No, sir.

Mr. FRASER: Mr. Chairman, may I ask on page 4 what is this hotel Scribe mentioned there?

Mr. TURVILLE: That is the hotel that is owned by Canadian National System in Paris.

Mr. FRASER: As an office?

Mr. TURVILLE: No, it is an hotel building; it is pronounced "S-c-r-e-e-b", by the way.

Mr. FRASER: Well, I am not French.

Mr. TURVILLE: Neither am I.

Some Hon. MEMBERS: Oh, oh.

Mr. FRASER: That is one on me; thanks very much.

The CHAIRMAN: Are you ready for Mr. Fulton's motion to carry the auditors' report on the railway? All those in favour?

Carried.

Mr. FULTON: Do you want me to make the motion on the West Indies Steamships in the same volume?

The CHAIRMAN: Mr. Fulton moves again that the auditors' report on the West Indies Steamships carry.

Carried.

We now have vote 493:

No. of Vote	Service	Details on Page No.	1951-55	1950-51	Compared with Estimates of 1950-51	
					Increase	Decrease
493	Prince Edward Island Car Ferry and Terminals— To provide for the payment during the fiscal year 1951-52 to the Canadian National Railway Company (hereinafter called the National Company) upon applications approved by the Minister of Transport made from time to time by the National Company to the Minister of Finance and to be applied by the National Company in payment of the deficit (certified by the auditors of the National Company) in the operation of the Prince Edward Island Car Ferry and Terminals arising in the calendar year 1951.....	477	1,280,000	1,159,000	121,000	

Mr. McLURE: What form is that in there, a service or a deficit?

Hon. Mr. CHEVRIER: A service.



Mr. FULTON: It is not in my copy of the Estimates.

Hon. Mr. CHEVRIER: It is in the same form as the item in the Estimates which we discussed the other night and you seemed to be perfectly satisfied.

Mr. McLURE: It was under service that time; it was always under service before.

The CHAIRMAN: Mr. McLure moves that Vote 493 carry.  
Carried.

Vote 495:

No. of Vote	Service	Details on Page No.	1951-52	1950-51	Compared with Estimates of 1950-51	
					Increase	Decrease
495	Canadian National (West Indies) Steamships, Limited— To provide for the payment from time to time to the Canadian National (West Indies) Steamships, Limited (hereinafter called "The Company") of the amount of the deficit occurring during the year ending December 31st, 1951 in the operations of the Company and the vessels under the control of the Company, as certified by the Auditors of the Company, and upon applications made by the Company to the Minister of Finance and approved by the Minister of Transport, not exceeding.....	477	845,000	720,000	125,000	

Shall the vote carry?

Carried.

Mr. FULTON: On division.

The CHAIRMAN: 501:

501	Maritime Freight Rates Act— For the payment to the Railway Companies operating in the select territory designated by the Act, during the fiscal year 1951-52, of the difference occurring on account of the application of the Act, between the tariff tolls and normal tolls under approved tariffs (estimated and certified to the Minister of Transport by the Canadian National Railway Company and approved by Auditors of the said Company respecting the Eastern Lines of the Canadian National Railways, and in the case of the Other Railways by the Board of Transport Commissioners for Canada) on all traffic moved during the Calendar Year 1951, (Chap. 79, Statutes of 1927, as amended).....	479	9,125,000	7,319,000	1,806,000	
	Appropriations not required for 1951-52.....	479	.....	958,816	.....	958,816
	Total, Railway and Steamship Services.....		17,432,000	15,852,816	1,579,184	



Mr. McCulloch moves it carry.

Carried.

Gentlemen, before we adjourn I know that you would want me to express our appreciation and thanks to Mr. Gordon and his large staff who have attended at our sessions of our committee. To me it is an amazing thing that one man could have the grasp of the operations of this vast system that Mr. Gordon has gained in so short a time.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: I did not believe it was possible, Mr. Gordon.

Mr. FULTON: I do not think Mr. Gordon did either, from what he said last year.

The CHAIRMAN: Another thing that amazes me is the good natured way in which he has answered all our questions. On behalf of the committee I am pleased, Mr. Gordon, to thank you from the bottom of our hearts for what you have done.

Some Hon. MEMBERS: Hear, hear.

Mr. FULTON: I do wish to echo what you have said and it does not require an argument. I would just like to add this: I hope Mr. Turville and his associates will not feel from what might otherwise be considered a somewhat cursory dealing with the auditor's report, that it is of minor importance. However, you recall we gave it somewhat careful examination last year and in view of the fact that many of the matters in it are waiting decision as the result of the royal commission report we have not spent much time on it.

The CHAIRMAN: I think it shows great confidence in the auditor.

Mr. TURVILLE: May I say a word in reply to Mr. Fulton. I appreciate what you have said but I should like the committee to know that I have come to this meeting prepared.

Mr. POULIOT: I agree with all that has been said about Mr. Gordon and his associates and I think we have a pretty good Minister of Transport too.

Mr. FRASER: Mr. Chairman, when are we going to take up Trans-Canada Air Lines?

The CHAIRMAN: Trans-Canada Air Lines officials are going to attend this committee at 11 o'clock on Monday morning.

Mr. GORDON: Before the meeting ends I would just like to say a word of appreciation of the manner in which this committee has received myself and my officers, and for the keen interest which has been displayed in the affairs of the Canadian National. I leave the committee with the gratifying feeling that everyone present wants the Canadian National to continue to be a credit to the country.

I sense, from the discussions we have had here, that there has emerged a clearer understanding of the managerial problems connected with the operation of this very vast system, and I sense a sympathetic viewpoint towards it.

Now, from a personal point of view, I want to say these annual examinations are for me remarkably similar to the mental drills visited upon students every spring in their educational institutions. Like many of the examinees, when the inquisition is over, I find myself thinking there are a great many more questions I could have answered. I do not suggest from that remark that I want you to think up more questions next year.

At all events, I hope I have shown you that the preparation made by my officials and myself to meet the committee means that personally I have so to inform myself that I am better equipped to discharge the large responsibilities of the president of your company.

Thank you.



Mr. FULTON: Mr. Chairman, I do apologize for entering a serious note here, but I am not going to make any apologies for my omission to discuss the question of oil rights which were discussed last year. I am not going to ask the chairman or members of the committee to go back to that but I do say the fact I omit it this year should not be taken as an indication that I will omit it another year.

Mr. McLURE: I would like to make a suggestion here, one which was made last year, that the president of the road invite this committee to hold its meetings in Montreal next year. We would then see the plant that we so often talk about.

Mr. FRASER: Mr. Chairman, I think Mr. McLure ought to invite us down to see that car ferry that runs to Prince Edward Island.



CANADIAN NATIONAL RAILWAYS  
BRITISH COLUMBIA DISTRICT—KAMLOOPS DIVISION  
PROPOSED SCHEDULE FOR INSTALLATION OF AUTOMATIC BLOCK SIGNALLING  
JASPER, ALTA.—PORT MANN, B.C.

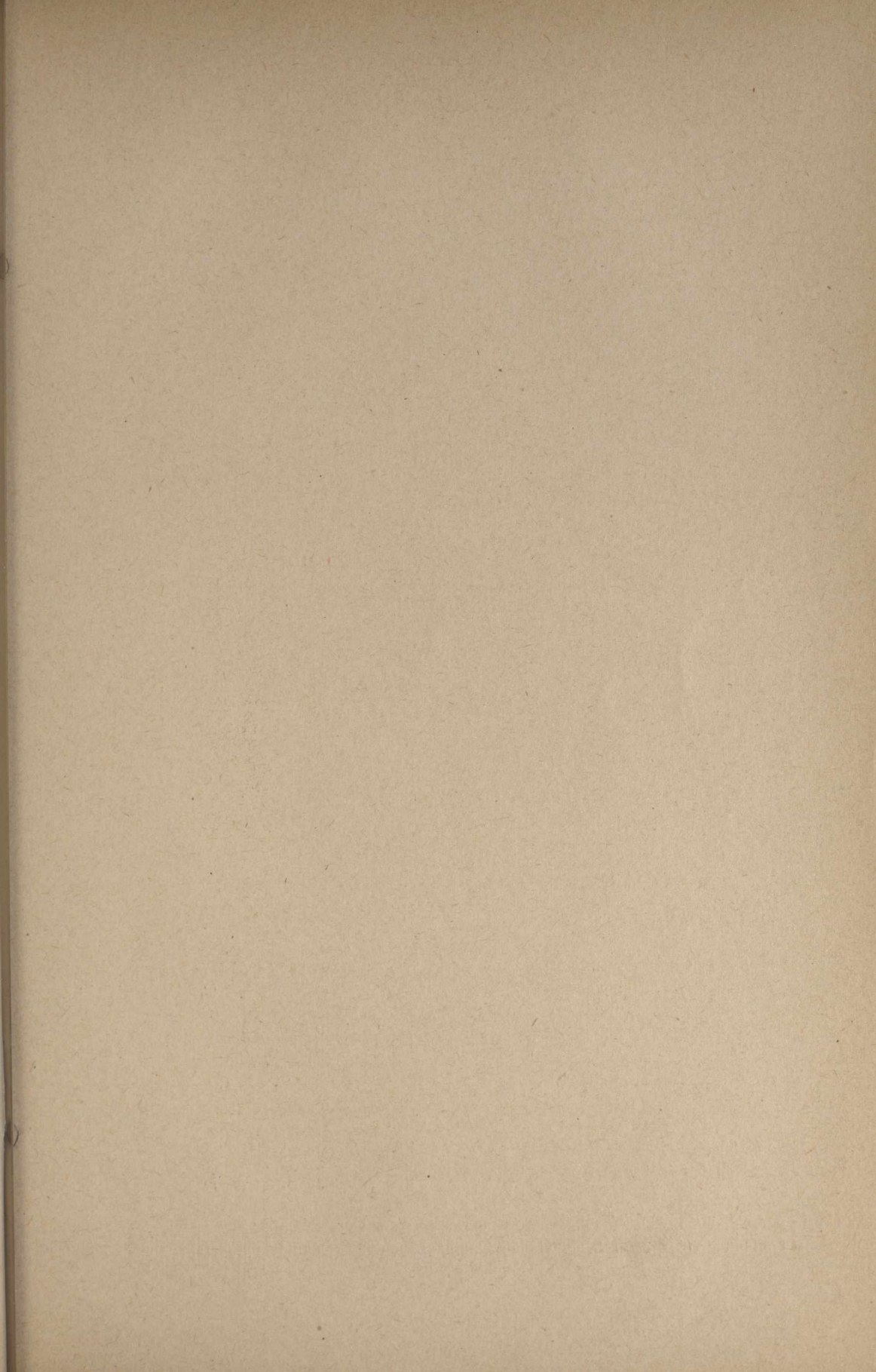
<i>Year</i>	<i>Subdivision</i>	<i>From</i>	<i>To</i>	<i>Miles</i>	<i>Cost</i>	<i>Remarks</i>									
1948-49	Asheroft.....	Spence's Bridge.....	Boston Bar.....	51.7	\$750,000	{24 miles in service June 1949. 27.7 miles in service Nov. 1949.									
1949-50	Yale.....	Boston Bar.....	Hope.....	40.5											
1950.....	Albreda.....	Red Pass Jct.....	Jackman.....	24.9	190,000	{26.7 miles in service May 1950. 13.8 miles in service June 1950. 24.9 miles in service Feb. 1950. Will be completed in 1951.									
1951.....	Albreda.....	Jasper.....	Red Pass Jct.....	41.6	378,000										
1952.....	Asheroft.....	Asheroft.....	Spence's Bridge.....	25.0	220,000										
1953.....	Asheroft.....	Kamloops Jct.....	Asheroft.....	48.9	440,000	{(Canoe River is between Jackman and Blue River).									
1954.....	Albreda.....	Jackman.....	Blue River.....	65.8	608,000										
1955.....	Clearwater.....	Blue River.....	Birch Island.....	61.6	585,000										
1956.....	Clearwater.....	Birch Island.....	Kamloops Jct.....	77.8	760,000										
1957.....	Yale.....	Hope.....	Port Mann.....	74.4	750,000										
				512.2	\$4,681,000										
						<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; border-bottom: 1px solid black;"><i>Miles</i></th> <th style="text-align: right; border-bottom: 1px solid black;"><i>Cost</i></th> </tr> </thead> <tbody> <tr> <td>Completed to date.....</td> <td style="text-align: right;">117.1</td> <td style="text-align: right;">\$ 940,000</td> </tr> <tr> <td>Balance to be done.....</td> <td style="text-align: right;">395.1</td> <td style="text-align: right;">3,741,000</td> </tr> </tbody> </table>		<i>Miles</i>	<i>Cost</i>	Completed to date.....	117.1	\$ 940,000	Balance to be done.....	395.1	3,741,000
	<i>Miles</i>	<i>Cost</i>													
Completed to date.....	117.1	\$ 940,000													
Balance to be done.....	395.1	3,741,000													

Office of Chief Engineer,  
Montreal, February 5, 1951.



Year	Item	Value
1901	...	...
1902	...	...
1903	...	...
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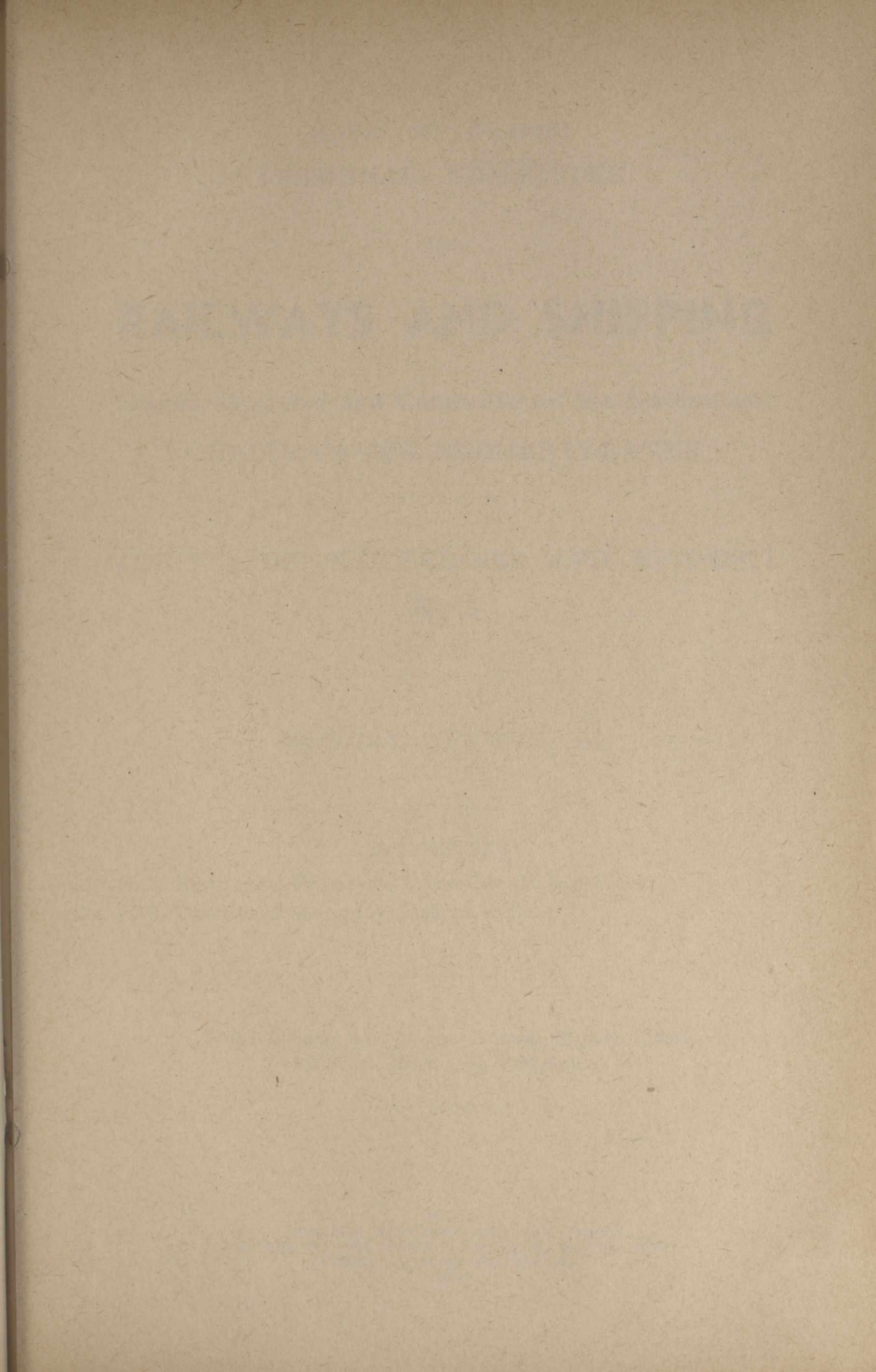




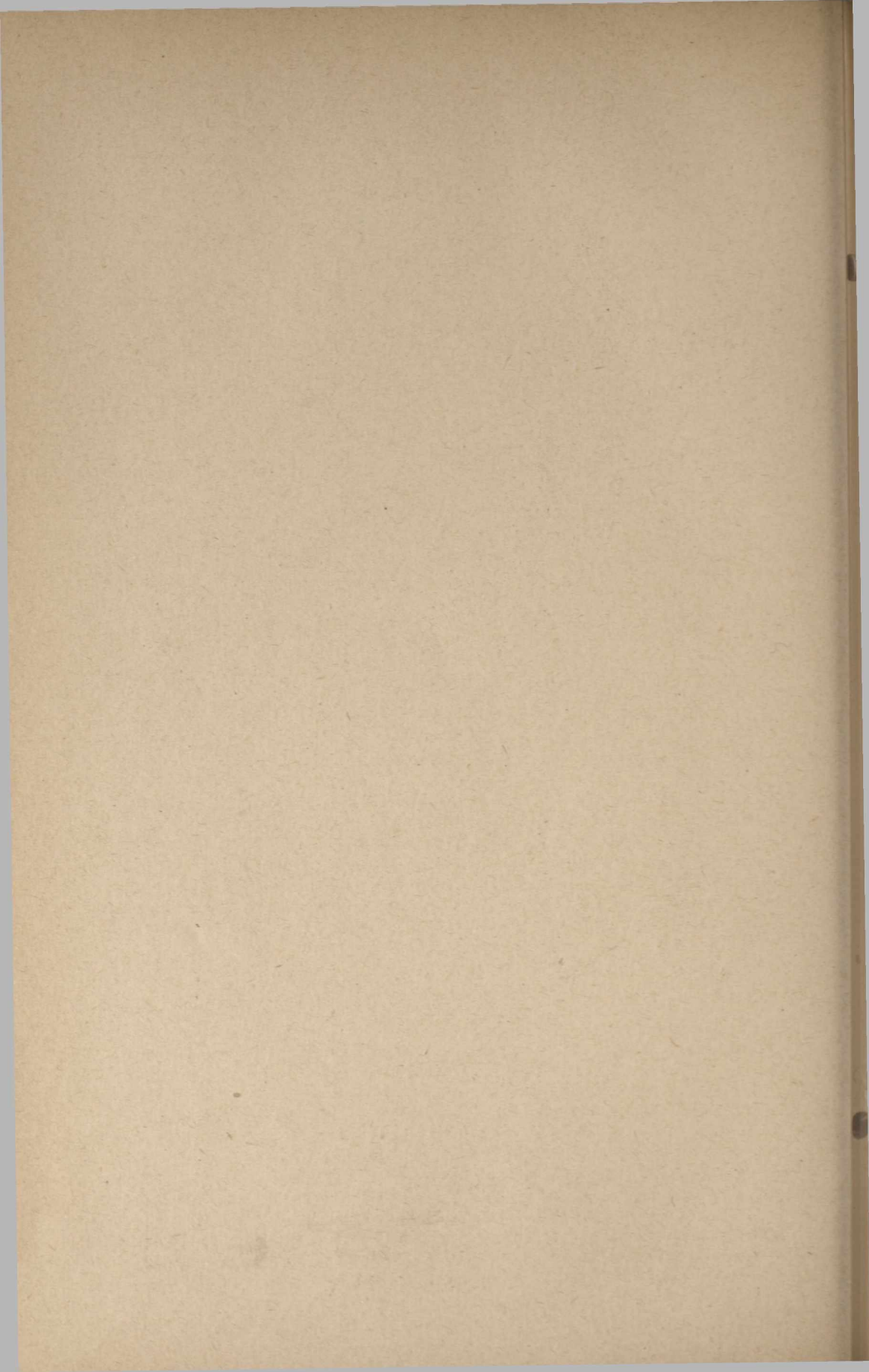














SESSION 1951  
HOUSE OF COMMONS  
SESSIONAL COMMITTEE

ON

# RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

CHAIRMAN—MR. HUGHES CLEAVER

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

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MONDAY, APRIL 23, 1951

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WITNESSES:

Mr. G. R. McGregor, President, Trans-Canada Air Lines,  
Mr. F. P. Turville of George A. Touche & Co.

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Trans-Canada Air Lines—Annual Report (1950)  
Auditors' Report to Parliament

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OTTAWA  
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
CONTROLLER OF STATIONERY  
1951







## MINUTES OF PROCEEDINGS

MONDAY, April 23, 1951.

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 o'clock a.m. Mr. Hughes Cleaver, the Chairman, presided.

*Members present:* Messrs. Benidickson, Carter, Cavers, Cleaver, Fraser, Fulton, George, Gillis, Hatfield, Helme, Knight, Macdonald (*Edmonton East*), Macdonnell, McCulloch, Mott, Mutch, Pouliot, Thomas.

*In attendance:* Right Honourable C. D. Howe, Minister of Defence Production and Trade and Commerce. Messrs. G. R. McGregor, President, Trans-Canada Air Lines, W. S. Harvey, General Auditor, S. W. Sadler, General Accountant, R. C. McInnis, Director, Public Relations, D. E. McLeod, General Superintendent, Public Relations.

Mr. G. R. McGregor was called. He read the Annual Report of Trans-Canada Air Lines and his examination was begun. He was assisted by Mr. W. S. Harvey.

The tables contained in the Annual Report were taken as read and ordered incorporated.

Mr. Howe gave the dates of the original appointments of the directors of the Trans-Canada Air Lines.

The witness undertook to table answers not readily available.

At 1 o'clock, the Committee adjourned until 4 o'clock this day.

### AFTERNOON SITTING

The Committee resumed at 4 o'clock. Mr. Hughes Cleaver, the Chairman, presided.

*Members present:* Messrs. Benidickson, Carter, Cavers, Cleaver, Fraser, Fulton, George, Gillis, Hatfield, Helme, Knight, Macdonald (*Edmonton East*), Macdonnell, McCulloch, Mott, Mutch, Thomas.

*In attendance:* Same as at morning sitting and Mr. F. P. Turville of George A. Touche & Company.

The Committee concluded its examination of the Annual Report of Trans-Canada Air Lines.

On motion of Mr. McCulloch,

*Resolved*,—That the Annual Report of Trans-Canada Air Lines (1950), including the Consolidated Balance Sheet, be approved.

Mr. McGregor tabled answers to questions of Messrs. Fulton and Macdonnell asked at the morning meeting and was examined thereon.

*Ordered*,—That the above answers be printed as appendices (*see this day's minutes of proceedings, appendices A, B, C and D.*)



Mr. Howe quoted an extract from BOAC annual reports relating to deliveries of North Stars.

Mr. McGregor was retired.

#### AUDITOR'S REPORT

Mr. Turville was recalled.

The report of the auditors was taken as read and Mr. Turville was briefly questioned.

On motion of Mr. McCulloch,

*Resolved*,—That the Auditors' Report (Trans-Canada Air Lines) be approved.

Mr. McGregor was recalled.

A discussion arose as to the 1951 Trans-Canada Air Lines budget. The Chairman pointed out that, contrary to last year, the budget had not been referred. Thereupon, Mr. Fulton suggested that the Committee recommend that in the future the budget of Trans-Canada Air Lines be referred along with its Annual Report.

Mr. Howe answered questions with respect to appointments to Board of Directors and the rentals in the ICAO Building in Montreal.

Messrs. McGregor, Turville were retired.

The Chairman thanked the witnesses.

At 4.55 o'clock, the Committee adjourned until Tuesday, April 24, at 10 o'clock to consider its draft report to the House.

ANTONIO PLOUFFE,  
*Clerk of the Committee.*



## Appendix A.

TRANS-CANADA AIR LINES (ATLANTIC) LIMITED  
*Financial Results—North Atlantic & Bermuda-Caribbean Services*  
 Years 1950-1949

	Year 1950		Year 1949	
	North Atlantic	Bermuda-Caribbean	North Atlantic	Bermuda-Caribbean
Operating Revenues.....	\$6,899,519	\$1,445,296	\$9,062,160	\$1,160,227
Operating Expenses Excluding Depreciation..	6,288,897	2,301,599	9,609,781	1,992,605
Surplus or <i>Deficit</i> of Revenues to Operating Expenses before Depreciation and Interest Depreciation.....	\$ 610,622 701,031	\$ 856,303 322,798	\$ 547,621 962,666	\$ 832,378 264,703
Operating <i>Loss</i> after Depreciation.....	\$ 90,409	\$1,179,101	\$1,510,287	\$1,097,081
Interest on Capital Invested.....	185,513	71,389	228,408	62,373
<i>Deficit</i> .....	\$ 275,922	\$1,250,490	\$1,738,695	\$1,159,454
Percent to total Atlantic Services <i>Deficit</i> ....	18%	82%	60%	40%

## Appendix B.

TRANS-CANADA AIR LINES (ATLANTIC) LIMITED  
 OPERATIONS AND TRAFFIC REVIEW  
*North Atlantic & Bermuda—Caribbean Services*  
 Years 1950 & 1949

	North Atlantic		Bermuda-Caribbean	
	1950	1949	1950	1949
Revenue Miles Flown.....	2,173,270	3,329,679	1,017,695	828,844
Revenue Passengers Carried.....	17,749	24,901	14,952	11,611
Mail Ton Miles.....	390,044	400,548	4,295	4,355
Commodity Ton Miles.....	1,298,978	1,442,889	223,017	135,098
Revenue Passenger Miles.....	53,060,008	79,829,877	21,412,291	15,881,947
Available Seat Miles.....	75,657,812	117,528,156	40,341,252	32,330,814
Available Ton Miles.....	11,292,896	16,356,398	5,932,864	4,403,299
Revenue Ton Miles.....	7,839,664	11,077,453	2,735,819	1,993,908



## Appendix C.

## TRANS-CANADA AIR LINES

*Passengers Carried—By Months  
Year 1950*

	North American Services	North Atlantic Service	Bermuda and Caribbean Service	All Services
January.....	40,773	1,058	1,207	43,038
February.....	44,469	1,055	1,669	47,193
March.....	55,067	1,451	2,385	58,903
April.....	64,310	1,376	2,190	67,876
May.....	67,930	1,397	758	70,085
June.....	76,314	1,977	820	79,111
July.....	73,652	2,037	1,002	76,691
August.....	89,372	1,916	931	92,219
September.....	80,448	2,196	1,118	83,762
October.....	75,504	1,373	901	77,778
November.....	62,112	844	783	63,739
December.....	60,857	1,069	1,188	63,114
	790,808	17,749	14,952	823,509

## Appendix D.

## TRANS-CANADA AIR LINES

*Basis of Rental—City Traffic Office—Montreal*

AVIATION BUILDING—1,582 square feet.	
Rental May 1, 1951 to May 1, 1952.....	\$10,000 per annum or \$6.32 per square foot.
As from May 1, 1952.....	\$11,000 per annum or \$7.00 per square foot.
PEEL AND BURNSIDE OFFICE—2,191 square feet.	
Rental per annum.....	\$7,830
exclusive of:	
Cleaning.....	} approx. \$2,600 per annum.
Janitor Service.....	
Lighting.....	
After hour Heating.....	
TOTAL per year.....	\$10,430 or \$4.76 per square foot.



## EVIDENCE

HOUSE OF COMMONS,  
APRIL 23, 1951.

The Sessional Committee on Railways and Shipping met this day at 11.00 a.m.

The CHAIRMAN: Gentlemen we have a quorum. We have with us today Right Hon. Mr. Howe, and Mr. Gordon McGregor, president of T.C.A., and his officials.

Shall Mr. McGregor read his report?

Mr. FULTON: I so move.

Mr. MACDONNELL: Is it the practice to have the report read through and then have questions asked afterwards?

The CHAIRMAN: That is right.

I might say that along with Mr. McGregor we have Mr. W. S. Harvey, general auditor, Mr. R. C. McInnis, director of public relations.

Will you carry on, Mr. McGregor?

Mr. MCGREGOR:

### TRANS-CANADA AIR LINES

MONTREAL, FEBRUARY 28, 1951.

To the Right Honourable,  
the Minister of Trade and Commerce, Ottawa.

Sir:

The Board of Directors submit the consolidated Reports of the Trans-Canada Air Lines domestic and overseas services for the calendar year 1950.

The system as a whole during this period not only provided the greatest amount of air transportation in its history but also achieved a much improved financial position.

It is gratifying to report a surplus for North American operations and a reduced deficit for overseas operations, approximately half that of 1949. These were the results of a general increase in patronage coupled with an improvement in operating efficiency.

The total revenue mileage flown by the Company increased by 6% over 1949, with 5% fewer employees and with a fleet that remained unchanged in size.

T.C.A.'s 20 North Stars and 27 DC-3's performed well, again proving themselves a well-balanced and efficient group of aircraft.



## DETAIL

## TRANS-CANADA AIR LINES—NORTH AMERICAN SERVICES

## FINANCIAL REVIEW

There follows a tabulation of the 1950 operating results compared with those of 1949:

	1950	1949	Increase or Amount	Decrease Per Cent
Operating Revenues .....	\$31,810,684	\$26,523,969	\$ 5,286,715	20
Operating Expenses Excluding Depreciation .....	28,365,271	24,605,301	3,759,970	15
Surplus of Revenues over Operating Expenses before Depreciation and Interest .....	\$ 3,445,413	\$ 1,918,668		
Depreciation .....	2,751,109	2,867,427	116,318	4
Operating Profit or Loss after Depreciation .....	\$ 694,304	\$ 948,759		
Interest on Capital Invested .....	493,098	470,685	22,413	5
Surplus or Deficit .....	\$ 201,206	\$ 1,419,444		

Passenger revenue totalled \$24,183,501, increasing by \$4,723,106 or 24%. Commodity revenues rose by \$467,452, an increase of 46%. Revenue from Sales and Services increased by \$44,731 or 11%. Other revenues increased by \$51,426. Passenger revenue contributed 76% of the total, mail revenue 17% and commodity revenue 5%.

The year's higher operating expenses were due principally to the continued development and expansion of the Company's services. Revenue miles flown increased by 14%, and this, of course, involved additional charges for aircraft maintenance, gasoline consumption, passenger handling and many other related items.

The continued trend towards higher wage and price levels was also reflected in the Company's accounts. Payroll chargeable to operating expenses rose by \$1,250,838.

In spite of these circumstances, however, the increase in productivity of both personnel and equipment was such that the unit cost of providing transport dropped 7%. Cost control policies were enforced and there was a continuing awareness throughout the organization of the need for economies.

## OPERATIONS AND TRAFFIC REVIEW

Traffic moving on TCA's services in 1950 was of record proportions in all categories.

	1950	1949	Per cent Increase
Revenue Miles Flown .....	\$ 18,648,390	16,364,733	14
Revenue Passengers Carried .....	790,808	648,574	22
Mail Ton Miles .....	3,644,752	3,403,810	7
Aircargo Ton Miles .....	2,319,712	1,053,996	120
Air Express Ton Miles .....	998,479	884,112	13
Revenue Passenger Miles .....	379,605,810	310,699,767	22
Available Seat Miles .....	548,850,808	459,842,123	19
Available Ton Miles .....	77,369,710	63,449,171	22
Revenue Ton Miles .....	44,258,785	35,843,949	23

*Service Development*

Growth of air service took the form of increased flight frequency on existing routes, rather than geographic expansion of operations.

The inauguration of TCA service between Montreal and New York on April 1 was the only exception to that general rule. This constituted an important addition to TCA's route structure, completing, with the Toronto services, a



triangular pattern of considerable economic significance. Initial scheduling called for three daily flights with North Star equipment. Early loads have been satisfactory and there is every reason to expect that this Canadian operation between the two largest cities of their respective countries will prove a national asset.

From mid-May until September, a fourth daily transcontinental North Star service was operated between Toronto and Vancouver to cope with summer travel requirements.

### *Passenger Traffic*

Passenger traffic continued to be the dominant source of Company revenues, with the popularity of air travel gaining further momentum throughout the year. In the past five years, the volume of TCA's North American passenger business has risen by 332 per cent.

Giving powerful impetus to this wider acceptance were a growing reputation for schedule reliability, the absence of any increase in the price of air transport and a program of promotional activity which brought more forcibly to the attention of Canadians the air services now available to them.

Particularly gratifying in 1950 was the unmistakable trend away from major fluctuations in seasonal air travel. Although considerable variation still existed between summer and winter loads, there was a decided increase in traffic volume during the low months. October passenger traffic was only 5 per cent less than that of September as compared with an 11 per cent decrease in the same two months of 1949. November and December figures gave similar results. Here credit is due to the high level of operating performance throughout the year that did much to allay the not uncommon doubt of air transportation's ability to maintain scheduled service in the winter period. To counter such impressions, the Company was able in 1950 to point to 97 per cent of scheduled mileage completed and the dispatching on schedule of 85 per cent of all flights.

There was no increase in the cost of air transportation to the public, airline tariffs remaining a notable exception to the general rule of rising prices. No major fare changes occurred, and what minor adjustments there were took a generally downward direction. Seasonal excursion fares were introduced on the Prairie DC-3 services, between Ottawa, Montreal and New York and between Victoria and Seattle. Reductions of standard fares took place on several Eastern Canadian routes. On October 1, the Family Fare plan was reintroduced and a special discount made available for convention travel. Revaluation of the Canadian dollar in September resulted in some decreases in Canadian fund fares to United States points, but had the opposite effect upon some northbound passenger traffic originating in the United States.

The national railway strike presented TCA with the opportunity of introducing thousands of persons to air travel for the first time and it has since become apparent that many of these enforced "first fliers" continued to use air services.

### *Mail Traffic*

TCA continued the general carriage of first-class mail. Its volume would have been greater than in 1949 in any case, but the major demand put upon the airline by the rail strike resulted in a 7 per cent increase in aggregate load.

Throughout the year, the Company received mail pay on the basis of the interim agreement reached with the Post Office Department at the time of the introduction of the "all-up" service in 1948. This called for a fixed monthly payment of \$450,000. But towards the end of 1950 there were indications that it would be possible to negotiate a mail contract having as its essential features a sliding scale of payments based upon increasing mail volume and very substantial reductions in payment by the Post Office per ton mile of mail carried.



### Commodity Traffic

Although the volume of air express and cargo traffic continued to be small in comparison to that of passengers and mail, a further healthy growth was recorded. Air express and aircargo rates were also free of increases and with surface transport tariffs on the rise, the airline's competitive position was improved.

Company research into specialized marketing problems, including light-weight packaging techniques, did much to stimulate use of its shipping services.

### Routes

At December 31, 1950, Trans-Canada Air Lines was providing service for passenger, mail and commodity traffic over nationwide routes totalling 8,362 miles. This was an increase of 277 miles or 3 per cent over 1949. The route map on pages 12 and 13 illustrates the geographic scope of the Company's operations.

### Airway Facilities

The co-operative relationship between the Department of Transport and TCA continued to encourage an orderly development of Canada's civil aviation facilities, although curtailment of Departmental appropriations for this purpose made necessary the postponement of a number of airway and airport projects.

Important runway extensions took place at Toronto and Sydney and instrument landing equipment was installed at several more points. These undertakings had the effect of simplifying airline operations.

The city of Vancouver constructed an interim airport administration building, adequate for present needs, to replace the previous structure destroyed by fire.

DETAIL

## TRANS-CANADA AIR LINES (ATLANTIC) LIMITED

### FINANCIAL REVIEW

The following is a tabulation of the year's financial results for the North Atlantic, Caribbean and Bermuda services and a comparison with 1949:

	1950	1949	Decrease	
			Amount	Per Cent
Operating Revenues .....	\$8,344,815	\$10,222,387	\$1,877,572	18
Operating Expenses Excluding Depreciation..	8,590,496	11,602,386	3,011,890	26
<i>Deficit</i> of Revenues to Operating Expenses before Depreciation and Interest .....	\$ 245,681	\$ 1,379,999		
Depreciation .....	1,023,829	1,227,369	203,540	17
Operating <i>Loss</i> after Depreciation .....	\$1,269,510	\$ 2,607,368		
Interest on Capital Invested .....	256,902	290,781	33,879	12
<i>Deficit</i> .....	\$1,526,412	\$ 2,898,149		

Of the \$1,526,412 net deficit, the North Atlantic services were responsible for only \$275,922.

Passenger traffic on scheduled operations accounted for revenue of \$6,027,010, decreasing by \$1,068,677 or 15 per cent. Mail revenue totalled \$1,177,428. Commodity revenues amounted to \$822,331, an increase of \$30,087 or 4 per cent. Revenue from Sales and Services decreased by \$43,367 or 20 per cent. Revenue from charter services fell from \$878,842 in 1949 to \$98,093 in 1950, a decline of 89 per cent, resulting from discontinuation of the immigrant air charter plan in March of the previous year. Passenger revenue contributed 72 per cent of the total, mail revenue 14 per cent and commodity revenue 10 per cent.



Fare reductions for off-season and excursion travel lowered the average revenue per passenger from \$212 in 1949 to \$187 in 1950.

Increased competition on the North Atlantic route left its mark upon passenger revenues. In 1950, British Overseas Airways Corporation intensified service to a considerable extent, while KLM, Air France, and a charter operator were licensed to operate between Montreal and Continental Europe. TCA carried the major portion of overseas traffic but the share was smaller than in 1949.

Although Caribbean and Bermuda traffic showed some growth, this result was achieved in spite of increasingly severe travel restrictions applied by the Caribbean authorities upon the Canadian carrier.

In spite of these factors, the Company was able to effect a considerable improvement in its net financial results. The situation on the North Atlantic justified some reduction in overseas flight frequency, particularly as it was possible to transfer aircraft and crews advantageously to expanded domestic operations.

#### OPERATIONS AND TRAFFIC REVIEW

A comparison of TCA's combined North Atlantic, Caribbean and Bermuda flying in 1950 and 1949 follows:

	1950	1949	Per Cent Decrease
Revenue Miles Flown .....	3,190,965	4,158,523	23
Revenue Passengers Carried .....	32,701	36,512	10
Mail Ton Miles .....	394,339	404,903	3
Commodity Ton Miles .....	1,521,995	1,577,987	4
Revenue Passenger Miles .....	74,472,299	95,711,824	22
Available Seat Miles .....	115,999,064	149,858,970	23
Available Ton Miles .....	17,225,760	20,759,697	17
Revenue Ton Miles .....	10,575,483	13,071,361	19

#### Service Development

TCA's summer schedule between Canada and the British Isles called for a daily round flight, with second sections being operated when needed. This frequency was cut back to some extent during the winter season. The North Atlantic was crossed 656 times in scheduled and non-scheduled service as compared with 996 times in the previous year. Peak scheduling in 1949 called for two daily round flights.

On the other hand, there were moderate seasonal increases in Caribbean and Bermuda operations.

The Company began the first direct air service between Canada and the Southern United States on April 2, when Tampa, Florida was included in the Caribbean flight schedule. This called for little additional flying, but threw open a considerable vacation travel potential between Canada, Florida and the British West Indies.

#### Passenger Traffic

The airline carried 17,340 passengers on scheduled North Atlantic services during 1950, as compared with 21,872 in the previous year. Passengers on the southern services numbered 14,952, an increase of 3,409.

In the interests of reducing seasonal fluctuation of trans-Atlantic traffic, TCA and the other international operators introduced an off and on season passenger tariff schedule that provides a combination of return fares varying with the actual season of travel. Fifteen day summer excursion fares were offered on the Caribbean services and 30-day excursion fares to Bermuda.

On November 1, there was a general industry increase in North Atlantic passenger fares, but in the case of TCA this was largely absorbed later by the tariff adjustments that followed revaluation of the Canadian dollar.



Much of the North Atlantic traffic that might have been expected from the Holy Year observances in Rome was taken by the non-scheduled operators.

In December, the Company entered into an agreement with the Canadian Government for air transport of immigrants from the United Kingdom and Continental Europe. Under its terms, an immigrant may fly from London, Prestwick or Shannon to Montreal or points east of Montreal at a reduced price, the balance of the normal one-way fare being paid by the Government to the airline. This had no effect upon TCA revenues in 1950, but showed some promise of strengthening westbound loads in early 1951. The agreement is valid until March 31, when it becomes subject to review. TCA offices overseas are co-operating fully with the Department of Citizenship and Immigration in the stimulation of immigrant travel.

### *Mail Traffic*

The volume of North Atlantic mail remained virtually unchanged. It continued to be the case that TCA was given little of this traffic on the southern services.

### *Commodity Traffic*

North Atlantic cargo traffic was on much the same scale as in 1949. With fewer flights scheduled, however, individual loads tended to be considerably greater and many westbound operations took place with capacity cargo.

In spite of Caribbean trade restrictions, the volume of aircargo on the southern services increased by 65 per cent. This, however, was a mere fraction of what could be achieved under normal commercial conditions.

### *Routes*

TCA's overseas routes now total 8,477 miles, touching at England, Scotland, Ireland, Bermuda, the Bahamas, Jamaica, Barbados and Trinidad.

## GENERAL

### *Balance Sheet*

There was evident a continued improvement in TCA's financial position during 1950. Working Capital was ample and the investment in Property and Equipment remained constant at \$30,000,000 in spite of the expansion in traffic.

The Company's self-insurance fund increased by \$419,233 during the year and now totals \$4,078,941. Extending the policy established in 1949, accruals for hull, passenger and public liability insurance were suspended in the North American services as the income from the fund's investments was sufficient to maintain the reserve at slightly in excess of the desired level of \$3,000,000.

The aircraft major overhaul reserve, established in 1949, was increased to \$860,000 to provide for the anticipated expense of the overhaul program.

Depreciation funds in excess of Capital requirements increased by \$5,000,000 and periodically throughout the year the surplus was employed to purchase securities. At December 31, investments amounted to \$4,500,000 in CNR 2½ per cent bonds and \$1,500,000 in 3 per cent Provincial bonds.

### *Personnel*

The airline's work was done with a more compact staff than in 1949. Personnel at December 31 numbered 4,904, as compared with 5,137 a year previously.

Completion of aircraft overhaul projects resulted in some necessary reductions in engineering and maintenance establishments.

TCA continued to grow in experience and it is indicative that by the end of the year almost all TCA Captains had flown more than 1,000,000 miles in commercial air service.

### *Property and Equipment*

During the year, the program of major overhaul of the Company's DC-3 fleet was completed. Several important modifications were made to the North



Stars, including the installation of an improved cabin pressurization system. As a result, aircraft performance exceeded even the fine record of 1949.

The North Stars assigned to the overseas operations provided a service that compared more than favourably in regularity and dependability with those of the Company's competitors. The most outstanding demonstration of performance occurred in October, when 30 of the 31 eastbound flights on the 3,000 mile North Atlantic route arrived at destination on or ahead of schedule.

The Company was able to restrict its expenditures for ground facilities to a very small aggregate amount, considering the size of the enterprise. A hangar building was purchased at Vancouver and a new and better-equipped Montreal Ticket Office opened in the International Aviation Building, but other than this there were no changes of major consequence.

#### *Emergency Transport Services*

Conditions created in Manitoba by the serious flooding of the Red River required a large amount of emergency TCA transportation. From May 8 to May 13 the airline operated, in addition to its regular service, approximately 40 special round trip flights between Winnipeg and Eastern Canada. Over 500,000 pounds of relief supplies were carried and 2,500 persons were evacuated.

During the 9-day period of the railway strike, 125,000 extra miles were flown for the movement of essential mainline traffic. Although this represented a 25 per cent increase over the normal daily schedule, the operational expansion was accomplished efficiently and flights in general remained close to schedule. Personnel worked 20,000 hours of overtime and it was due to their willing and effective support that the Company was able to discharge its responsibilities, both on this occasion and at the time of the flood. The heavy cost of providing the emergency services minimized any financial advantage to the airline.

Such demonstrations of TCA's ability to meet essential transportation needs under conditions of national crisis are naturally a source of gratification to the Company.

#### *Flight Equipment*

Although the existing TCA fleet was fully adequate in 1950, and continues to meet requirements, the airline remains alert to contemporary design trends. The technical staff is thoroughly conversant with current developments in the field of aircraft propulsion and when the time comes for fleet re-equipment, the airline will be in a position to make a reasoned choice. That step will not be taken until Management is in the possession of the fullest operational and cost data and few, if any, manufacturers today are able to provide such comprehensive information regarding new aircraft types.

#### *The Air Transport Prospect*

In April, the North Atlantic service will be extended to include Paris, but no other major route additions are at present foreseen.

The improvement of the past year's financial results will, it is believed, continue to be apparent in 1951. Due regard must, however, be taken of the general rise in wages and prices and of the existence of many artificial barriers to international trade and travel.

Fortunately, the airline is well fortified with both human and material resources. Higher revenues will almost certainly be attained and the most careful control of expenses will be exerted.

TCA will continue to provide air transportation at the lowest possible price consistent with the maintenance of its standards. It will endeavour to widen its markets and increase the scope and value of the enterprise to Canada and Canadians.



*Appreciation*

The success of the Company in 1950, both operational and financial, could not have occurred without the service loyally given by staff. The ability and team work of TCA personnel continued to be deserving of high praise and the airline can take satisfaction in the quality of its working force. For the splendid support of employees the Board of Directors once again extend sincere appreciation.

For the Directors,

G. R. MCGREGOR

*President.*



## CONSOLIDATED BALANCE SHEET AT 31st DECEMBER, 1950

ASSETS		LIABILITIES	
<b>CURRENT ASSETS:</b>			
Cash.....	\$2,969,096.54	<b>CURRENT LIABILITIES:</b>	
Working Fund Advances.....	11,402.50	Audited Accounts Payable.....	\$ 885,113.09
Temporary Cash Investments at cost.....	6,000,935.00	Accrued Accounts Payable.....	1,385,661.84
Special Deposits.....	8,133.99	Traffic Balances Payable to Other Carriers.....	1,021,023.20
Accounts Receivable.....	2,719,128.13	Air Travel Plan Deposits.....	760,325.00
Traffic Balances Receivable from Other Carriers.....	910,205.85	Salaries and Wages.....	684,986.87
Balances Receivable from Agents.....	462,407.89	Prepaid Transportation.....	1,068,125.78
Government of Canada—balance of deficit.....	95,050.63	Other Current Liabilities.....	38,973.94
Material and Supplies.....	1,706,119.23		<u>\$ 5,844,209.72</u>
Interest Receivable.....	59,213.71		
	<u>\$14,941,693.47</u>	<b>RESERVES:</b>	
		Insurance.....	\$ 4,078,941.20
<b>DEFERRED CHARGES:</b>		Overhaul.....	860,764.38
Prepayments.....	\$ 33,993.74		<u>4,939,705.58</u>
Other Deferred Charges.....	26,548.45	<b>CAPITAL STOCK:</b>	
	<u>60,542.19</u>	Common Stock—fully paid.....	25,000,000.00
<b>INSURANCE FUND.....</b>			
	4,078,941.20	<b>PROFIT AND LOSS:</b>	
<b>INVESTMENTS IN JOINT ASSOCIATION.....</b>		Atlantic Services—Deficit Year 1950.....	\$ 1,526,411.56
	20,575.73	North American Services Surplus Year 1950.....	201,205.93
<b>CAPITAL ASSETS:</b>			<u>\$ 1,325,205.63</u>
Property and Equipment.....	\$30,126,909.42	Charged to Government of Canada.....	1,325,205.63
Less Accrued Depreciation.....	13,444,746.71		<u>—</u>
	<u>16,682,162.71</u>		
	<u>\$35,783,915.30</u>		<u>\$35,783,915.30</u>

T. H. COOPER,  
Comptroller.

### CERTIFICATE OF AUDITORS

We have examined the books and records of the Trans-Canada Air Lines and its Subsidiary Company for the year ended the 31st December, 1950. We certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Air Lines as at the 31st December, 1950, and that the relative Income Accounts for the year ended the 31st December, 1950, are correctly stated. We are reporting to Parliament in respect of our annual audit.

GEORGE A. TOUCHE & CO.,  
Chartered Accountants.

28th February, 1951.



## INCOME ACCOUNTS

NORTH AMERICAN SERVICES		ATLANTIC SERVICES	
Year	Year	Year	Year
1950	1949	1950	1949
OPERATING REVENUES:			
\$24,183,500.60	\$19,460,394.52	Passenger .....	\$ 6,027,009.91 \$ 7,095,687.04
5,400,000.00	5,400,000.00	Mail .....	1,177,427.84 1,178,653.41
1,473,254.68	1,005,803.36	Express and Cargo .....	822,311.21 792,243.28
194,573.17	155,809.07	Excess Baggage .....	41,463.33 55,017.83
118,920.64	106,257.92	Charter and Other .....	98,355.40 879,190.82
440,435.21	395,704.38	Incidental Services—Net .....	178,227.04 221,594.24
<u>\$31,810,684.30</u>	<u>\$26,523,969.25</u>	Total .....	<u>\$ 8,344,814.73</u> <u>\$10,222,386.62</u>

## OPERATING EXPENSES—EXCLUDING DEPRECIATION:

\$ 6,846,268.62	\$ 6,334,459.95	Flight Operations .....	\$ 2,161,772.70	\$ 3,022,061.39
6,205,210.36	4,583,226.35	Flight Equipment Maintenance ..	1,505,597.33	2,113,024.54
4,443,179.64	4,158,908.72	Ground Operations .....	1,503,933.31	1,848,764.77
3,558,917.03	3,260,681.07	Ground and Indirect Maintenance	1,289,333.39	1,796,806.08
1,620,623.64	1,508,178.15	Passenger Service .....	432,382.97	603,875.22
3,324,217.30	2,769,949.30	Traffic and Sales .....	907,764.58	1,184,296.65
929,195.35	586,719.39	Advertising and Publicity .....	253,742.60	250,842.09
1,639,892.05	1,504,368.17	General and Administrative ....	508,033.33	667,785.93
202,232.48	101,189.53	Miscellaneous Income—Net .....	27,935.89	114,929.20
<u>\$28,365,271.51</u>	<u>\$24,605,301.57</u>	Total .....	<u>\$ 8,590,496.10</u>	<u>\$11,602,385.87</u>

Surplus of *Deficit* of Revenues over

\$ 3,445,412.79	\$ 1,918,667.68	Operating Expenses before Depre-	\$ 245,681.37	\$ 1,379,999.25
2,751,108.88	2,867,426.81	ciation and Interest .....	1,023,828.17	1,227,369.02
		DEPRECIATION .....		
\$ 694,303.91	\$ 948,759.13	Operating Profit or <i>Loss</i> .....	\$ 1,269,509.54	\$ 2,607,368.27
493,097.98	470,684.77	Interest on Capital Invested .....	256,902.02	290,780.99
\$ 201,205.93	\$ 1,419,443.90	Surplus or <i>Deficit</i> .....	\$ 1,526,411.56	\$ 2,898,149.26

## 5100 FLIGHT OPERATIONS

\$1,950,288.42	\$1,682,547.81	23 Captains and First Officers.....	\$ 362,900.42	\$ 489,256.71
—	—	24 Other Flight Personnel.....	176,958.53	273,014.35
1,643.63	72,560.51	28 Training—Salaries and Expenses.....	326.67	14,946.69
173,947.15	164,464.19	36 Travel and Incidental.....	69,136.69	100,053.38
4,707,011.34	4,094,937.68	45 Aircraft Engine Fuel and Oil.....	1,215,830.12	1,730,743.97
10,762.79	9,263.88	53 Other Supplies .....	2,588.75	6,919.16
—	296,183.29	55 Flight Equipment Insurance.....	329,470.80	404,418.27
2,615.29	14,502.59	74 Other Expenses .....	4,560.72	2,708.86
<u>\$6,846,268.62</u>	<u>\$6,334,459.95</u>		<u>\$2,161,772.70</u>	<u>\$3,022,061.39</u>

## 5200 FLIGHT EQUIPMENT MAINTENANCE

\$1,027,955.30	\$ 796,479.49	25 Aircraft—Labour .....	\$ 190,901.93	\$ 276,289.57
830,497.31	864,295.56	26 Aircraft Engine—Labour .....	192,602.30	413,475.02
220,010.90	210,838.78	27 Aircraft Other Equipment—Labour..	47,883.08	73,860.86
1,452,247.58	667,842.29	46 Aircraft—Material, etc. ....	433,620.14	269,279.78
2,027,520.74	1,894,115.69	47 Aircraft Engine—Material, etc.....	532,628.46	994,671.38
331,978.53	149,654.54	48 Aircraft Other Equipment—		
		Material, etc. ....	107,961.42	85,447.93
315,000.00	—	70 Aircraft Overhaul—Reserve provision	—	—
<u>\$6,205,210.36</u>	<u>\$4,583,226.35</u>		<u>\$1,505,597.33</u>	<u>\$2,113,024.54</u>



## NORTH AMERICAN SERVICES

Year 1950	Year 1949
--------------	--------------

\$ 236,860.73	\$ 228,547.58
264,239.99	259,569.85
24,985.80	32,787.95
287,206.91	360,338.35
801,914.29	700,248.69
156,618.49	147,212.84
297,056.90	310,559.68
206,612.48	171,906.29
284,584.74	255,861.39
89,938.19	116,838.39
196,540.54	199,847.18
45,380.75	48,002.87
254,133.02	225,405.46
99,390.25	95,711.92
230,965.52	180,139.22
160,350.76	135,539.40
637,024.47	524,992.15
8,828.14	18,856.53
58,250.00	55,136.27
49,391.51	49,030.22
567.32	625.00
52,338.84	41,751.49
<b>\$4,443,179.64</b>	<b>\$4,158,908.72</b>

## ATLANTIC SERVICES

Year 1950	Year 1949
--------------	--------------

\$ 157,843.60	\$ 181,494.91
129,755.91	110,963.29
8,248.75	21,657.96
126,554.87	171,122.19
170,480.15	161,556.98
77,380.09	85,190.47
16,422.51	16,218.03
25,655.35	25,742.91
151,917.29	175,044.54
68,049.36	110,936.33
78,987.89	76,067.42
5,838.77	7,464.11
—	154,292.27
42,493.29	33,744.31
88,864.86	107,777.23
60,124.09	55,773.59
179,396.86	213,141.87
3,163.58	17,546.66
23,326.16	40,822.62
17,537.77	17,547.14
405.18	—
71,486.98	64,659.94
<b>\$1,503,933.31</b>	<b>\$1,848,764.77</b>

## 6100 GROUND OPERATIONS

\$ 170,258.16	\$ 160,654.54
544,646.18	555,734.81
254,443.46	241,512.09
17,933.15	21,786.20
342,335.82	276,759.13
222,419.28	207,227.31
222,118.39	192,306.38
119,652.97	204,210.07
495,016.45	386,433.23
108,661.89	99,707.63
21,428.81	21,939.59
125,217.25	115,522.54
172,881.41	168,641.19
63,166.15	43,307.75
338,692.95	258,043.34
207,072.72	163,203.43
30,287.45	41,847.85
29,681.75	37,988.22
2,892.68	14,301.23
91.24	104.94
75,804.23	78,052.06
<b>\$3,558,917.03</b>	<b>\$3,260,681.07</b>

## 6200 GROUND AND INDIRECT MAINTENANCE

\$ 46,934.72	\$ 53,300.19
193,383.37	295,276.93
93,350.81	135,894.24
5,297.43	20,720.86
117,622.45	178,251.67
51,207.87	73,896.52
81,621.40	111,856.24
112,857.19	130,193.38
178,792.42	257,001.92
28,279.99	40,748.49
8,959.25	16,382.34
45,388.66	60,920.76
74,385.68	98,201.56
7,266.35	11,946.20
124,983.16	140,598.80
69,829.88	89,084.27
12,732.14	23,877.15
8,739.41	15,313.79
10,617.08	14,868.31
20.56	10.04
38,297.73	58,199.04
<b>\$1,289,333.39</b>	<b>\$1,796,806.08</b>

## 6300 PASSENGER SERVICE

\$ 25,895.08	\$ 34,327.25
478,541.52	398,964.65
5,112.37	7,320.04
1,602.68	6,861.51
122,317.38	103,595.65
35,750.84	32,858.21
398.09	1,115.29
583,732.98	542,477.94
159,538.60	128,164.24
—	71,070.58
132,614.80	101,918.36
57,091.87	58,690.89
18,027.43	20,813.54
<b>\$1,620,623.64</b>	<b>\$1,508,178.15</b>

\$ 11,092.82	\$ 18,189.04
139,562.04	169,158.82
2,402.15	4,685.18
791.19	3,158.48
42,086.60	57,723.80
21,160.81	22,825.92
107.90	514.27
99,884.05	120,802.42
31,314.18	29,707.10
31,621.78	38,653.88
32,511.35	118,373.20
14,314.36	11,811.84
5,533.74	8,271.27
<b>\$ 432,382.97</b>	<b>\$ 603,875.22</b>



## SESSIONAL COMMITTEE

## NORTH AMERICAN SERVICES

Year 1950	Year 1949
\$ 102,938.12	\$ 122,158.07
244,478.98	174,524.69
25,493.58	21,922.89
1,618.15	1,344.96
555,233.23	462,518.21
590,766.06	469,316.59
205,288.09	178,911.86
299,414.25	244,148.10
195,407.66	180,098.49
288,500.63	205,481.37
11,502.43	11,655.00
433,010.48	405,602.14
46,501.34	45,278.86
212,022.98	143,976.33
66,213.16	71,564.10
1,552.37	1,940.10
5,911.44	2,938.06
38,364.35	26,569.48
<u>\$3,324,217.30</u>	<u>\$2,769,949.30</u>

## ATLANTIC SERVICES

Year 1950	Year 1949
\$ 28,109.77	\$ 52,228.89
66,760.97	74,618.34
6,961.65	9,373.17
441.87	575.04
151,620.02	197,750.47
161,323.14	200,657.13
56,058.94	76,494.08
81,762.39	104,385.94
53,360.84	77,001.42
78,782.16	87,853.92
3,141.02	4,983.11
118,249.81	173,415.90
12,698.33	19,359.05
57,898.06	61,557.33
18,081.12	30,597.36
423.91	829.50
1,614.26	1,256.17
10,476.32	11,359.83
<u>\$ 907,764.58</u>	<u>\$1,184,296.65</u>

## 6400 TRAFFIC AND SALES

21 General Officers and Superintendents..	\$	28,109.77	\$	52,228.89
22 Traffic Supervision .....		66,760.97		74,618.34
28 Training—Salaries .....		6,961.65		9,373.17
29 Building Attendants .....		441.87		575.04
32 Ticketing Employees .....		151,620.02		197,750.47
32 Reservations Employees .....		161,323.14		200,657.13
33 Traffic Solicitors .....		56,058.94		76,494.08
35 Other Employees .....		81,762.39		104,385.94
36 Travel and Incidental .....		53,360.84		77,001.42
37 Telephone, Telegraph and Teletype ...		78,782.16		87,853.92
38 Light, Heat, Power and Water.....		3,141.02		4,983.11
40 Agency Services and Joint Facilities..		118,249.81		173,415.90
43 Other Services .....		12,698.33		19,359.05
44 Office Rentals .....		57,898.06		61,557.33
50 Stationery, Printing and Office Supplies		18,081.12		30,597.36
53 Other Supplies .....		423.91		829.50
64 Memberships .....		1,614.26		1,256.17
74 Other Expenses .....		10,476.32		11,359.83
		<u>\$ 907,764.58</u>		<u>\$1,184,296.65</u>

## 6500 ADVERTISING AND PUBLICITY

21 General Officers and Other Employees	\$	13,180.02	\$	9,129.17
36 Travel and Incidental .....		1,771.33		1,166.12
37 Telephone and Telegraph .....		251.05		195.07
38 Light, Heat, Power and Water.....		50.08		189.74
43 Other Services .....		10,205.36		7,825.15
44 Office Rentals .....		1,287.59		230.59
50 Stationery, Printing and Office Supplies		3,240.85		3,276.80
59 Timetables and Schedules .....		13,989.56		18,039.94
60 Advertising—Space .....		126,719.45		123,443.11
61 Advertising—Other .....		76,666.02		79,229.19
62 Other Promotional & Publicity Expense		4,909.19		6,768.66
74 Other Expenses .....		1,472.10		1,348.55
		<u>\$ 253,742.60</u>		<u>\$ 250,842.09</u>

## 6600 GENERAL AND ADMINISTRATIVE

21 General Officers and Supervision....	\$	29,682.34	\$	30,686.74
22 Administrative Supervision—Other ...		26,305.69		26,336.29
35 Other Employees .....		124,632.39		154,429.21
36 Travel and Incidental .....		17,118.15		70,882.37
37 Telephone and Telegraph .....		4,876.63		5,626.43
38 Light, Heat, Power and Water.....		1,550.26		2,431.46
39 Affiliated Company Charge .....		8,624.00		12,036.00
41 Professional Fees and Expenses .....		6,203.40		5,076.84
44 Office and Equipment Rentals.....		21,678.24		15,026.74
50 Stationery, Printing and Office Supplies		10,212.61		14,979.65
55 Insurance—Public Liability & General		16,936.49		17,372.83
57 Insurance—Employees' Welfare .....		60,193.53		76,832.57
57 Pensions .....		119,053.66		156,947.20
64 Memberships .....		5,662.90		6,579.73
68 Taxes—Payroll .....		19,933.64		24,180.30
69 Taxes—General .....		20,750.19		29,135.33
74 Other Expenses .....		14,619.21		19,226.24
		<u>\$ 508,033.33</u>		<u>\$ 667,785.93</u>

## 5900 FLIGHT EQUIPMENT DEPRECIATION

75 Aircraft .....	\$	445,808.23	\$	582,100.18
76 Aircraft Engines .....		185,327.37		248,726.88
77 Aircraft Spare Parts .....		145,375.57		156,955.80
77 Aircraft Other Equipment .....		134,370.79		130,572.36

## 6900 GROUND FACILITIES DEPRECIATION

78 Ground Property and Equipment.....		284,405.50		252,343.64
		<u>\$2,751,108.88</u>		<u>\$2,867,426.81</u>
		<u>\$1,023,828.17</u>		<u>\$1,227,369.02</u>



The CHAIRMAN: Thank you, Mr. McGregor.

Mr. FULTON: Mr. Chairman, may I ask a question about page 2. Mr. McGregor, can you give me the dates of the original appointments of the directors?

Mr. MCGREGOR: I can obtain them, Mr. Fulton.

Mr. MACDONNELL: Before we ask detailed questions about the report could we just be reminded in a word of the relationship between T.C.A. and the C.N.R., and perhaps also have a word as to the share of the time of the officials, so we will have that in our minds?

Another thing I would like to question concerns the operating reports which are broken into two—first Trans-Canada Air Lines and second, Trans-Canada Air Lines (Atlantic) Limited. Is that just a convenient division inside the four corners of T.C.A. or is there a separate corporation?

Mr. MCGREGOR: Yes, there are two separate corporations.

Mr. MACDONNELL: Well, then, when you come to the end under income accounts—oh, yes, I see they are separate there too.

Mr. MCGREGOR: The only thing that is combined, sir, is the consolidated balance sheet which is a report on a system basis.

Right Hon. Mr. HOWE: The stock ownership of T.C.A. is in the hands of the Canadian National Railways.

Mr. MACDONNELL: And, indirectly, T.C.A. (Atlantic) Limited.

Right Hon. Mr. HOWE: Yes, it is exactly the same ownership.

With respect to directors four are appointed by the C.N.R. and are also directors of the railway, and three are appointed by the government. The question was asked: When were those men appointed? Wilfrid Gagnon was appointed when this corporation was organized.

Mr. FULTON: In 1937?

Right Hon. Mr. HOWE: Yes, I think so.

Donald Gordon was appointed when he became president of the railway, succeeding Mr. R. C. Vaughan.

J. A. Northey was an original director; H. J. Symington was an original director, and at the time president of the air line.

C. P. Edwards is an original director; R. A. C. Henry was appointed in 1949; and Mr. McGregor was appointed when he assumed the presidency in 1948.

Mr. FULTON: Thank you. There was one statement you made, Mr. Howe, in reply to Mr. Macdonnell and I wonder whether I understood you correctly. It was that Trans-Canada Air Lines (Atlantic) Limited is owned directly by the Canadian National Railways. Is there not an intermediate stage? Are they not owned by Trans-Canada Air Lines which in turn is owned by the Canadian National Railways?

Mr. MCGREGOR: As far as ownership is concerned it is correct that Trans-Canada Air Lines is the only issuer of stock. That is bought by the Canadian National Railways and it in turn finances the operation of Trans-Canada Air Lines (Atlantic) Limited.

Mr. FULTON: Do they do that on a share capital basis?

Mr. MCGREGOR: All the equipment is owned by Trans-Canada Air Lines.

Right Hon. Mr. HOWE: Trans-Canada Air Lines.

Mr. MCGREGOR: It is owned by Trans-Canada Air Lines, yes.

Right Hon. Mr. HOWE: And certain equipment is allocated to Trans-Canada Air Lines (Atlantic) Limited.

Mr. FULTON: We had that all last year. Mr. McGregor, on page 5 you say "payroll chargeable to operating expenses rose by \$1,250,838". At a later



point you give us the figures on reduction of personnel, amounting to approximately a 4 per cent reduction. Can you make a comment why there was that increase in payroll directly chargeable to operating expenses in view of the reduction you show elsewhere?

Mr. MCGREGOR: Yes, payroll chargeable to operating expenses is virtually the whole payroll of the company. It arises due to the greater unit remuneration paid throughout the organization.

Mr. FULTON: There is no significance in the words "chargeable to operating expenses?"

Mr. MCGREGOR: No.

Mr. FULTON: You could have said that the payroll rose by so much.

Mr. MCGREGOR: Yes.

Mr. FULTON: That is all you mean?

Mr. MCGREGOR: Yes.

Mr. FULTON: I could figure it out, but what would be the average percentage of increase in payroll per employee? It would be quite a substantial increase would it?

Mr. MCGREGOR: I think it would be on the order of 4 or 5 per cent.

Mr. MACDONNELL: Would you say a word about commodity revenues? I notice a particular reference to commodity revenue in the Caribbean service. What is it, for one who is not familiar with your advertising other than for passenger purposes? What do you aim at in this commodity revenue? What is your plan and in what respect is commodity revenue growing?

Mr. MCGREGOR: By commodity revenue we refer to revenues derived from other than passengers or mail cargo—that is air express or air cargo. Our aim is to stimulate that business so that it comes close to filling the cargo capacity which is an automatic by-product of aircraft flown for passenger purposes.

Mr. MACDONNELL: What percentage of your capacity for cargo are you using now?

Mr. MCGREGOR: I would think in the order of 70 per cent.

Mr. MACDONNELL: Do you have any special cargo planes?

Mr. MCGREGOR: We have one aircraft assigned for cargo purposes and fitted without seats.

Mr. MACDONNELL: Is that likely to develop?

Mr. MCGREGOR: Yes, I would think it is very likely to develop because it has progressed very extensively in the United States in the past four or five years. In the United States they are operating several scheduled cargo flights.

Mr. MACDONNELL: What percentage of that is trans-ocean? I really mean north Atlantic; I do not mean Caribbean.

Mr. MCGREGOR: The percentage of Atlantic cargo to total cargo business?

Mr. MACDONNELL: Yes.

Mr. MCGREGOR: Roughly 30 per cent.

Mr. FULTON: Mr. McGregor, you show increases in the general revenue throughout the whole field. Every detail is increased as against 1949—which is gratifying—but you also make reference to substantial services which you rendered during the time of the rail strike and the Winnipeg floods. Was the increased volume then carried a substantial part of the increase over the year or was it, in proportion to the year's operation, relatively small?

Mr. MCGREGOR: Relatively small.

Mr. FULTON: This is a general trend, you would say, rather than the reflection of an emergency situation?



Mr. MCGREGOR: It is apparent in comparison of each month with the corresponding month of the previous year, throughout the year.

The CHAIRMAN: Are there any further questions on page 5? If not, we shall turn to page 6.

Mr. CARTER: Mr. Chairman, I notice reference is made to the new service between Montreal and New York. I was wondering if the possession of Gander was an essential factor in working out the agreements necessary to set up that service?

Mr. MCGREGOR: It is difficult to say. Certainly reference to Gander or certain trading of rights with U.S. operators at Gander came into the bi-lateral negotiations. Whether or not it would have been possible for Canada to acquire the right to operate between Montreal and New York without that trading factor, is a matter of conjecture. I am inclined to think it is only a reasonable thing that a Canadian operator should be permitted to maintain a service between those two cities.

Mr. CARTER: Did it facilitate negotiations?

Mr. MCGREGOR: I think it is true to say it did facilitate negotiations.

Mr. CARTER: I was wondering whether any consideration has been given to a quicker flight between Montreal and Torbay?

Mr. MCGREGOR: Yes. It is a difficult routing problem and we are somewhat restrained by the severe weather conditions at Torbay—which this spring have been atrocious. We are, naturally, very loath to put a big aircraft in there with the risk of having it held on the ground for anything up to days. I think we can look forward to a decrease in the number of stops between Torbay and say Montreal or Ottawa.

The CHAIRMAN: Is there anything more on page 6?

We will turn to page 7.

Mr. MACDONNELL: I notice on page 7 halfway down the middle of the left-hand column "giving powerful impetus to this wider acceptance were a growing reputation for schedule reliability, the absence of any increase in the price of air transport..." and I want to raise this question. I notice that last year in this committee there was considerable discussion as to whether one would regard an operation of this kind as an ordinary commercial operation or whether one would regard it as having other aspects such as public service, prestige value, and so on. I raise this question of the air fares to ask you this: Are they being fixed on what you might call ordinary commercial considerations—that is, trying to make ends meet—because, while we congratulate you on the improvement, there is still a substantial deficit left? I raise that because I know that later on there is a reference to the service which is being given. I want to point out that this is not like a service which is given to the vast mass of the public; this is, it seems to me, a service given to people who are presumably in pretty good position to pay their way. I would like to have an answer to that—whether the restraining from increase, whether keeping fares where they were, was a matter of policy on other grounds or whether you just thought the traffic would not carry any more—that you could not raise fares any higher?

Mr. MCGREGOR: The terms of reference of the company in its original instructions of incorporation provide that the fares shall remain at a reasonable relationship to the fares of other air transportation, and that has been done. Actually T.C.A. is in direct competition with the majority of routes of U.S. air lines which closely parallel it south of the border. If the T.C.A. fare structure rose disproportionately high, as compared with American carriers, we would lose a great deal of traffic to the parallel routes south of the border. It is no great trick for an air traveller who wishes to cross the country to



cross the border twice in the process of doing it, if there is a substantial fare advantage to him by so doing.

The T.C.A. domestic fare structure is related both to that fact and, as you say, to normal commercial considerations of the operation. It varies a few fractions of a cent either side of 6 cents per passenger mile, depending on the length of the flight leg involved—inversely as the flight length, by the way.

Mr. MACDONNELL: Would it be fair to say that you are up to your ceiling—which is the competitive rates of others?

Mr. MCGREGOR: It is a relative matter. If you raised fares you would lose traffic; whether the additional revenue from the increase in fares would more than offset the loss of traffic would depend entirely on the amount of the fare increase.

Mr. MACDONNELL: Let me ask you this final question. You are governed in your figuring of fares purely by ordinary business considerations?

Mr. MCGREGOR: That is correct.

Mr. FULTON: You said last year pretty much along the lines of what you have just said. I asked you "Are you approaching the position where an increase in the net fare charged to the passenger would bring into effect the law of diminishing returns?" You said: "I am certain of it." Then, in elaboration I asked: "By virtue of the competition factor, which you must meet?" and you answered: "Both by other air lines and by rail."

That would still be a statement of your views at the present time?

Mr. MCGREGOR: Yes, that is correct.

Mr. FULTON: Then, on page 7, I would like to ask questions in regard to two matters. One is just a small point, for information. Halfway down the righthand column you refer to the reduction of standard fares and the family fare plan. I remember that last year we had a short discussion about the thing and I think you called it an air credit card.

Mr. MCGREGOR: Yes, we have air travel cards.

Mr. FULTON: My recollection is you indicated you were not pressing it at the present time?

Mr. MCGREGOR: We do not press it unduly. It involves a rather substantial deposit on the part of the holder of the card—\$425. It is a convenience for the type of passenger that is using air service a great deal. Otherwise, it is purely there as a convenience. It involves billing rather than collection for each ticket as it is sold, and this accounting expense is not entirely offset by the deposit in the possession of the air line.

Mr. FULTON: It does not?

Mr. MCGREGOR: No. We are glad to extend it as a service, particularly to the repetitive traveller but, apart from that, there is no reason why the air line should stimulate it in preference to the normal sale of tickets.

Mr. FULTON: That is interesting, and one of the things I was going to come at. Frankly, when it was discussed last year I had not heard of it before. The first time I met up with it from one of the personnel of the company was this year when I was travelling. It was mentioned that you have an air travel card, so I was wondering why you were not advertising that more. You have probably answered it in that it is not that much of an advantage to the company to do so. Do you give \$425 worth of travel for \$400?

Mr. MCGREGOR: No, there is no reduction at all. The deposit is to protect the company's revenues, the holder of the card must maintain a deposit with the company of \$425 and he is billed currently as he uses air travel in order to re-establish that \$425 deposit.

Mr. FRASER: He would have a certain amount of priority too, on seating?



Mr. MCGREGOR: No.

Mr. MACDONNELL: What does he have?

Mr. FULTON: He does not have to carry money or cheques?

Right Hon. Mr. HOWE: It is a convenience if you are travelling all over the United States.

Mr. MCGREGOR: Or all over the world.

Right Hon. Mr. HOWE: Yes, because you can just put the card down on the counter, get your ticket, and pay the bill when you get home. As far as Canadian travelling is concerned it is no convenience at all.

Mr. MCGREGOR: You might be interested in knowing that there are 1,800 of the travel card accounts in existence.

Mr. FULTON: Are they used mostly by the companies who are having their representatives travel a lot?

Mr. MCGREGOR: Yes.

Mr. FULTON: We had a great deal of discussion on mail traffic last year. I see that you say in this year's report that "towards the end of 1950 there were indications that it would be possible to negotiate a mail contract having as its essential features a sliding scale of payments based upon increasing mail volume and very substantial reductions in payment...". Has any further progress been made in that direction?

Mr. MCGREGOR: Yes, the contract has been completed since the effective date of this report.

Mr. FULTON: Can you give us the details of it or what benefits you expect to derive from it?

Mr. MCGREGOR: Yes, I can give that to you in detail.

The benefits derived are perhaps a little questionable in that they involve the performance of a great deal more transportation of mail but it does place mail carriage on a basis of payment that is directly related to the amount of work done—that is remuneration is based on the ton mile unit. It provides for a quite lengthy program of continued expansion of mail carriage.

It is perhaps somewhat outside the bounds of the 1950 report, but if I may I could give you the details. During 1950 the average per month load of mail was in the order of 350,000 ton miles and the contract as now negotiated provides the following: January 1951, 350,000 ton miles for which remuneration would be \$460,000, or \$1.31 per ton mile; in February 375,000 ton miles, payment \$467,000, the rate per ton mile being down from 1.31 to 1.25.

Mr. FULTON: That is cents per ton mile?

Mr. MCGREGOR: That is dollars per ton mile. Now, will I go on reading those three figures by months?

	Ton-miles	Payment	Per ton mile
March .....	400,000	\$473,000	\$1.18
April .....	425,000	480,000	1.13

Now, that condition remains through April, May, June, July, August and September. In October there is a further calculated rise in volume to:

October .....	450,000	\$487,000	\$1.08,
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and that continues from there on.

Mr. FULTON: Well, then, the effect is that you have not been able to negotiate contracts providing for any higher net return per ton mile?

Mr. MCGREGOR: That is correct.

Mr. FULTON: In fact, it is the very reverse, a lower return.

Mr. MCGREGOR: A lower return per ton mile but a committed increase in volume by the post office and, therefore, an increase in the gross revenue from mail.



Right Hon. Mr. HOWE: The result was that at Christmas and, as was much the case in the rail strike, the post office dumped a greatly enlarged amount of air mail. They pay for it now.

Mr. FULTON: Anything in excess of these agreed upon amounts you are now to be paid for.

Mr. MCGREGOR: Yes.

Mr. BENIDICKSON: If you had less than the estimated monthly volume would you still be paid the agreed charge?

Mr. MCGREGOR: Yes, the figures given were minima to which the post office is committed.

Mr. FULTON: It is difficult for a person who does not know all your traffic factors and so on to assess that, but my recollection of last year's evidence was to the effect you felt you were carrying mail at less than you should be receiving for it. You were rendering service for less than you should be receiving, at least on a competitive basis with other Canadian air lines and certainly with respect to some American air lines.

Mr. MCGREGOR: I would say that is only entirely correct with respect to certain months. We could have been required to carry an unlimited quantity of mail in any one month and we had a fixed remuneration per month. The result was that in the heavy mail months such as December we were carrying mail at a very low rate of return per ton mile.

Mr. FULTON: Does that now call for a monthly rate of \$525,000?

Mr. MCGREGOR: No.

Mr. FULTON: Do you feel that that sliding scale you have now arrived at will give you the same relative position or advance as \$520,000 flat would have given you?

Mr. MCGREGOR: It is not as good as we hoped for but it is a better arrangement than we had before.

Mr. MACDONNELL: Do you make or lose money out of it?

Mr. MCGREGOR: We believe we make money out of it.

Mr. FULTON: If that is the case I suppose it is better. Does the Deputy Postmaster General still have a pass on the Trans-Canada Air Lines?

The CHAIRMAN: Just to have this on the record, Mr. McGregor, what is the end result as to the firm commitment for mail carriage this year under the new contract?

Mr. MCGREGOR: 5,025,000 ton miles.

The CHAIRMAN: Would you mind giving the result in dollars?

Mr. MCGREGOR: \$5,741,000.

Mr. McCULLOCH: Why do you prohibit pipe smoking and let cigarette smokers smoke cigarettes on the planes?

Mr. MCGREGOR: It seems to be a well established fact that pipe smoke is more objectionable to other passengers than is cigarette smoke.

Some Hon. MEMBERS: Hear, hear.

Mr. McCULLOCH: I do not agree with that.

Mr. MCGREGOR: It depends, sir, a great deal on the condition of the pipe.

Mr. McCULLOCH: I know that coming down from Churchill the other day the passengers were all smoking cigarettes and I could not smoke a pipe for six hours.

The CHAIRMAN: Now, we are on page 8.

Mr. MACDONNELL: Without wanting to get involved in a complicated discussion of cost accounting, could you indicate just how far you go—I know it is a difficult thing to do—in assessing your cost of doing that; I mean, I would like



to know how you arrive at your cost of mail carriage, as compared to the carriage of passengers.

Mr. MCGREGOR: As you say, it is a very difficult thing to say that a ton of mail costs so much to carry and a ton of passengers costs so much to carry, but this is true, and it comes up very strongly in discussions with the post office, regarding mail pay, that the company is relieved of certain expenses in connection with the transportation of a ton of mail that it must incur with the transportation of a ton of passengers such as feeding, ticketing, escorting to the aircraft, and away from it, and the type of thing that we do not have to do in connection with the transportation of mail.

Mr. MACDONNELL: And advertising?

Mr. MCGREGOR: Advertising is another item. In fact, all sales stimulation for that matter. But there are other influences that are not entirely to the air lines' advantage in connection with the carriage of mail. We must, for instance, in setting flight schedules observe to some extent the requirements of the post office. It would be quite wrong for us to start an evening flight from Montreal or Toronto on a time schedule that would just miss the day's collection of business mail, so we have to arrange our flight scheduling to meet post office requirements, and that may be expensive; but it is very difficult to do otherwise. We do know the ton mile cost of overall air transportation and we feel in the case of mail the ancillary expense in connection with mail probably does not greatly exceed the economies that are involved in the transportation of mail, as compared to passengers.

Mr. FULTON: I was of the opinion and even hoped that the discussion on this matter in the committee last year was of some help in getting a very favourable mail contract. Perhaps it is too early to ask you to comment on this present contract, although you told us it is better than it was but not as good as you hoped for. I would, however, say at this point that I hope next year when you have completed a year's operation under the new contract you will have devoted a part of your annual report to an analysis of the results, in case you might want further help from this committee, and then we will be in a position to do so next year. Perhaps it would not be fair to go further than that at the present time.

Mr. KNIGHT: I have a couple of small questions to ask on behalf of Mr. MacInnis. One of the questions concerns a particular schedule from Vancouver eastward. Trans-Canada Air Lines flight No. 2 from Vancouver to Toronto and Montreal appears to have no connecting plane for Ottawa, and as I understand it, one has to wait at Toronto from 9.35, at night, until early the next morning. I wonder if that is right. That does not sound right, especially when you know flight 344 to Ottawa leaves Toronto just ten minutes before flight No. 2 from Vancouver arrives. Is there a reason for that schedule?

Mr. MCGREGOR: Yes; perhaps Mr. MacInnis' point may be dealt with by my saying that this is a temporary situation until such time as the full summer frequency goes into operation between Toronto, Ottawa and Montreal. The number of flights then becomes such that it would be unnecessary to wait in Toronto for any great length of time.

Mr. KNIGHT: Even for ten minutes.

Mr. MCGREGOR: No, it is not quite that good.

Mr. Mutch: I think I must have caught most of those fifteen per cent of trips that did not arrive on time last year.

Mr. KNIGHT: It appears to be a seasonal matter? Might I ask what is the comparative length of the seasons? What is the length of the season in which this sort of thing can happen as compared with the rest of the year?

Mr. MCGREGOR: It normally would not have happened had not the increase in traffic on the transcontinental operations produced an advance of the fourth



flight from Winnipeg that was originally scheduled to go into being on April the 29th, but due to the increase in traffic which took place it was put into service on April 1st, and the additional flights between Ottawa, Toronto, and Montreal will not go into service until April 29th, so there is a month when there is partial transcontinental flight in operation for which connections were not provided. There will be nine flights a day between here and Toronto beginning May 1st.

Mr. KNIGHT: Is there any reason why these planes should not connect? For instance, might not flight 344 delay its start until 9.50 when the connection could be made? Now, that is only fifteen minutes from the arrival of the other plane?

Right Hon. Mr. HOWE: The trouble is that Mr. MacInnis is going further than the flight goes. The flight is not scheduled beyond Toronto. If he wants to go beyond, he should take a flight that goes beyond that point.

Mr. MCGREGOR: It now leaves at 9.25, and the obvious belief would be that that would normally provide connections but it does not. The business of unloading passengers' baggage, and transshipping it to another aircraft requires a schedule having a longer gap than provided for here—ten or fifteen minutes; in order to provide a good connection with a transcontinental aircraft one would want to have at least forty-five minutes as an interval.

Mr. MUTCH: One other question, flight No. 30 from Toronto here. I think I am right on that. Is it run at the particular time it does run because of connections with any other air line? I have the unenviable record of having missed flight No. 30 four out of five times and on two occasions I saw flight 30 leaving the ground as we were landing. I have not any complaint about being held up and I might say that on one occasion it did not make any difference because the House of Commons was spared a speech on that occasion. Whenever I make enquiries about this the answer I always get is: there is a short gap in the winter months during which time No. 4 is one of the runs which is frequently late; and you get on late and you lose time and I think perhaps that your worst connection is at Toronto. Now, does this flight No. 30 have to meet any other aircraft or any other line at Montreal or are you just working that schedule a mite too thin in the winter?

Mr. MCGREGOR: Flight No. 30 is a connection with flight No. 22 to Moncton which leaves Montreal at 10.00; and flight No. 30 is scheduled to arrive in Montreal at 9.30, so it is necessary that that flight leave Toronto on schedule, but another thing occurs too. If you start tampering as we have discussed in correspondence, Mr. Mutch, with flight schedules, the thing becomes cumulative. The aircraft flying between Montreal and Toronto particularly the DC-3's are planned to a very high utilization and if one flight in one direction is delayed as little as half an hour succeeding flight departures are also delayed.

Mr. MUTCH: It did occur to me that that was a particularly close connection, and No. 4 usually feeds quite a number of people onto No. 30 and very often receives a fair number of members of parliament, usually three, four or five are on that plane very often. Under those circumstances I raised the question merely to say that thirty minutes, which, I believe, is what we had—

Mr. MCGREGOR: One hour and fifteen minutes.

Mr. MUTCH: Well, it was not enough during the winter on four or five different occasions. The only time I had any major complaint about it, it was rectified very quickly. I did not know about the connection with the maritimes and that is the reason I asked. I am satisfied.

Mr. MOTT: I would like to ask a question with regard to the facilities at the airports. Are the facilities at the airports being increased to cope with the increased passenger traffic? Take Calgary for instance. There are times when you have quite a delay there going through to the coast. The plane gets in on



time but is late in getting away. It appears to me that there is an understaff or something. The staff there works hard enough, there is nothing wrong with the personnel, but it seems to me they are understaffed.

Mr. MCGREGOR: The number of air line personnel at airports is directly related to the volume of traffic and the frequency of flights. Occasionally an aircraft operation goes off schedule, resulting in, say, two aircraft, one from Edmonton and a transcontinental flight arriving in Calgary at the same time. The size of the crew is calculated to the normal handling of the flights on schedule, but if we get what we call ramp congestion through an irregular operation of that kind there is bound to be some delay with respect to the rapidity with which the flights are handled. The transcontinental flights are supposed to be on the ground twenty minutes and I am assuming here that there is no mechanical difficulty to be coped with.

Mr. MOTT: I remember last year on the way to the coast we were held up twenty minutes leaving Calgary.

Mr. MACDONNELL: I was going to ask a question in geography. When one goes from Prestwick to Iceland, how much closer is one to Goose Bay than he was when he left Prestwick? In other words, why do you go to Iceland? I did that last summer and on the face of it it appeared to me it was because of strong headwinds but that was not true that day.

Mr. MCGREGOR: Nearly all our westbound flights in winter go to Iceland, and you are very much closer to Goose Bay when you get there than you are at Prestwick. The map in the middle of the report may be of help on that, Mr. Macdonnell.

Mr. FULTON: Whose responsibility is it to provide airport buildings and facilities at major airports, following up what Mr. Mott discussed with you a moment ago? Calgary, which is a stop on the Trans-Canada Air Lines, is perhaps one of the poorest served from the point of view of buildings and so on that can be found. Is it entirely the responsibility of the city of Calgary to provide those buildings? Who operates the airport in Calgary?

Mr. MCGREGOR: The Department of Transport. There are some exceptions, Vancouver and Edmonton and there is also Halifax, which is under the navy.

Mr. FULTON: So any question of improvement at Calgary is one for the Department of Transport, not for the Trans-Canada Air Lines.

Mr. MCGREGOR: Yes, things will be improved there soon; I believe plans are drawn because those buildings are of a temporary nature at Calgary.

Mr. FRASER: In this paragraph on page 8, airway facilities, you mention that important runway extensions took place in Toronto and Sydney and instrument landing equipment was installed at several more points. Is this equipment being installed so that you can land in fog?

Mr. MCGREGOR: Yes, it reduces the limits of ceiling and visibility under which planes can land; it is known as I.L.S.—instrument landing system.

Mr. FRASER: You are able to land on a field but you cannot take off?

Mr. MCGREGOR: No, we can take off too.

Mr. FRASER: You can take off just the same?

Mr. MCGREGOR: Yes.

Mr. FRASER: Well, is that to help in making connections at Moncton where there are conditions of fog a good deal of the time?

Mr. MCGREGOR: The installation of I.L.S. has contributed greatly to the regularity of the schedule but it does not mean that in complete fog conditions you can operate. It does reduce our operating limits as to ceiling and visibility; with this equipment these are less binding. You might have to maintain an operating regulation of say a 500-foot ceiling and a mile visibility but when I.L.S.



is installed you may be able to reduce those conditions to 200 or 300 feet and a quarter of a mile visibility, which covers a large proportion of the cases.

Mr. GEORGE: I think we ought to correct the impression of the fog conditions at Moncton as mentioned by Mr. Fraser. There is never any fog there and the airport is equipped with I.L.S. and all the trans-Atlantic flights have to use it this time of the year because the other fields are fogged in.

Mr. FRASER: When I have been trying to get to Montreal they could not land at Moncton. We had to go back to Gander again.

Mr. GEORGE: That happens once every ten years.

The CHAIRMAN: I do not think you should blame that on the fact that Mr. Fraser was aboard.

Mr. GILLIS: Might I ask Mr. McGregor a question on airway facilities? A year ago I was of the opinion that a survey was being made of the Halifax area with the end in view of either using the Eastern Passage airport or establishing a new airport for that area. I notice here that you say a lot of projects had to be abandoned because of other expenses. Now, that Halifax situation is pretty bad. Many times passengers who ordinarily want to land in Halifax must go through to Montreal and often when at times you make a forced landing passengers want to disembark and go through customs in Halifax but are not permitted to do so, they must go through to Montreal. Is anything being done to remedy that?

Mr. MCGREGOR: Yes—you are speaking of the trans-Atlantic westbound flights. That point you mention has been taken up with the Department of Immigration and they have agreed in the event of a non-scheduled operation going into Halifax there will be customs clearance of passengers for points in the maritimes; they will be allowed to disembark there. On the question of airports, a survey has been completed and I believe a site which is acceptable to the technical people has been decided on. I do not think anything more than that has been done so far. It, by the way, is outside the normal fog belt which Dartmouth is in.

Mr. MOTT: What progress is being made, if any, as regards the Department of Transport taking over the Vancouver airport? Could you say anything about that?

Mr. MCGREGOR: I do not know what the progress is or what the position is.

The CHAIRMAN: Are there any other questions on page 8?

Mr. FULTON: Perhaps Mr. Howe would know.

Right Hon. Mr. HOWE: Vancouver owns the airport. During the last war we had an arrangement under which the city continued to operate the airport and the government paid the bills. That was very unsatisfactory from the government's point of view. When the war was over we said "You own most of the airport and either you operate it or we will operate it, one or the other. You can turn the airport over to us, but, if you want to operate it you will have to pay the bills." The city chose to operate it.

Mr. MACDONNELL: Perhaps you pay the bills indirectly out of what they charge you?

Right Hon. Mr. HOWE: The charges are all right and I think the operation is doing all right. However, we did not want an arrangement whereby the city spent the money but we provided it.

The CHAIRMAN: Shall we deal with page 9?

Mr. FRASER: It mentions here that there was quite a decline owing to the fact that the immigrant charter plan was not in existence. That has started up again, with this government, so will that make a difference this year?



Mr. MCGREGOR: Yes, although what has started now is not the old charter plan.

Mr. FRASER: It is a different type?

Mr. MCGREGOR: Yes.

Mr. FRASER: What difference would it make, or have you any idea?

Mr. MCGREGOR: Up until the beginning of April we had carried approximately 2,000 passengers under the new plan, all of which are paying the standard air line fares, so there is quite a substantial element of revenue in that for the air line.

Mr. FRASER: They paid the full fare less \$30 and the government pays the \$30, is that it?

Mr. MCGREGOR: No, the immigrant pays the difference between the regular fare and 55 pounds sterling or \$160, roughly.

Mr. FRASER: If the immigrant has extra baggage what do they do about that? Ship it by boat?

Mr. MCGREGOR: Yes, unless the immigrant wishes to pay air cargo for it.

Mr. FULTON: In effect you get full fares and the government subsidizes the difference between what the immigrant can pay on the full fare and \$160?

Mr. MCGREGOR: The government subsidizes the immigrant, not the air line.

Mr. FULTON: Yes.

Mr. MCGREGOR: The amount of the subsidy is not determined by what he can pay. The fixed amount of the government contribution to his transportation is \$160.

Mr. FRASER: Which the government gets back eventually?

Mr. MCGREGOR: I do not know what the arrangements are between the government and the immigrant.

Right Hon. Mr. HOWE: It is just to provide more transportation. We found we were being limited in the number of immigrants we could take from the U.K. due to lack of boat transportation, so the government made this arrangement. The immigrant pays what he would pay if he could travel by boat, and the government pays the difference.

Mr. BENEDICKSON: This has just been in effect from the 1st of January to the end of March?

Right Hon. Mr. HOWE: Yes.

Mr. FULTON: Some of the questions I have regarding page 9 will involve an analysis of the table on page 10.

Mr. McGREGOR, you point out "of the \$1,526,412 net deficit, the North Atlantic services were responsible for only \$275,922"—which works out to approximately 18 per cent of the net deficit. Can you say what the percentage was last year—of the net deficit?

Mr. MCGREGOR: In 1949?

Mr. FULTON: Yes.

Mr. MCGREGOR: Yes.

Mr. FULTON: Incurred by the North Atlantic and the Caribbean.

Mr. MCGREGOR: I would want to look that up, but the figures are here.

Mr. MACDONNELL: The result of that is that a very considerably large part of this deficit is incurred in the Caribbean service?

Mr. MCGREGOR: That is true but there is a point that has to be considered in comparing those two sets of figures. The southern operations to the Caribbean have a strong seasonal fluctuation in traffic as has the North Atlantic, but those two fluctuations are out of phase—in other words, the hump in the southern operations occurs during the winter months exactly at the time the



Atlantic is at its lowest ebb. It makes for very efficient use of equipment and crews and the whole organization of the company.

If the southern operation were suspended it would not be the case that the company would be relieved of the deficit apparent in the southern operations because that deficit would simply transfer itself to the North Atlantic.

Mr. MACDONNELL: What you mean is the southern operation carries part of the general overhead and so on, but can you estimate what the result would be? In other words, you are saying that if you shut off the Caribbean you would not make the apparent showing that one would first of all guess, because you would be carrying the heavier load on the Atlantic service? Presumably, you could give an approximate figure as to what that would be? You could estimate what that was, roughly?

Mr. MCGREGOR: I would think it would be fair to assume that the deficit made good, or made bad as the case may be, would be transferred to the North Atlantic operation because the revenues from the southern operation more than offset the direct expenses involved.

Mr. MACDONNELL: When you say that are you including such things as wear and tear on your equipment, or are you just looking at a purely operating figure?

Mr. MCGREGOR: No, I am considering all the direct expenses, maintenance of the aircraft, payment of crews, purchases of fuel and so on.

Mr. MACDONNELL: In other words you say that they would be idle and that work down there costs you very little?

Mr. MCGREGOR: That is the case. We could not reduce the establishment of aircraft or the establishment of trained crews in response to these seasonal drops in traffic on the North Atlantic.

Mr. FRASER: Then your southern timetable is cut during the summer months?

Mr. MCGREGOR: Very appreciably—down to virtually the lowest limit that will allow us to maintain our licences down there.

Mr. FRASER: And there is a limit on that?

Mr. MCGREGOR: Yes.

Mr. FULTON: We had quite a discussion on this point last year, Mr. McGregor, and I was wondering in connection with the table on page 10 if you could give us a breakdown as between the North Atlantic and the Caribbean service at the same time as you are answering other questions, or do you have those figures available here?

Mr. MCGREGOR: Yes, we will have them available for you this afternoon if we are meeting then.

Mr. FULTON: Now just to ask for an elaboration on something Mr. Macdonnell asked. You said I think that the operating revenue of the Caribbean service did meet the operating expenses. Does your answer also embrace depreciation of aircraft while they are being used in the Caribbean?

Mr. MCGREGOR: No, we do not regard that as a direct operating expense. It is quite possible the revenues do meet that also.

Right Hon. Mr. HOWE: I think Mr. McGregor was explaining that depreciation goes on whether you use an aircraft or not. Mr. McGregor was saying that if the planes were not used on the South Atlantic the depreciation expenses would be charged to the North Atlantic—and the interest on the investment as well.

Mr. FULTON: Then your depreciation is at the same rate whether the planes are actually in service or not?

Mr. MCGREGOR: Yes.

Mr. MACDONNELL: That would affect your maintenance expense?



Right Hon. Mr. HOWE: Maintenance costs are covered by the revenue from the South Atlantic operation.

Mr. FULTON: Is your traffic curve on the North Atlantic still very humpy?

Mr. MCGREGOR: Yes.

Mr. FULTON: I mean on the North Atlantic.

Mr. MCGREGOR: We expect the immigration plan referred to will remove a good deal of the fluctuation because it provides us virtually with capacity loads westbound for the duration of the plan.

Mr. FULTON: Do your forecasts envisage eventually concentrating practically entirely on the North Atlantic and withdrawing from the Caribbean, if you can level that out?

Mr. MCGREGOR: No, for the reason I mentioned. The southern operation provides a very convenient method of using equipment and crews during the period of reduced two-way loads on the Atlantic—which still exists to a marked degree and always will.

Mr. FULTON: That is what I want to get at. I remember last year I made the same suggestion and received the same explanation you make now. Therefore I ask you this year whether you visualize the levelling off of that hump in the North Atlantic?

Mr. MCGREGOR: Only in one direction and only due to this special immigration which as the minister has said is because of a shortage of shipping space and we do not regard that as permanent.

Mr. MACDONNELL: What is its duration?

Mr. MCGREGOR: At the present time I believe it has been authorized for all of this year.

Mr. FULTON: Mr. McGregor can you foresee any improvement for your operation in the Caribbean? You refer in your report to restrictions which have been placed in your way by the countries down there. I remember we had a discussion previously on some sort of trade treaty. I think it was referred to mainly in connection with Canadian National Steamships but what is the possibility of improvement in that regard for T.C.A.?

Mr. MCGREGOR: The situation is tied up directly with all the monetary restrictions which exist between dollar and sterling areas. There are severe restrictions placed on any potential traveller from the Caribbean area into a dollar area. His travel is restricted to essential business or essential personal travel such as for medical care. There is no possibility of a resident of Trinidad buying a T.C.A. ticket for a point in Canada simply because he wants to come to Canada.

I would be the last one to venture an opinion as to when those restrictions might be relaxed.

Mr. BENEDICKSON: Are they lenient in the matter of people from the West Indies coming up here to go to school?

Mr. MCGREGOR: Fairly so. There is a lot of traffic of that type.

The CHAIRMAN: I wonder if it would be helpful if we had a breakdown of traffic as between the North Atlantic and the southern route?

Mr. FULTON: I asked for that.

The CHAIRMAN: No.

Mr. FULTON: I meant to include the whole thing in the two tables on 9 and 10.

Mr. FRASER: In this page 9 and the matter of increased competition on the North Atlantic route, you mention British Overseas Airways Corporation. Is T.C.A. trying to improve the comforts of the planes in order to meet that competition?



Mr. MCGREGOR: Yes.

Mr. FRASER: I understand that BOAC have been doing everything possible to get passengers and give them every possible comfort?

Mr. MCGREGOR: Well, the major difference between the two operations at the present time lies in the fact that BOAC are operating an aircraft known as the Stratocruiser which has two decks, the passenger lounge being in the lower deck, and also berths which our aircraft, I am glad to say, have not. It is questionable whether the so-called advantages of the Stratocruiser are as real as they appear in publicity.

Mr. FRASER: Well BOAC planes are supposed to be a little quieter?

Mr. MCGREGOR: Yes.

Mr. FRASER: What are you doing to try and eliminate that noise? You have eliminated it to some extent?

Mr. MCGREGOR: T.C.A. technical people have been working for two and a half years on the development of what is known as the cross-over exhaust manifold, the function of which is to conduct the exhaust from the inboard sides of all four engines to the outboard sides.

A prototype aircraft has been flown with an installation of that kind and the reduction of the noise level has been very marked. T.C.A. has placed an order with Canadair for the production of four sets of that type of exhaust manifold and the associated changes in the cowling of the engines and the delivery of that is expected about mid-summer.

There is no question about the effectiveness from a noise standpoint but it remains to be seen whether the problems in connection with cooling under all conditions have been satisfactorily met, and that will involve a period of test. We are reasonably certain the problem has been solved but it would be too early to say that it definitely is.

Mr. FRASER: You mentioned that you are glad there are no beds on T.C.A. Why?

Mr. MCGREGOR: Well, we have received reports from passengers—including one or two of our people—that vary widely in the acceptance of the arrangements. The making up of the berths requires the passengers who are about to occupy them and have been occupying the related seats to go somewhere else. Something like two and a half hours is involved in making up the berths and in some cases the bed is situated over the top of other seats and the passengers who have to remain in those seats are in very much of a kennel.

Right Hon. Mr. HOWE: If this committee will stand for the deficits of BOAC we will run some sleeper planes. You can only put half as many passengers in a sleeper plane as in a sit-up plane.

Mr. FRASER: The extra charge for those berths would not make up for that?

Mr. MCGREGOR: Nothing like it. The charge is \$25 and the weight of equipment is approximately 100 pounds per berth which is simply 'lift' wasted.

Mr. FULTON: In that connection has Mr. Howe any figures—we have none at all—with respect to the statement last year that the BOAC deficit was being reduced?

Right Hon. Mr. HOWE: It has been reduced but it is still a very, very high figure.

Mr. FRASER: Is BOAC subsidized by the British government?

Right Hon. Mr. HOWE: It is owned by the British government.

Mr. MOTT: I would like to ask Mr. McGregor if he has any thought at all of placing on T.C.A. planes loud speaker systems like they have on American planes. We have a wonderful lot of country and unless the passengers know Canada very well they may fly over beautiful country without knowing where



they are. I have heard comments from people flying on American aeroplanes about how great it was to hear over the loud speaker just what they were passing over—mountains, lakes, and so on. It seems to pass the time away and it gives instructive ideas as to what they are passing over.

Mr. MCGREGOR: There are two very strong schools of thought on that. There is no great difficulty about installing that type of equipment in an aircraft but most people, even in the daytime, are much more anxious to sleep than to be disturbed by periodic announcements.

Some Hon. MEMBERS: Hear, hear.

Mr. FULTON: Could you not do it with earphones?

Mr. MCGREGOR: That would be difficult.

Mr. MOTT: I have never heard any objections against it from those travelling on American planes, but I have heard some speak in favour of it.

Mr. BENEDICKSON: I have heard some complaints.

Mr. MUTCH: You mentioned a moment ago that some equipment is being produced for you by Canadair. Was that designed by your own technical staff?

Mr. MCGREGOR: Yes.

Mr. MUTCH: About a year ago you told us you spent a good deal of time and money on it and the original manufacturers of the aeroplanes had done so too. This device which you are hopeful of is your own production?

Mr. MCGREGOR: Yes, there are three different developments of that nature: one by Canadair; one by Rolls Royce; and one by ourselves. Canadair abandoned their work just about a year ago.

Mr. FULTON: Do we have to pay the whole cost of the installation or have you been able to make any arrangements with the manufacturers?

Mr. MCGREGOR: I am inclined to think that we will have to bear the whole cost because the period of time involved has exceeded the warranty agreement of the original purchase of the aircraft and it is not their development.

Mr. FULTON: They will not accept then, as far as you know, any suggestion that it was an original error and therefore they are partly responsible?

Mr. MCGREGOR: No, I do not think it was an original error. It was understood that it was a condition to a degree inherent to the installation.

Mr. CARTER: Will this new manifold development increase the power of the engine or any engine?

Mr. MCGREGOR: The over-all efficiency of the aircraft is expected to rise slightly due to the new cowling arrangements—bringing about aerodynamic improvement.

Mr. CARTER: Does that improve starting in cold weather?

Mr. MCGREGOR: It will have no effect on that—there is virtually no back pressure, or other changed engine conditions.

Mr. FULTON: Well although the warranty period may have expired is it not a fact that the defect—I will call it that—became obvious within the warranty period and it is simply a case that no one found out how to cure it within the warranty period? Therefore, is it not still within negotiation that they should pay part of the cost of fixing it?

Mr. MCGREGOR: It is a moot point but I would be disinclined to spend any legal money on it. If you remember the wording, which we discussed last year, it is rather loose.

Mr. FULTON: Their attitude is not agreeable.

The CHAIRMAN: I wonder if your recollection as to the nature of that guarantee is as accurate as mine. I have a recollection to the contrary, and perhaps the minister would help us out.



Right Hon. Mr. HOWE: There was no warranty, was there, Mr. McGregor, as to the noise other than it would be competitive with other aeroplanes?

Mr. MCGREGOR: No, except that it should be competitive with other aircraft—which it has been for three years.

Mr. MACDONNELL: To go back to Mr. Fulton's point, I have only flown the North Atlantic once, but I was tremendously struck by the fact that when I got back to Montreal and into a small two engine plane the difference was unbelievable.

Right Hon. Mr. HOWE: That will be the case; the larger cylinder allows more noise to reflect, to a larger extent. A larger plane is always noisier than a smaller plane.

Mr. MACDONNELL: What about competitive planes?

Right Hon. Mr. HOWE: I do not think the noise in the present plane is any greater than the noise in comparable planes; for instance in the DC-6's or a Constellation the noise is about the same.

Mr. CARTER: Is not the disadvantage of noise offset to a great degree by the greater dependability of the plane?

Mr. MCGREGOR: We certainly think so.

Right Hon. Mr. HOWE: On the Korean airlift, our efficiency is very much higher than that of any other operation there.

Mr. FULTON: Certainly, from what is being said at the moment I think it would put the seal on any suggestion of getting money out of Canadair for this.

The CHAIRMAN: I suggest you read that contract again, Mr. Fulton; my memory of it does not agree with yours at all. My recollection is that it was a competitive guarantee and that the company has met that.

Mr. FULTON: I am purposely trying to phrase my question so that we will not bring in the discussions of last year, but I think that this firm, Canadair, which has had a good deal of government contract work in the past and will in the future—I think it should be suggested to that firm that they have some responsibility because Mr. McGregor has told us they were working on this noise factor and were not able to find a solution, and now that a solution has been found, and although the warranty period has expired, I should think, or hope, that strong representation will be made that they have some responsibility in the matter and should share in the cost. In other words, you are going to have to pay the whole cost yourself.

Mr. MCGREGOR: That is correct.

Mr. MACDONNELL: I notice Mr. McGregor said it was a moot point and while I share his hesitation in spending legal money, nevertheless if it is moot enough it might be worth further investigation. However, I think we can follow the chairman's suggestion and read the contract. Might I ask one more question on page 9? In the Trans-Canada Air Lines (Atlantic) Limited, Detail, you say that a charter operator was licensed to operate between Montreal and continental Europe. Might I ask for particulars?

Mr. MCGREGOR: The operator referred to is Curtiss-Reid, and that paragraph perhaps is not too accurate in that it implies that the licence was granted last year. Actually the licence was granted to Curtiss-Reid of Canada to carry on charter operations both overseas and domestic as far back, I think, as 1946.

Mr. MACDONNELL: By the Department of Transport?

Mr. MCGREGOR: The Air Transport Board.

Mr. MACDONNELL: So this charter operator has been in possession of a charter for how long?



Mr. MCGREGOR: The licence was granted in 1946 or 1947, I believe it was 1946, but it was never exercised overseas until last year.

Mr. MACDONNELL: Just the operations referred to here, between Montreal and continental Europe?

Mr. MCGREGOR: Yes.

Mr. MACDONNELL: What type of plane does this company use?

Mr. MCGREGOR: It used a DC-4.

Right Hon. Mr. HOWE: They are using it no more, they piled it up on a mountain over in Switzerland.

The CHAIRMAN: Page 10.

Mr. FRASER: On page 10, mail ton miles: Does this mean the mail tonnage was cut considerably there?

Mr. MCGREGOR: On the overseas operation, yes, but the reduction is small.

Mr. FRASER: Why would that be?

Mr. MCGREGOR: Just that the amount of mail the post offices gave us was less. Actually it is only about a 10,000 ton miles decrease.

Mr. FRASER: Yes, but we would have thought that the mail ton mileage would have gone up.

Right Hon. Mr. HOWE: It has gone down correspondingly as we withdrew our troops from Europe. It was high when we had troops overseas. All the westbound mail from England is put on B.O.A.C., and we only carry the eastbound mail. It is not very good business, as a matter of fact.

Mr. MCGREGOR: There are several operators, of course, on the North Atlantic, and the activity of the post offices other than Canadian with respect to how much mail they give to each carrier is a matter of internal arrangement. In 1950, we got next to nothing of westbound mail from the British post office.

Mr. FRASER: They put it all on their own planes?

Mr. MCGREGOR: Yes, and I am glad to say the reverse is true.

The CHAIRMAN: Page 11.

Mr. FULTON: On page 11, the second paragraph:

On the other hand, there were moderate seasonal increases in Caribbean and Bermuda operations

Is that increase in the number of flights?

Mr. MCGREGOR: Yes, increases in frequencies.

Mr. FULTON: Was that accompanied by an increase in traffic to the same extent?

Mr. MCGREGOR: They were brought about by the increase of traffic, particularly to Bermuda.

Mr. FRASER: Under the paragraph, passenger traffic:

Passengers on the southern services numbered 14,952, an increase of 3,409.

1949 was not a full year, was it?

Mr. MCGREGOR: Yes.

Mr. FRASER: Was it a full year?

Mr. MCGREGOR: Yes, it was a full year for all the points involved, except the Tampa service which began, as referred to in the report, on April 2.

Mr. FRASER: Last year?

Mr. MCGREGOR: Yes.

Mr. FRASER: Well, this would account for the increase, would it not?



Mr. MCGREGOR: No, beginning on April 2—nearly all of the heavy traffic period is past.

Mr. FULTON: Last year you incorporated in your annual report a graph showing the fluctuation between the months and the traffic carried. You do not have any similar graph in this year's report, have you?

Mr. MCGREGOR: No, it could easily have been produced but as a matter of fact we observed economy in this report, and that type of somewhat redundant information is put in depending on whether the report has a spare page or not.

Mr. FULTON: We also asked for extensive information last year—and I am sure you went to a great deal of trouble getting it—on the flow of traffic, and I am not making any criticism of it, but I would like to ask you whether for purposes of comparison you have such a graph available at your head office and could you bring it in in a form which could be incorporated into the records?

Mr. MCGREGOR: I think that this could be done in the form of figures, we have them by months. Would you like it in the form of numbers of passengers or revenue?

Mr. FULTON: What was the basis of your graph last year?

Mr. MCGREGOR: Numbers of passengers.

Mr. FULTON: Could we have it on the same basis this year?

Mr. MCGREGOR: Yes, we could.

Mr. FULTON: Have you it broken down between the three component services, domestic, north Atlantic and Caribbean?

Mr. MCGREGOR: Yes, by months for 1950.

The CHAIRMAN: Page 14.

Mr. FULTON: I think you said you carried approximately 2,000 immigrants in the first three months of the year.

Mr. MCGREGOR: Yes.

Mr. MACDONNELL: On page 14, you say the agreement is valid until March 31?

Mr. MCGREGOR: It was later extended, Mr. Macdonnell.

Mr. MACDONNELL: That goes back to what Mr. Howe said, for the balance of the year.

Mr. MCGREGOR: Yes.

The CHAIRMAN: Page 15.

Mr. FULTON: Mr. McGregor, with respect to your self-insurance fund and the overhaul reserve, could you refresh my memory by saying whether these are charged to operating expenses each year?

Mr. MCGREGOR: Yes.

Mr. MACDONNELL: Do you maintain outside insurance, too?

Mr. MCGREGOR: Yes, we maintain what we call catastrophic insurance which holds outside underwriters responsible for losses between \$750,000 and \$5 million with respect to any one accident.

Mr. MACDONNELL: In other words, this fund that you have here is to insure you up to \$750,000?

Mr. MCGREGOR: Yes.

Mr. MACDONNELL: And you add to it at the rate of about \$400,000 or \$500,000 a year?

Mr. MCGREGOR: The rate has decreased with the suspension of accruals with respect to the North American operations. The rate of increase is about \$35,000 a month with respect to the overseas operations and if the present board



policy holds, that will continue until the Atlantic company reaches a ceiling of \$3 million.

Mr. MACDONNELL: In the event of a catastrophe loss you would bear up to \$750,000 and you have no liability after that?

Mr. MCGREGOR: That is correct.

Mr. BENIDICKSON: For one accident?

Mr. MACDONNELL: And the responsibility is unlimited as to the number of accidents?

Mr. MCGREGOR: Yes.

Mr. FULTON: Continuing with this actual charge to operating expenses you have said depreciation fund in excess of capital requirement is increased by \$5 million. Is that an increase in this one year?

Mr. MCGREGOR: Yes, capital has become temporarily surplus to that extent.

Mr. FULTON: And from what source is that increase coming?

Mr. MCGREGOR: Depreciation and other accruals.

Mr. FULTON: You charge to operating expenses \$5 million for depreciation accruals?

Mr. MCGREGOR: No, depreciation total is shown on the operating sheet. The amount of capital becomes surplus to our requirements during the operating year 1950, was approximately \$5 million.

Mr. FULTON: Might I ask you to explain? That is more than usual is it not? Could I ask you to explain how it came about?

Mr. MCGREGOR: The major influence at work on that is the reduction in the company's capital expenditures, during the period of payment for new equipment such as the North Stars and the purchase of a large amount of additional capital equipment in the way of tools, spare parts and ramp handling expenditure usually is very much higher than at the going rate in 1950 when it was about \$1 million. In other words, depreciation funds rather than being reinvested in additional capital expenditures are now accruing in the form of actual money available for re-equipment purchases.

Mr. FULTON: You do not put into your depreciation fund this year anything more than usual?

Mr. MCGREGOR: Slightly less.

Mr. FULTON: But you feel you had less demands so you used it for investment?

Mr. MCGREGOR: That is correct.

Mr. FULTON: You say that investment amounted to \$4,500,000 in C.N.R. 2 $\frac{7}{8}$  per cent bonds. I find it a little peculiar that you, a wholly owned subsidiary of the Canadian National Railways, turn around and buy bonds of your parent company? Is that not playing a peculiar relationship there?

Mr. MCGREGOR: The bonds have nothing to do with the C.N.R. as such, except they are the issuers of the bonds. We buy the bonds in the open market as an investment, which is helpful to us. We can only invest Trans-Canada Air Lines funds in government owned or government guaranteed bonds or provincial government bonds.

Mr. FULTON: That is as a result of a restriction in your charter?

Mr. MCGREGOR: That is right.

Mr. FULTON: Otherwise I think you could have got a currently higher rate of interest than 2 $\frac{7}{8}$  per cent.

Mr. MCGREGOR: That is right, but such securities are not eligible.

Mr. FRASER: What provincial bonds are you holding?



Mr. MCGREGOR: Ontario Hydro and Quebec Hydro bonds.

Mr. GILLIS: On the question of personnel, I notice you have a reduction of over 200 in your personnel. Were there any transfers in service personnel from Trans-Canada Air Lines as such to the Department of Transport?

Mr. MCGREGOR: Just recently. There is one such transfer in being in connection with some operations of radio equipment air-to-ground radio services. That is small, I think it is in the order of thirty or forty, but it is not reflected in this report.

Mr. GILLIS: What is your intention there in connection with personnel? I am much interested in this because I think the Trans-Canada Air Lines should build up the services and then they would have a service that is second to none in the country.

I object in any way to transferring your meteorological services or your radio services or anything of that nature to any other department of government. I do not think you will get the service and the same management as you do if they are kept under the Trans-Canada Air Lines.

Mr. MCGREGOR: It really was a government function that was being performed by Trans-Canada Air Lines, at the request of the department concerned. We were being paid for it and it was rather an untidy arrangement because some of the stations were being operated by the Department of Transport and some by the Trans-Canada Air Lines, and the decision was made that it was a function of government that should be made homogeneous by transferring the four stations we were operating to government operation.

Mr. GILLIS: Would it not have been logical to have those government operated stations transferred to Trans-Canada Air Lines?

Right Hon. Mr. HOWE: We had the argument and we lost the argument.

Mr. GILLIS: Does it mean a reduction in the rates of pay for the personnel being transferred?

Mr. MCGREGOR: I cannot answer that accurately. I think there were changes in the condition of employment such as amount of pension that might not have been as acceptable to the individual as it was before, but as Mr. Howe says, the argument was waged, with Mr. Howe very strongly supporting our side of it and the decision to make the transfer.

Mr. GILLIS: It had only to do with radio operation?

Mr. MCGREGOR: That is right.

Mr. GILLIS: By and by they will come along and take over your meteorological service. In years to come unless a firm stand is taken by the committee and management of the airways all that ultimately will be siphoned off altogether.

Right Hon. Mr. HOWE: There were some international problems involved in the question. ICAO which is supposed to govern all trans-Atlantic flying set up new conditions and rulings involving a new system of paying for services which was open to the government but not to the Trans-Canada Air Lines. We had to take all those things into account. We would have preferred to have it operated by Trans-Canada Air Lines because those who depend on the services should operate the service as we do in Canada, but inasmuch as there were several air lines involved we had to fall in line.

Mr. MCGREGOR: Other air lines were involved. The basic policy is that a country usually provides those facilities where the air lines of several nationalities are involved. Incidentally to clear the point, the government does operate the "met" service.

The CHAIRMAN: Personnel, shall it carry?

Carried.



Mr. GILLIS: Well, I still do not agree with it.

Mr. MACDONNELL: I have a point on page 15 with regard to the new Montreal ticket office. For space in the new building does the Trans-Canada Air Lines pay the same rent as they did before?

Mr. MCGREGOR: The building is owned by the Canadian National Railways. We pay varying rentals per square foot depending on the location. In the case of the ground floor we pay \$7 per foot, and in the case of office space on the upper floors we pay \$3.50 per foot. We only pay that rental for the actually enclosed space; in so far as Trans-Canada Air Lines is concerned, that of its counters and behind its counters. We do not pay rental on the public waiting rooms.

Mr. MACDONNELL: Could you give us information so that we may know the cost of your space now compared with what it was when you were located on Peel street?

Mr. MCGREGOR: Yes, we could, but the comparison would not be a true comparison because the public area is very much greater where we are now than where we were before.

Mr. MACDONNELL: I realize that. Perhaps you might explain at the same time what your setup now is in terms of area, compared to what it was before. Perhaps, incidentally the Canadian National people would have been the right ones to ask as to how much money they spent on the buildings in order to become the landlord of the various international air transportation groups now located in their building. I have noticed various other companies installed on the ground floor. Is the whole building taken up with various international airways agencies?

Mr. MCGREGOR: Virtually so. The top five floors of the building are housing ICAO, and another fractional floor houses IATA. We have nearly three floors apart from the ground floor area.

Mr. MACDONNELL: I do not know whether it will be right to ask this at this time—I suppose I should have asked it while the C.N.R. officials were here—but I would certainly like to know the cost of the building and what is being paid by the various people, to see what it costs the Canadian taxpayer.

Right Hon. Mr. HOWE: I think it is fully covered. It should be with the rentals they charge.

The CHAIRMAN: It is 1.00 o'clock, gentlemen. Shall we adjourn until 4.00 o'clock?

Carried.

#### AFTERNOON

The CHAIRMAN: Gentlemen, we have a quorum.

Page 15, property and equipment.

Are there any further questions?

Page 16?

Mr. FRASER: Mr. Chairman, Air Transport Prospect—on extending the service to Paris did you have to make any concessions?

Mr. MCGREGOR: No, the bi-lateral agreement had been negotiated a year ago—you mean reciprocal concessions?

Mr. FRASER: Yes.

Mr. MCGREGOR: The bi-lateral agreement had been negotiated a year ago to permit Air France to operate between Paris and Montreal and they placed that service in being last autumn. The reciprocation was our extension to Paris.



Mr. FRASER: Under Flight Equipment you mention about current development in the field of aircraft propulsion. You are evidently referring to jet propulsion there, are you?

Mr. MCGREGOR: Jet or turbo-prop; that is full jet or turbo-propeller power. We are convinced that both are sources of aircraft power of the future with a great deal of promise in them but development is going slowly, and while both types of power are in being and in use in military aircraft it is only comparatively recently that commercial aircraft types, particularly in England, have been constructed to make use of both those types of power.

We feel there is insufficient operating performance and cost data to make what must be a very well considered decision. We hope that we will be able to take such steps as will leave our present equipment in service until the end of its depreciation life at least, and until the type of detailed experience is available to make decisions as to what the type of power, of the new aircraft shall be.

Mr. FRASER: Do you or do you not think the people of the world are ready for travel by jet? They would be a little leery about it, do you not think?

Mr. MCGREGOR: I do not think so unless jet powered aircraft earned for themselves a bad reputation in their early use. The public generally quickly accepts what is available in the way of increased speed and comfort and I must say that the comfort factor in an aircraft in which I have flown, powered with turbo-prop engines, is really a great deal superior to that in piston engined aircraft.

Mr. FRASER: You do not get the vibration?

Mr. MCGREGOR: No, you do not get the vibration and you do not get the noise in the turbo-prop powered aircraft. People are a little bit awed when they read a large number of miles per hour but that does not affect their comfort to any degree that we have been able to detect in those aircraft.

Mr. FRASER: On account of them being pressurized.

Mr. MCGREGOR: Yes, pressurized and the cabin altitude is the same as it would be—

Mr. FRASER: At all speeds—

Mr. MCGREGOR: Yes. Turbulent air is perhaps a little more noticeable at very high speeds than at present day speeds, but only slightly.

Mr. BENEDICKSON: What is the frequency of the direct flight from Montreal to Paris.

Mr. MCGREGOR: One a week at the moment. We expect to go to two a week in the summer.

Mr. KNIGHT: Do you anticipate much more passenger traffic on account of the British festivals this summer?

Mr. MCGREGOR: It is difficult to say. There is an apparent fear on the part of a lot of people that hotel accommodation will be crowded in England.

Mr. KNIGHT: There won't be such a crowd if they do not go.

The CHAIRMAN: Mr. McCulloch moves that the report of Trans-Canada Air Lines carry?

Carried.

Consolidated balance sheet, at page 18.

Mr. MCCULLOCH: This has all been pretty well explained as we went along.

The CHAIRMAN: It has, but I thought perhaps members might like to have a look at it for a moment before clearing it.

Mr. FRASER: What are "traffic balances receivable from other carriers"? Would you like to explain that?



Mr. MCGREGOR: Yes. That type of balance develops from what we call interline connections. If an air line carries a passenger part of the way and then turns that passenger over at a connecting point to another air line, the originating air line collects the whole of the amount of the ticket from the passenger and then transfers in turn the proportionate amount to the carrier completing the transportation. If BOAC had a passenger from London to Montreal, whose final destination was Vancouver, they would collect the whole fare from London to Vancouver but they would give us the value of the transportation represented by the travel from Montreal to Vancouver. Those balances are always in being and continuing transfers, give the air lines involved the proper amount of money. In some cases there might be three or four air lines involved.

Mr. FRASER: Material and supplies, \$1,706,119.23—you have to pay sales tax on all materials or do you?

Mr. MCGREGOR: Not quite all. We do not pay sales tax on materials that are designated for use on the international operations, otherwise we do.

The CHAIRMAN: Are there any further questions?

Mr. FRASER: What was the last sentence, I did not get that.

Mr. MCGREGOR: I said we pay sales tax on all materials and supplies except those that are designated for use in connection with our international service.

Mr. FRASER: Well what do you contemplate the additional sales tax would be then for 1951, on account of the jump from 8 per cent to 10 per cent.

Mr. MCGREGOR: It will depend on our purchases of that type of material. The way it is calculated is on the basis of the allotment of aircraft to the types of service. We have 20 North Stars, 11 of which are used domestically and 9 of which are used on the international operations. When we buy material or supplies for North Star aircraft we are given a drawback of sales tax of 9/20 of our total purchases. That is because it is impossible to say whether a specific valve is going to be used on an aircraft on the Atlantic or on the domestic operation.

Mr. FULTON: While you are discussing these items would you be lenient for a moment owing to the fact that through my own fault I was not here at four o'clock, and I would like to ask about flight equipment. You made a general comment on page 16, Mr. McGregor, which I am sure that no one will take exception to. On the other hand I imagine you are getting closer to the point where you are going to have to make the decision. As a matter of fact on page 431 of the proceedings last year you told us that you were 12 months closer to the time when you will have to replace the DC-3 aircraft and I see you have retired them fully as far as depreciation is concerned.

Mr. MCGREGOR: Right.

Mr. FULTON: What is the position on replacement?

Mr. MCGREGOR: Just as stated—that at the moment we are in the position of being anxious to choose a replacement aircraft for both types of fleet aircraft we operate, something that is not going to obsolescent in a few years time. We are very hopeful that we will be able to operate the existing fleet, perhaps augmented by small interim purchases, until it is possible for us to make what we consider an intelligent decision on the power. We are inclined to think if we buy heavily of piston engines—which is the only thing possible on the basis of the present information on jet and turbo prop, that it will take two years for delivery. The price will be so great that one could not fully depreciate the aircraft more rapidly than in eight years, which means that ten years hence one would be flying piston engined aircraft. That is what we would like to avoid.

Mr. FULTON: You would like to make the present equipment with minor replacements spin out until you can make the conversion to jet if it is decided on?



Mr. MCGREGOR: Yes.

Mr. FULTON: I see. BOAC and C.P. Air Lines have ordered some deHavilland jets for trans-Pacific flights?

Mr. MCGREGOR: Yes.

Mr. FULTON: Do you know how long it is before they expect to get delivery and how long it will be before figures are available on jets as a means of transport?

Mr. MCGREGOR: They are slowly coming into being. BOAC are considerably ahead of C.P.A. in that respect in that they have now taken delivery of a third deHavilland Comet. They are operating them on an experimental cargo basis over various parts of their route, not on a revenue basis. I think it is probably true to say that British European Air Lines will be operating the turbo prop Viscount within two years' time. I read the other day that Air France had also ordered some of those aircraft. That is the type of shot in the dark that I would hope T.C.A. would be able to avoid—that is ordering an aircraft virtually off the drawing board.

Mr. FULTON: You really then cannot give me any sort of a direct date—it is all sort of completely up in the air?

Mr. MCGREGOR: Quite. It depends on how rapidly information comes to light. I would say by the end of this year there will be quite a bit of valuable data available on the operation of the Comet. I would be less sure that would be the case with respect to the Viscount.

Mr. FULTON: Will there be sufficient data available at the end of this year to establish whether or not jets are a success as a commercial aircraft?

Mr. MCGREGOR: I think it very likely but I would not be sure.

Mr. FULTON: There is another type you mentioned—the turbo-prop. Is there much development with that going on? Or is that something in between a piston engine and a jet?

Mr. MCGREGOR: Well some people think so, although it may not really be between. It is as I think I said last year the equivalent of the turbine driven steamship as compared to the old reciprocating steamship engine. The impeller of the turbine drives a propeller of the conventional type.

Mr. FULTON: I was not asking you to try to educate me on the mechanics of it because it would be hopeless. I was wondering whether you would say the indications are that the turbo-prop or the jet prop are alternates or does one look likely to take the field of the established piston engine altogether—or does it look like a 50-50 proposition?

Mr. MCGREGOR: It looks as though the two functions are different—that the jet will have the field in the long range non-stop operation where it goes to extreme altitude and remains there; and it looks as though the turbo-prop aircraft might well be the ultimate answer as far as we can see at the moment for the short range 200 to 400 mile services.

Mr. FULTON: What are the chief types of those being produced at the moment?

Mr. MCGREGOR: In engines?

Mr. FULTON: In aircraft using that type of engine.

Mr. MCGREGOR: Commercial?

Mr. FULTON: Yes.

Mr. MCGREGOR: The only existing commercial type with turbo-prop engines, that is as far as I know of, is the Viscount. There are two or three others under development both in the United States and the United Kingdom. The only two



examples of the jet aircraft in operation are the deHavilland Comet and the A. V. Roe (Canada) Company's jet-liner.

Mr. FULTON: Who produces the Viscount?

Mr. MCGREGOR: Vickers.

Mr. BENIDICKSON: I was just going to ask whether or not defence urgency had, to the knowledge of Mr. McGregor, interfered or caused a cancellation in some of the civilian requirements, or planning, in various ways.

Mr. MCGREGOR: No, I do not think that has been the case but it has slowed up the development work on commercial type engines, I think.

The CHAIRMAN: Moved by Mr. McCulloch that the consolidated balance sheet carry.

Carried.

Mr. FULTON: With one reservation, Mr. Chairman; Mr. Macdonnell was concerned about the Montreal terminal.

The CHAIRMAN: I understand that Mr. McGregor has those answers and I thought it would be making for a better continuity of record if we would conclude, and table the answers at the end of our work.

Mr. FULTON: I was just going to suggest that something be held for Mr. Macdonnell to discuss this item. He is in the House at the present moment; he thinks he should hear Mr. Sinclair's speech on the budget.

The CHAIRMAN: Those questions will be tabled and full allowance given to allow Mr. Macdonnell to discuss any matter.

Mr. Turville, will you read the auditor's report?

Mr. FULTON: Are you not going to cover the income accounts? It has been the practice in the past years to do so.

The CHAIRMAN: If you would like to go into those in detail, all right.

Income accounts, page 20.

Mr. FRASER: Ground maintenance has been cut considerably during the past year?

Mr. MCGREGOR: Yes.

The CHAIRMAN: You come to that on the next page, Mr. Fraser.

Mr. FRASER: That is on page 20, the one you are at now, is it not?

The CHAIRMAN: Ground and indirect maintenance on page 22.

Mr. FRASER: Page 20.

Mr. MCGREGOR: It is one of the items in the second group under "operating expenses", yes, that is so, Mr. Fraser.

Right Hon. Mr. HOWE: The detail of that item is on page 22.

Mr. FRASER: Why has charter and other income on Atlantic services fallen so much as between this year and last year?

Mr. MCGREGOR: That was due to the discontinuance of the immigrant charter service in March of 1950.

Mr. FRASER: Miscellaneous income, what is that for?

Mr. MCGREGOR: Incidental revenue comes from a number of things such as services given to other air lines. An example is Air France's trans-Atlantic operation, the maintenance, cleaning, and so on of their aircraft in Montreal is done by us and there are several examples of that type.

Mr. FRASER: Advertising and publicity is up this year although your passenger receipts are down.

Mr. MCGREGOR: Yes, but only the North Atlantic shows lower passenger receipts.



Mr. FRASER: Is that because of the increased cost of advertising or have you done more?

Mr. MCGREGOR: More advertising and increased costs, both. The establishment of services such as New York always demands a flurry of expensive advertising to make the fact known in a large market like New York that we are in the field, and advertising in New York publications is extremely expensive.

Mr. FRASER: On your southern service you advertise only in English?

Mr. MCGREGOR: To the Caribbean?

Mr. FRASER: Yes.

Mr. MCGREGOR: Yes. They are English speaking colonies.

Mr. FRASER: I know they are but I was just wondering if you advertise in French.

Mr. MCGREGOR: We do in Canada.

Mr. FRASER: I know you do in Canada but in some of the other sections they do speak French, there is quite a French population there.

Mr. MCGREGOR: Yes, but not at the points we touch at.

Mr. FULTON: Could Mr. McGregor give us a word or two on maintenance expense and also on flight operations? I know on your Atlantic services flight operations, equipment maintenance and the ground and indirect maintenance particularly, those three items have all decreased quite substantially. I remember last year I was making certain suggestions about cutting down the services on the Atlantic and particularly the Caribbean. The answer was that you had to have a certain minimum establishment to operate these aircraft anyway and you really could not get by with much less than you have now, and as you explained this morning, it is a question that you have some idle equipment and you put them on the Caribbean to produce some revenue instead of depreciating, and yet you have been able to show these fairly substantial reductions. How do the two statements reconcile?

Mr. MCGREGOR: The two things are not related. When speaking of the fact that operations in the Caribbean are to a degree inefficient I was referring to the low frequency of service that was provided to Barbados, Port of Spain, Trinidad, where we are operating one flight a week. We must maintain a minimum crew there to handle that flight when it does occur but in the meantime that crew has very little to do. The major amount of maintenance money is spent at maintenance bases such as Winnipeg, Montreal, Toronto and Vancouver and the strength of those maintenance establishments is maintained at a constant level which is related to the total operation of the air line. The chief economies that have been realized in maintenance are the very much improved maintenance costs resulting from longer intervals between required overhaul of Merlin engine carcasses and improved methods which are making it possible to do a greater amount of maintenance work with a somewhat reduced staff.

Mr. FULTON: I am just giving you a rough indication of the chief items of the reduced expenses. What did you eliminate this year as compared with last.

Mr. MCGREGOR: The only reduction of services in 1950 over 1949 has been on the frequency on the North Atlantic which during 1949 hit a peak of two a day but seldom exceeded nine or ten a week in 1950.

Mr. MACDONALD: Is Trinidad going to remain the end of the line or are you surveying the possibility of extending into South America, say, to Brazil?

Mr. MCGREGOR: We made a survey of that question two and a half years ago and it came up with a rather unsatisfactory answer, because of the comparatively low volume of traffic and of the very long haul to the next point that was logical for traffic, which was Rio de Janeiro. Conditions have changed



a little bit in that regard, largely due to what we call the fifth freedom privileges at Tampa and for that reason we have just begun a second survey of the traffic potential and the cost of operating.

Mr. FULTON: May I ask whether you consider that you are about at rock bottom on the Atlantic services overall with respect to these controllable costs or whether you could by sort of tapering down slightly more reduce your costs and yet be utilizing the aircraft and avoiding that other situation which you said you wanted to avoid.

Mr. MCGREGOR: I would say we were at pretty close to rock bottom in the matter of expense, but we have not got our heads against the ceiling in the matter of capacity yet.

Mr. FULTON: I am sorry I did not get the implication of that; you have not got your heads against the ceiling.

Mr. MCGREGOR: No, I do not think we can reduce the costs but I think we can earn more revenue.

Mr. FULTON: That will involve again an increase in cost?

Mr. MCGREGOR: No, our aircraft are not operating as fully loaded as we would like to see them at the present frequency.

Mr. FULTON: You think there is a chance of increased passenger traffic?

Mr. MCGREGOR: I do.

Mr. FULTON: I have not got the breakdown yet, but as a general question has there been an increase in passenger traffic in the Caribbean this year?

Mr. MCGREGOR: Yes, some three thousand passengers more.

Mr. FULTON: That would be about ten per cent or more.

Mr. MCGREGOR: About 30 per cent.

Mr. FULTON: And will mail and cargo also increase?

Mr. MCGREGOR: Yes, I believe so.

The CHAIRMAN: Perhaps while we are on this item, Mr. McGregor, you would care to answer the question that was asked? I believe it will save time.

Mr. MCGREGOR: Yes, if I may table the data that were requested; the financial results of the North Atlantic and Bermuda and Caribbean services broken down for the years 1950 and 1949 (see Appendix A), and the passengers carried by months during the year 1950 broken down between the North American service, the North Atlantic services and the Bermuda and Caribbean services. (See Appendix B). That is a picturization of the traffic fluctuation.

The question that was asked regarding the rental in Montreal—

Mr. FULTON: Mr. Macdonnell is interested in that; he is not here.

Mr. MCGREGOR: You would like to have this withheld?

The CHAIRMAN: Would you give Mr. Macdonnell a copy, Mr. Fulton?

Mr. FULTON: Yes.

Mr. MUTCH: Is that going into the record?

The CHAIRMAN: Yes. Mr. McGregor is now putting on the record the material asked for by Mr. Macdonnell regarding the aviation building. Give Mr. Fulton a copy for his own use as well.

(See Appendix C).

Mr. MCGREGOR: The statistical report shows the operations and traffic review, North Atlantic, Bermuda and Caribbean services. And there is a breakdown for the two years which Mr. Fulton asked about.



The CHAIRMAN: Yes. There is also a statement giving information asked for by Mr. Fulton (Appendix D).

Right Hon. Mr. HOWE: Perhaps I could give the information you asked for concerning BOAC. I have their report for 1949-50 here. There was a gross deficit in the year's operations.

Mr. FRASER: The year 1950?

Right Hon. Mr. HOWE: For the year ending the 31st March, 1950. It was 7,791,887 pounds sterling which figures out, at the average value of the pound throughout the year, at \$27,427,442.

Mr. FULTON: That is for the whole system?

Right Hon. Mr. HOWE: Yes, for the whole system.

Mr. MCGREGOR: That is for BOAC only.

Right Hon. Mr. HOWE: Yes, for BOAC only.

I would like to read an interesting comment on the Canadian contribution to the system. It has to do with some North Stars which were delivered there.

The delivery of the remainder of the Argonaut fleet of 22 aircraft some months before the guaranteed dates made possible their introduction into service on the Eastern routes earlier than had been planned; the Plymouth flying-boats were then withdrawn from service and all flying-boat bases east of Cairo were closed. The operation of Argonauts on the Far East routes turned a deficit of £80,000 a quarter in 1948-49 into a contribution to overheads of £140,000 for the last quarter of 1949-50, a striking demonstration of the correctness of the policy of substituting modern pressurized landplanes for the existing types of flying-boats.

The fact that the Argonauts were available so early was a great achievement on the part of the manufacturers of the airframes and engines. . . .

That was a boost for Canadair.

The CHAIRMAN: Are there any further questions arising out of the answers to the questions which have been tabled?

Mr. FULTON: I am trying to find the relevant place, but do not wait for me.

The CHAIRMAN: In order to give Mr. Fulton time, we could call Mr. Turville and clean up the auditor's report.

Mr. FRASER: On page 23, item No. 44, Office rentals. In regard to advertising and publicity, I notice that a year ago it was \$230 and now it is \$1,287. Why the jump? Is that on account of new offices opened, or on account of going into the new building?

Mr. MCGREGOR: No. There might be some effect from going into the new building but I do not think it would be appreciable. Prior to last year, all office rentals were recorded as head office expenditures. But in 1950 they were broken down and charged to the actual department using the space. It was only possible to do that when we went into the International Aviation Building.

Right Hon. Mr. HOWE: Concluding the discussion of the balance sheet, I can guarantee to this committee that the balance sheet for 1951 will be in black ink.

Mr. McCULLOCH: Good!

Mr. FULTON: All services?

Right Hon. Mr. HOWE: Certainly on balance; and we hope to get the Atlantic service into black ink.

Mr. FULTON: Good!



Right Hon. Mr. HOWE: You are welcome. Mind you, we are not guaranteeing that the Atlantic service will be in black, but we are guaranteeing the overall figure.

The CHAIRMAN: Mr. Turville, will you come forward, please? The auditor's report of Trans-Canada Airlines is now before the committee. Shall the report go on the record as read?

Agreed.

1st March, 1951.

## TRANS-CANADA AIR LINES

THE RIGHT HONOURABLE THE MINISTER OF TRADE AND COMMERCE,  
OTTAWA, CANADA.

Sir:—

We have audited the accounts of the Trans-Canada Air Lines and its Subsidiary Company for the year ended 31st. December, 1950, under authority of the Trans-Canada Air Lines Act, 1937, as amended and we now report, through you, to Parliament.

### GENERAL SCOPE OF AUDIT

In brief, our audit of the Air Lines' accounts for 1950 included:

- (a) Examination of major expenditure authorities in conjunction with the recorded Resolutions of the Directors, which in turn were related to Corporate By-Laws, Orders-in-Council and Acts of Parliament;
- (b) Audit tests in the offices of the Air Lines, limited to a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting department of the Air Lines. In this connection we worked in collaboration with the executive accounting officers having as a common objective the securing of maximum internal protection to the Air Lines in the control of Cash Receipts and Expenditures, Securities Held, Material Stores and Accounts Receivable of all types. The Air Lines are further protected by Fidelity Bond Insurance with outside Underwriters;
- (d) Audit of the Income Accounts and the Consolidated Balance Sheet and certification thereof.

### INCOME ACCOUNTS

#### DEPRECIATION AND MAINTENANCE

Provision for depreciation on Capital Assets was made during the year on the following bases:

- (a) Flight Equipment in service—  
North Star M2—7 year estimated life from date of being put into service.  
DC3—4 year estimated life from date of being put into service.
- (b) Ground Facilities—estimated life, the period depending upon the type of asset.

Twenty-two of the twenty-seven DC3 aircraft were fully depreciated during the year with a residual value of \$5,000 each.

We have received certificates from the responsible officer to the effect that all Flight Equipment and Ground Facilities have been maintained in a proper state of repair and in an efficient operating condition during the year, that



such physical retirements as should have been made during the year, as a result of wear and tear and obsolescence have been made, and that notification of all such retirements has been given to the Accounting Department.

#### INTEREST ON CAPITAL INVESTED

Interest at the rate of 3% was paid to the Canadian National Railway Company on its investment in the Capital Stock of the Company.

#### MISCELLANEOUS INCOME—NET

The net Miscellaneous Income of the North American Services is composed principally of interest earned on temporary cash investments and cash discounts earned on purchases. In the case of the Atlantic Services, the expense arose mainly from the revaluation of foreign currencies.

### CONSOLIDATED BALANCE SHEET

#### ASSETS

Temporary Cash Investments consisting of Canadian National Railway 2 $\frac{7}{8}$ % Guaranteed Bonds and 3% bonds and debentures guaranteed by the Provinces of Ontario and Quebec, are based on cost. The year-end market value of these investments was 2.36% less than cost.

Accounts Receivable and Payable of all classifications have been tested by us with the subsidiary and controlling records, cash and other transactions subsequent to the year end, departmental files and general supporting information but such Accounts have not been verified by direct communication with the individual Debtors and Creditors.

A physical inventory of Material and Supplies was taken late in 1950. We have received a certificate from the responsible officers to the effect:

- (a) That the quantities were determined by actual count, weight or measurement or by a conservative estimate where such actual basis was impracticable, and
- (b) That the inventory pricing was based on latest invoice prices for new materials, and that proper allowance for condition has been made in pricing usable second-hand, obsolete and scrap materials.

Ledger values were brought into agreement with the physical inventory through a credit to Operating Expenses of \$14,000.

The Insurance Fund investments consist of securities of the Government of Canada, Canadian National Railway System (Guaranteed by the Government of Canada), Provinces of Ontario and Quebec and securities guaranteed by the Province of Ontario, together with cash and sundry current assets. The year-end market value of the securities was 2.69% less than cost.

Capital Assets are carried on the basis of cost, less accrued depreciation.

#### RESERVES

The Insurance Reserve amounts to \$4,079,000, of which \$3,030,000 is applicable to the North American Services and \$1,049,000 to the Atlantic Services. The Reserve in respect of the North American Services has not been materially increased during the year, as it reached the maximum considered necessary in 1949. The Reserve applicable to the Atlantic Services increased by \$407,000.

The Reserve for Overhaul has been increased to \$861,000 to provide for the cost of major overhauls of North Star M2 and DC3 aircraft which are necessarily undertaken periodically. The unexpended balance of the Research and Development Reserve has been transferred to this account.



Where foreign currencies are involved, the Balance Sheet accounts of the Air Lines are converted generally as follows:

(a) United States Currency—at the dollar par of exchange.

(b) Sterling Currency—at the rate of \$2.95 to the pound.

Dollar amounts stated in this Report are to the nearest thousand.

Yours faithfully,  
George A. Touche & Co.

The CHAIRMAN: Mr. Turville, has there been any change in this report, or in your audit or accounting practice?

Mr. TURVILLE (George A. Touche & Co.): No, there has been no change in the method of conducting the audit or in the manner in which the report has been prepared.

The CHAIRMAN: And the report contains no new recommendations?

Mr. TURVILLE: No.

Mr. McCULLOCH: I move the adoption of the auditor's report.

Mr. FULTON: There was one comment which I think should be made. It is an objection rising out of a comment made this morning about the investments of the depreciation reserve and the insurance fund in various government bonds. I see on page 2 that the auditors point out as follows:

#### ASSETS

Temporary cash investments consisting of Canadian National Railway 2 $\frac{7}{8}$  per cent Guaranteed Bonds and 3 per cent bonds and debentures guaranteed by the Provinces of Ontario and Quebec, are based on cost.

The year-end market value of these investments was 2.36 per cent less than cost.

And down in the last paragraph under "Assets" you say:

The Insurance Fund investments consist of securities of the Government of Canada, Canadian National Railway System (Guaranteed by the Government of Canada), Provinces of Ontario and Quebec and securities guaranteed by the Province of Ontario, together with cash and sundry assets. The year-end market value of the securities was 2.69 per cent less than cost. When did that depreciation occur?

Mr. TURVILLE: That depreciation occurred during the year 1950 through a change in market conditions in connection with the bond issues. It is not an actual loss.

Mr. FULTON: At the present value?

Mr. TURVILLE: At the present value. That statement is made for the benefit of the committee and it points out that, at the date of the balance sheet, and at the date of the value, the percentage is less than cost.

The CHAIRMAN: Mr. McCulloch moves that the auditors' report to parliament of TCA be carried?

Carried.

Now, Mr. Fulton, if you have that other question ready we shall be through with our work.

Mr. FULTON: I do not know that there is really any question arising out of it. I want to have an opportunity to look at it to see whether there is. Mr. McGregor, perhaps I might ask you this, safely. In looking at your passengers carried by months, I see that you reached your peak in the year 1950 in August.

Mr. MCGREGOR: Yes.



Mr. FULTON: It is about that time each year when you reach your peak?

Mr. MCGREGOR: The peak of service in the system falls in August. But if you will look at the North American services in this case, it did the same thing for the number of passengers, but the revenue peaks fall in June and September.

Mr. FULTON: Why is that?

Mr. MCGREGOR: There is a greater increase in the number of the shorter haul passengers, in August.

Mr. FULTON: You think it is not so profitable?

Mr. MCGREGOR: We are talking now about gross revenue. It produces less gross revenue when we fly a man three hundred miles than when we fly him eighteen hundred miles.

Mr. FULTON: You show the revenue peak as twice as high in June and September, whereas these peaks are in June and August. I was comparing them with the revenue table, and that is what you were pointing out.

Mr. MCGREGOR: Yes.

Mr. FULTON: In discussing this matter in the committee in previous years, and in looking at the figures, the peak for passengers on the domestic service has usually been reached just after the half-way point throughout the year.

Mr. MCGREGOR: That is correct.

Mr. FULTON: There is no variation in that this year as compared with previous years?

Mr. MCGREGOR: No. But if you notice the fall-off during the autumn months in 1950, it has been much less marked than in previous years.

Mr. FULTON: That certainly seems to be true. At least it has not gone down as far and so suddenly.

Mr. MCGREGOR: No.

Mr. FULTON: Would you attribute that particular feature of it at all to the rail strike?

Mr. MCGREGOR: It unquestionably played a part and we say so in the report. We made a lot of new friends through carrying first fighters during the rail strike. But that same trend has been apparent in the United States to an almost equal degree, so I do not think there is a very marked over-all affect due to the railway strike.

Mr. FULTON: But your peak would be considerable, would it not? If you recorded it in a graph, the same general trend would be evident, only both peaks and valleys would be higher?

Mr. MCGREGOR: Yes. The valley is not as deep a valley in relation to the peak in the autumn of 1950 as it has been in previous years.

Mr. FULTON: One other thing. I see that you went from 40,000 on domestic, from a low of 40,000 at the beginning of the year to a peak of 89,000 or practically 90,000. The difference is very close to 50,000. Now you have gone back to 60,000 in the winter months. Are you going to be able to continue indefinitely the Atlantic and the Caribbean services?

Mr. MCGREGOR: Not indefinitely without some supplementary addition to the fleet. But we are certainly going to be able to cope with the situation in 1951 by increasing the frequency, and by working the fleet at a higher utilization.

Mr. FULTON: Are you reaching the question point where you may have to pull one or two aircraft from your Atlantic service to the domestic?

Mr. MCGREGOR: No. In fact the pattern in 1951 is clearly established. There can be no doubt that we shall meet the demands this summer with the exception of the occasional specific flight. It is questionable but if the present



traffic pattern continues at the present rate of growth, we can not contemplate going through the summer of 1952 without supplementary help in the matter of aircraft.

The CHAIRMAN: Are there any further questions? If not, then on behalf of the committee I would like to thank Mr. McGregor.

Mr. FULTON: Mr. Macdonnell is now here with respect to this Montreal matter.

Mr. MUTCH: Mr. Macdonnell was here but he just went out. He was in here this afternoon.

Mr. BENIDICKSON: Here he is now.

The CHAIRMAN: We are through with our other work.

Mr. MACDONNELL: I am sorry. The liberal speakers are so good that you cannot tear yourself away from them.

The CHAIRMAN: You have in your hands the answer to your question. (Appendix "C"). And if there are any further supplementary questions arising out of it, you might care to ask them now.

Mr. BENIDICKSON: I believe I have one with respect to the rental of the building as a whole. It came up when the Canadian National Railway officials were here, and you yourself, Mr. Macdonnell, were making a contribution to the budget debate at that time. There was some discussion and, as I understood it, there were some vacant spots yet to be rented in that building. But when that was done it would provide a respectable return for the investment in the building.

Mr. FULTON: Mr. Chairman, may I raise a point. Last year we had some discussion on the budget, and following the discussion we had a motion that the budget of the T.C.A. be referred to this committee. Is it not going to be referred to us this year?

The CHAIRMAN: Mr. Drew had special reasons last year for wanting it referred to the committee, and the committee after hearing his reasons asked parliament that the budget be referred to the committee. You will recall that we tabled a special report asking parliament to refer the T.C.A. budget to this committee.

Mr. FULTON: Oh yes, I recall now; we made a special request for it.

The CHAIRMAN: Yes. No such a request has been made in the committee so far this year, but we have dealt with all the work that parliament referred to us by order of reference of April 10 and April 11.

Mr. FULTON: I raise that point as a matter for the committee to take into consideration. We don't want to keep the officials here while we are discussing the subject.

The CHAIRMAN: No. But should the committee decide that the budget items are to be referred to it we could have the committee request parliament to refer the budget items to us. It is unfortunate that such a request was not made sooner. Because it does take time to put it through.

Mr. FULTON: Mr. Chairman, I have no special thing about which I wanted to ask questions with respect to the budget this year. The point I had in mind was that the committee might consider that it should report to parliament that the T.C.A. budget should be referred to this committee.

The CHAIRMAN: You mean, in future years?

Mr. FULTON: Yes, Mr. Chairman.

The CHAIRMAN: That is quite in order. I see Mr. Macdonnell is here now.

Mr. MACDONNELL: I just wanted to make one general comment if I may. It is with regard to the board of directors, and may I assure you at once that it is



in no sense criticising any member of the board at all. I just wanted to raise this question, however, that the board of directors comes entirely if I understand it correctly, either from the board of directors of the Canadian National Railway or from the officials of the Canadian National Railway, or from the civil service. Would that be correct?

Mr. MCGREGOR: No.

Right Hon. Mr. HOWE: By statute four directors, a majority of the board, are appointed by the Canadian National Railways. As a matter of fact, the regulations appointing the board of directors come under the provision of the Canadian National-Canadian Pacific Act, which provides that all directors of subsidiary companies must be chosen from the directors of the railways.

Mr. MACDONNELL: That is by law?

Right Hon. Mr. HOWE: Yes.

Mr. MACDONNELL: Am I correct in my understanding that Mr. Henry and Mr. Edwards are appointed by the government?

Right Hon. Mr. HOWE: They are appointed by the government. We are not confined to government officers; we can appoint anyone we like.

Mr. MACDONNELL: It seems to me that you have it all inside the family, and while I have great respect for these men you do not get what I might call the outside point of view. They are all from the central province. I just thought I should comment on this.

Right Hon. Mr. HOWE: I think there is something in it. The reason we have appointed them from the central provinces is that there is no salary attached, and there is the problem of getting men who can attend meetings; a man will not travel all the way from Vancouver and lose a week's time for no compensation.

Mr. BENEDICKSON: I do not think Mr. Macdonnell's comment was on that point. I think he had in mind the principle that you have only government men on a government owned operation. It is not a question of distance from their place of residence, or anything of that kind.

Right Hon. Mr. HOWE: Well, as a matter of fact, I have had it in mind to increase the representation on the board of directors of Trans-Canada Air Lines. I have asked Mr. McGregor to include in the next amendment to the Trans-Canada Air Line Act, which may or may not be considered this session—we are not just sure yet—provision for two additional directors of the Air Lines, with the thought of getting representation from other districts.

Mr. MUTCH: Perhaps that remark of yours may make it unnecessary for me to say some of the things I was going to say. As you know there is rather a strong feeling which does not date from the second last session of this committee that T.C.A. would perhaps serve more understandably western Canada if some of the directors came from farther away, and our people would make that request to you, and would not be particularly deterred by the argument that there is no pay in connection with it. I do not think they would suggest—I might in a less responsible moment—that when you do not pay anything for service you usually get what you pay for. But there are people in western Canada who feel that they have suffered because of this arrangement, but if you are proceeding with the appointment of additional directors to the T.C.A., I shall say no more than to say that I feel very strongly on the matter, and I know others in the west feel the same way, namely, that special consideration should be given, by whatever means necessary, to provide them representation on that board.

RIGHT HON. MR. HOWE: We have that in mind. As I say, we do not like to open the Act, which as you know might lead to a somewhat extended debate, just to provide for the appointment of the two new directors. But there are



some changes required in the Act and when the changes are made we intend to include provision for the appointment of two additional directors.

Mr. GILLIS: I did not understand Mr. Macdonnell to say that he wanted additional directors appointed from the east or west. My conception of what he asked for was that because the directors are all now from the government service that you should take in someone who is not in the government service and appoint him a T.C.A. director.

RIGHT HON. MR. HOWE: That is what we have in mind.

Mr. GILLIS: I would object to that for this reason, that if it is a government service then the proper place to get your directors from is from those who are within the government service and believe in that type of organization as a government managed industry. I do not want to see any weasels in the hen coop. They might not get along with the chickens. There is such a thing as infiltration.

Mr. FRASER: We do not want all yes men.

Mr. GILLIS: I think the T.C.A. have indicated by their report that they have done an excellent job despite the fact that their directors are centralized. We see progress in every report and the minister has assured us that they will be in the black next year. Why change it?

RIGHT HON. MR. HOWE: We are going to change it. There is demand for representation particularly from the city of Winnipeg. I do not know why Winnipeg.

Mr. MUTCH: I can tell you why.

RIGHT HON. MR. HOWE: I know what you are going to say, you are going to refer to the situation which arose a couple of years ago.

Mr. MUTCH: One of the reasons was that a lot of people are not yet convinced that the argument which I and others had with you and the directors a couple of years ago—there is no question who won the argument, but there is still some doubt regarding the justification of the victory—was answered. We believe nevertheless that we would like to have someone closer to the scene of these decisions who could, or who could be presumed to have a completely sympathetic approach toward the province. I do not want to raise that point again; I have taken a lot of lickings, and I shall probably have to take more; but it stems from that, and it is not getting any less.

RIGHT HON. MR. HOWE: We are not unsympathetic to that viewpoint at all, and it can be corrected.

Mr. MOTT: I hope you will consider someone beyond Winnipeg. Since the C.N.R. had one director from Winnipeg, Mr. Mutch thought that was fine; he was not worrying about anybody farther. I hope you take it to the coast.

Right Hon. Mr. Howe: I understand that New Westminster is quite happy about the situation now.

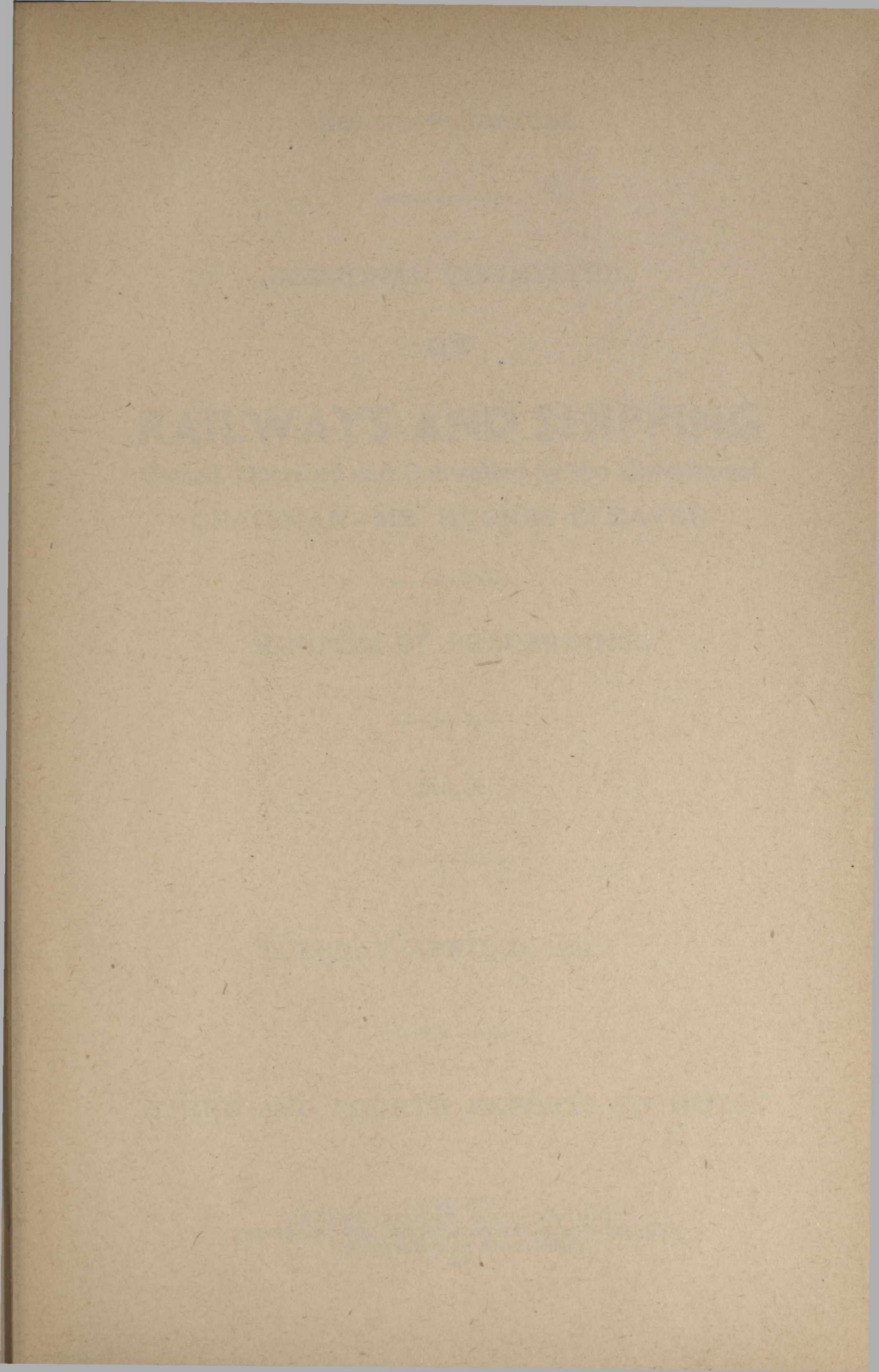
The CHAIRMAN: Gentlemen, may I now release Mr. McGregor and his staff? And, would the committee agree that we should have a general discussion as to any items you might like to have included in the report. I shall draft the report and have it ready to submit to you at 11 o'clock tomorrow morning. We will meet then and wind up our work.

Mr. McGregor, on behalf of the committee, I do want to thank both you and your staff for your attendance here today, and also to congratulate you upon the wonderful showing you have made in 1950. I would also like to thank Mr. Turville and his assistants for attending.















SESSION 1951  
HOUSE OF COMMONS

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SESSIONAL COMMITTEE

ON

# RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

CHAIRMAN—MR. HUGHES CLEAVER

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MINUTES OF PROCEEDINGS

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No. 4

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TUESDAY, APRIL 24, 1951

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THIRD AND FOURTH REPORTS TO HOUSE

OTTAWA  
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
CONTROLLER OF STATIONERY  
1951



SESSIONAL COMMITTEE  
ON  
RAILWAYS AND SHIPPING  
OWNED, OPERATED AND CONTROLLED BY THE GOVERNMENT

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*Vice-Chairman:* H. B. McCulloch, Esq.,

Messrs.

Benidickson  
Bourget  
Carter  
Cavers  
Cleaver  
Follwell  
Fraser  
Fulton  
George

Gillis  
Gosselin  
Hatfield  
Healy  
Helme  
James  
Knight  
Macdonald (*Edmonton-  
East*)

Macdonnell  
McCulloch  
McLure  
Mott  
Mutch  
Picard  
Pouliot  
Thomas

*Clerk:* Antonio Plouffe



## MINUTES OF PROCEEDINGS

TUESDAY, April 24, 1951.

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government held an executive meeting at 10 o'clock. Mr. Hughes Cleaver, the Chairman, presided.

*Members present:* Messrs. Carter, Cleaver, Fraser, Fulton, George, Gillis, Gosselin, Healy, Helme, Macdonald (*Edmonton East*), Macdonnell, McCulloch, Mott, Pouliot and Thomas.

Consideration of a draft report to the House was begun.

The Committee discussed the elimination of exhaust noise on North Stars.

At 10.50 o'clock, the Committee adjourned until 4.30 o'clock this day.

### AFTERNOON MEETING

The Committee resumed at 4.30 o'clock. Mr. Hughes Cleaver, the Chairman, presided.

*Members present:* Messrs. Bourget, Carter, Cleaver, Fraser, Fulton, George, Gillis, Healy, Macdonnell, McCulloch and Mutch.

The Committee continued and considered its consideration of the draft report.

On motion of Mr. Fulton,

*Resolved,*—That the following words be added after the words "Air Lines" in the 13th paragraph of the draft report.

"Your Committee noted that progress has been made in research to reduce exhaust noise in North Stars, and hopes that responsibilities of Canadair in connection with the installation of any successful device will be further investigated."

*Ordered,*—That the Chairman present the report to the House, as amended.

At 4.45 o'clock, the Committee adjourned to the call of the Chair.

ANTONIO PLOUFFE,  
*Clerk of the Committee.*







## REPORTS TO HOUSE

WEDNESDAY, April 25, 1951.

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

### THIRD REPORT

Pursuant to the Orders of Reference of the House of April 10, 1951 and April 11, 1951, this Committee had before it for consideration the following:—

1. The Annual Reports for 1950 of the Canadian National Railways System, the Canadian National (West Indies) Steamships Limited, and the Auditors' Report to Parliament in respect of the Canadian National Railways System and the Canadian National (West Indies) Steamships Limited.

2. The Annual Report of the Trans-Canada Air Lines for the year ended December 31, 1950, and the Auditors' Report to Parliament for the year ended December 31, 1950 in respect to Trans-Canada Air Lines.

3. The Annual Report of the Canadian National Railways Securities Trust for 1950.

4. The Budget of the Canadian National Railways and the Canadian National (West Indies) Steamships Limited, for the calendar year 1951.

5. Vote 493—Prince Edward Island car ferry and terminals—deficit.

6. Vote 495—Canadian National (West Indies) Steamships Limited—deficit.

7. Vote 501—Maritime Freight Rates Act—payment of twenty per cent reduction in tariff of tolls to Canadian National Railways and other railways operating in territory fixed by the Act.

Your Committee held nine meetings, during which the above-named matters were considered and evidence adduced thereon.

The Annual Report of the Canadian National Railways for 1950 discloses a net income of \$42,416,772.00, however, interest on the Funded Debt due to the public amounted to \$24,019,158.00, and interest on Government loans amounted to \$21,658,849.00 bringing about a deficit of \$3,261,235.00. The Annual Report was adopted, but your Committee recommends that the earliest possible action be taken on the reorganization of the capital structure of that system.

The Annual Report of the Canadian National (West Indies) Steamships Limited for 1950 discloses a net operating deficit of \$601,432.00, and after payment of interest on bonds and Government advances, there was a total deficit of \$1,028,767.00. The balance in the Vessel Replacement Fund at the end of the year was \$4,313,638.00, and in the Self Insurance Fund, \$1,772,458.00. The said Annual Report was adopted.

The Annual Report of Trans-Canada Air Lines for 1950 shows a surplus of \$201,206.00 for the North American Services, and a deficit of \$1,526,412.00 for Trans-Canada Air Lines (Atlantic) Limited. The Annual Report was adopted, but your Committee recommends that in future the financial Budget of Trans-Canada Air Lines, North American Services, and Trans-Canada Air Lines (Atlantic) Limited, for the ensuing year be referred to the Committee to be dealt with along with the Annual Report of Trans-Canada Air Lines. Your Committee noted that progress has been made in research to reduce exhaust noise in North Stars, and hopes that responsibilities of Canadair in connection with the installation of any successful device will be further investigated.



The Auditors' Report to Parliament with respect to the Canadian National Railways System, the Canadian National (West Indies) Steamships Limited, and the Trans-Canada Air Lines, also the Annual Report of the Canadian National Railways Securities Trust for the calendar year 1950, were severally examined and adopted.

The Financial Budgets of the Canadian National Railways and the Canadian National (West Indies) Steamships Limited for the calendar year 1951, were examined and adopted.

The above referred to Votes 493, 495 and 501 were considered and approved, and have already been reported to the House by second report of this Committee, which was presented to the House on April 18, 1951.

The task of your Committee was greatly facilitated by the valuable assistance of Mr. Donald Gordon, C.M.G., LL.D., Chairman of the Board of Directors and President of the Canadian National Railways; Mr. S. F. Dingle, Vice-President, and Mr. T. H. Cooper, Vice-President and Comptroller, Canadian National Railways, and Comptroller, Trans-Canada Air Lines; and Mr. G. R. McGregor, President of Trans-Canada Air Lines.

A printed copy of the minutes of proceedings and evidence taken will be tabled at a later date.

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*

TUESDAY, May 1, 1951.

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

#### FOURTH REPORT

Your Committee now tables a printed copy of its minutes of proceedings and evidence.

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*































