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Canada. Parl. H. of C. Standing
Comm. on Railways and Shipping
Owned, Operated and Controlled
by the Government, 1942/43.
Minutes of proceedings
and evidence. c.1

DATE	NAME - NOM

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SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

THURSDAY, APRIL 30, 1942

WITNESSES:

- Mr. H. J. Symington, K.C., Director and President, Trans-Canada Air Lines.
Mr. O. T. Larson, Vice-President, Trans-Canada Air Lines.
Mr. W. F. English, Assistant Vice-President, Trans-Canada Air Lines.
Mr. R. C. Vaughan, President, Canadian National Railway System.
Mr. N. B. Walton, Vice-President, Operation, Canadian National Railway System.
Mr. T. H. Cooper, Comptroller, Canadian National Railway System.
Mr. W. M. Armstrong, Assistant Chief of Research and Development, Canadian National Railway System.
Mr. W. S. Thompson, Director of Public Relations, Canadian National Railway System.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

THURSDAY, 19th February, 1942.

Ordered. That the Standing Committees of this House shall severally be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

TUESDAY, 24th March, 1942.

Ordered. That Standing Order No. 63 of the House of Commons, relating to the appointment of Standing Committees of the House, be amended by adding to the Standing Committees of the House for the present session a Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred accounts and estimates and bills relating thereto of the Canadian National Railways, the Canadian National (West Indies) Steamships, and Trans-Canada Air Lines for the present session, for consideration and report to the House; provided however that nothing in the resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply; and that the said Committee consist of Messrs. Bercovitch, Jackman, Bradette, Hazen, Donnelly, Dubuc, Emmerson, Ferland, Gray, Shaw, Hanson (*Skeena*), Harris (*Danforth*), Howden, Howe, Lockhart, Nicholson, McCulloch, Maybank, Parent, Pouliot, Ross (*Middlesex East*), Sanderson, Sissons.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

WEDNESDAY, 29th April, 1942.

Ordered. That the Annual Budget of the Canadian National Railways and Canadian National (West Indies) Steamships Limited, tabled to-day, and the Annual Reports for the year 1941, laid on the Table of the House on March 19, 1942, viz: Canadian National Railways; Canadian National (West Indies) Steamships Limited; Canadian National Railways Securities Trust; George A. Touche and Company, Auditors of the Accounts of the Canadian National Railways System; and the Annual Report of Trans-Canada Air Lines

for 1941, tabled on March 23, 1942, be referred to the Standing Committee on Railways and Shipping, together with the following Items of the Estimates for 1942-43:—

400 Maritime Freight Rates Act, Canadian National Railways Eastern Lines.....	\$3,350,000 00
401 Maritime Freight Rates Act—Railways other than Canadian National Railways.....	900,000 00
410 Canadian National (West Indies) Steamships Limited—Capital—Advances	20,000 00
411 Prince Edward Island Car Ferry and Terminals Deficit 1942	400,000 00

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

THURSDAY, 30th April, 1942.

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

Ordered. That the said Committee be empowered to sit while the House is sitting.

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

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

THURSDAY, April 30, 1942.

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

FIRST REPORT

Your Committee recommends:—

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

All of which is respectfully submitted.

J. P. HOWDEN,
Chairman.

(This report was adopted by the House on 30th April, 1942.)

MINUTES OF PROCEEDINGS

ROOM 277, THURSDAY, 30th April, 1942.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government, met this day at 11 o'clock a.m.

Members present: Messrs. Bercovitch, Donnelly, Dubuc, Emmerson, Ferland, Gray, Hanson (*Skeena*), Harris (*Danforth*), Hazen, Howden, Howe, Jackman, McCulloch, Maybank, Nicholson, Pouliot, Sanderson, Shaw, Sissons.

The Orders of Reference of Thursday, 19th February; Tuesday, 24th March; and Wednesday, 29th April, 1942, were read and the Clerk forthwith invited nominations for Chairman.

Mr. Hanson (*Skeena*) moved, seconded by Mr. McCulloch, that Mr. J. P. Howden be elected Chairman.

And the question being put on the said motion, it was agreed to unanimously.

And the Clerk of the Committee having declared Mr. J. P. Howden duly elected, he took the Chair. Mr. Howden expressed his thanks to the members for the honour conferred again upon him and the Committee proceeded forthwith with its deliberations.

On motion of Mr. Harris (*Danforth*), it was

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

On motion of Mr. McCulloch, it was

Resolved,—That the Committee ask leave to reduce its quorum from 12 members to 8 members.

On motion of Mr. Hanson (*Skeena*), it was

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

The following officials of the Department of Transport were in attendance:

Mr. C. P. Edwards, Deputy Minister;
Mr. G. W. Yates, Assistant Deputy Minister;
Mr. F. M. MacLennan, Chief Treasury Officer;
Mr. J. A. Wilson, Director of Air Services.

The Chairman of the Board of Directors, the President and general officers of the Canadian National Railway System, the Trans-Canada Air Lines and the Canadian National (West Indies) Steamships, Limited, were also in attendance, viz:—

Mr. S. J. Hungerford, Chairman of the Board of Directors, Canadian National Railway System;

Mr. R. C. Vaughan, President, Canadian National Railway System;

Mr. N. B. Walton, Vice-President, Operations, Canadian National Railway System;

Mr. H. J. Symington, K.C., President and Director, Trans-Canada Air Lines;
 Mr. O. T. Larson, Vice-President, Trans-Canada Air Lines;
 Mr. W. F. English, Assistant Vice-President, Trans-Canada Air Lines;
 Mr. T. H. Cooper, Comptroller, Canadian National Railway System;
 Mr. W. S. Thompson, Director of Public Relations, Canadian National Railway System, and Trans-Canada Air Lines;
 Mr. W. M. Armstrong, Assistant Chief of Research and Development, Canadian National Railway System;
 Mr. O. A. Matthews, representing George A. Touche & Co. auditors.

The Committee proceeded with the study of the Annual Report of the Trans-Canada Air Lines, for the year ended 31st December, 1941.

The Report was read by Mr. Symington, K.C. and the witness was questioned at length thereon. He was assisted by Messrs. Larson, English and Cooper.

The witness filed, at the request of the Committee, a statement showing the break-down of operating expenses, etc., of the T.C.A. This document appears as Appendix "A" following the report of evidence heard this day.

At 1.00 o'clock p.m., on motion of Mr. McCulloch, the Committee adjourned to meet again at 4.00 o'clock p.m. this day, provided leave had then been obtained by the Committee to sit while the House is sitting.

AFTERNOON SITTING

The Committee, having obtained leave to sit while the House is sitting, met again at 4.00 o'clock p.m. Mr. J. P. Howden, the Chairman, presided.

Members present: Messrs. Donnelly, Dubuc, Emmerson, Ferland, Gray, Hanson (*Skeena*), Harris (*Danforth*), Hazen, Howden, Jackman, Lockhart, McCulloch, Nicholson, Pouliot, Ross (*Middlesex East*), Sanderson, Shaw, Sissons.

In attendance: The same whose names appear for the morning sitting.

The Committee resumed consideration of the Annual Report of Trans-Canada Air Lines for the year ending December, 1941.

Mr. H. J. Symington, K.C., was recalled and after replying to a few questions by the members the witness was permitted to retire with Messrs. O. T. Larson and W. F. English. On behalf of the Committee, the Chairman thanked the officers.

On motion of Mr. McCulloch, seconded by Mr. Sanderson, the Committee adopted the Annual Report of Trans-Canada Air Lines.

The Committee then took up the study of the Annual Report of the Canadian National (West Indies) Steamships, Limited, for the year ended 31st December, 1941.

Mr. R. C. Vaughan, Director and President, was called. The witness read the report and was questioned at length thereon. Messrs. W. M. Armstrong and T. H. Cooper assisted.

After completing its study, on motion of Mr. Hanson (*Skeena*), seconded by Mr. McCulloch, the Committee adopted the Annual Report of the Canadian National (West Indies) Steamships, Limited.

The Committee then went on to the consideration of the Annual Report of the Canadian National Railway System, for the year ended 31st December, 1941.

Mr. R. C. Vaughan, President, was recalled. The witness proceeded with the reading of the Report and was questioned at length on the various headings. He was assisted by Mr. N. B. Walton, Vice-President of Operations; Mr. W. M. Armstrong, Assistant Chief of Research and Development; Mr. T. H. Cooper, Comptroller; and Mr. W. S. Thompson, Director of Public Relations.

In the course of the proceedings, while Mr. Vaughan was on the witness stand, Mr. Pouliot read to the Committee a circular letter from the Canadian Brotherhood of Railway Employees, at Montreal, under date of March 30, 1942. Questions were allowed to be put to the witness on the subject-matter of the circular letter pertaining to the System Adjustment Board but the Chairman ruled that the circular letter would not be printed in the record.

In the course of the proceedings, while Mr. Vaughan was on the witness stand, Mr. Pouliot read to the Committee a circular letter sent by the Railway Company to their employees. Questions were allowed to be put to the witness relating to the subject-matter but the Chairman ruled that the circular letter would not be printed in the record.

At a later stage of the proceedings Mr. Ross (*Middlesex East*) read an article appertaining to the magnificent work performed by the Railways in the United States in connection with the movement of troops. There again the Chairman ruled that the newspaper articles would not be printed in the record of evidence.

At the time of adjournment Mr. Vaughan was still on the stand. The reading of the report was suspended until the next sitting.

At 5.50 o'clock p.m., on motion of Mr. Donnelly, the Committee adjourned to meet again on Friday, May 1st, at 11 o'clock a.m.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 268,

April 30, 1942.

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

The CHAIRMAN: Gentlemen, I wish to thank you for making me your chairman again this year, and at the outset I should like to ask the committee to take as much advantage of the time at our disposal as possible, because the war has thrown a great burden on the officials of the Canadian National Railways and I understand that they are short-handed and the departments are all very busy. While there is no desire on the part of railway officials to curtail discussion, at least we should not waste any time. The procedure usually has been for the president to read his report and to open the discussion. Now, if there is anything else before the meeting before that is done we will pause for any remarks on the part of members of the committee. If not, we will take up the report of Trans-Canada Air Lines, and I will call Mr. H. J. Symington, K.C., President of Trans-Canada Air Lines, to present the report of his department.

Mr. SYMINGTON: Mr. Chairman and gentlemen, I have the fifth annual report of Trans-Canada Air Lines for the year ended 31st December, 1941, as follows:—

To the Shareholders:

The Board of Directors submit herewith the Annual Report of Trans-Canada Air Lines for the year ended 31st December, 1941.

The year's operations were marked by continued development and growth of passenger, mail and express business, extension of services to meet the growing demand for air transport, and increased utilization of the company's skilled personnel and plant facilities to serve the war effort.

The number of passengers carried increased 60 per cent, air mail increased 50 per cent, and air express increased 64 per cent.

The transcontinental service was extended from Moncton to Halifax, and a daily trip was added to the Toronto-Montreal service; a new service was inaugurated between Toronto and New York; operation of the Vancouver-Seattle service was discontinued.

The shops and facilities at Winnipeg and Malton (Toronto) were expanded to undertake additional repair and overhaul work on military aircraft. Maintenance and overhaul of aircraft used in the Atlantic Return Ferry Service was undertaken at Montreal.

Mr. BERCOVITCH: Why was the service from Vancouver to Seattle discontinued?

Mr. SYMINGTON: In the past it was not a paying service. Secondly, negotiations took place between the Air authorities in Washington and Ottawa, because it is an international matter, and when we got the Toronto service—permission from them—there was an over-all temporary arrangement made which expires September of this year, when the whole matter is to be reviewed and a United States line took over the flying from Seattle to Vancouver.

The CHAIRMAN: I would like to suggest, Mr. Symington, that perhaps it would be wise after each individual item has been read or after each paragraph has been read to pause for a moment for interrogation before you proceed.

Mr. SYMINGTON: Just as you like, sir. I had really thought that someone else would read this report and afterwards I would point out some of the essential phases which I thought perhaps might be of interest; but any procedure you like will be quite satisfactory to me.

Mr. JACKMAN: What is the basis of the contract between the T.C.A. and the R.C.A.F. and Atlantic Ferry; is it cost plus?

Mr. SYMINGTON: Cost plus.

Mr. JACKMAN: Cost plus, how much?

Mr. SYMINGTON: Well, that is somewhat involved, but it roughly amounts I would say to a service at cost—a certain percentage on a certain class of work. Perhaps Mr. Larson could give you the details. It is the usual thing that the B.O.A.C. asks us to do, and I would say that it is a war service which is being done practically at cost.

Mr. DONNELLY: Is this all the extension in paragraph 4 to the service?

Mr. SYMINGTON: At the end of the year.

Mr. DONNELLY: During the last year?

Mr. SYMINGTON: Yes, there have been extensions since the end of the year, but last year the extension was Moncton to Halifax, and Toronto to New York.

Mr. JACKMAN: Have these two extensions paid for themselves pretty well from the start?

Mr. SYMINGTON: Yes, I would say so. If you analyse the figures, I would think they paid for themselves. When you come to the percentage of earnings in the various categories I think it is quite apparent that they paid for themselves.

The CHAIRMAN: We might have those figures now.

Mr. SYMINGTON: Result of Operations:—

	1941	1940	Increase or Decrease
Operating Revenues.....	\$5,807,794 03	\$4,592,383 39	\$1,215,410 64
Operating Expenses.....	5,306,136 00	3,855,934 04	1,450,201 96
	\$ 501,658 03	\$ 736,449 35	\$ 234,791 32
Income Charges and Interest.....	199,221 24	197,186 20	2,035 04
Surplus.....	\$ 302,436 79	\$ 539,263 15	\$ 236,826 36

Operating revenues totalled \$5,807,794, an increase of \$1,215,411 or 26 per cent over the preceding year, which indicates a substantial growth in the earning power of the company. Passenger revenues increased \$774,211 or 50 per cent; mail revenues increased \$225,758; express and miscellaneous revenues increased \$215,442. Effective April 1st the rate for the carriage of air mail was reduced from 60 cents to 45 cents a mile. Partly as a result of this reduction in rate, and partly due to the increase in passenger business, mail revenue contributed 53 per cent of the total revenue as compared with 62 per cent in 1940 and 70 per cent in 1939.

Operating expenses totalled \$5,306,136, an increase of \$1,450,202 or 38 per cent over the preceding year. Approximately one-half of the increase is accounted for by expansion of services; the remainder represents increased labour and material costs due to war conditions. Payrolls increased \$597,398; gasoline and oil \$285,883; materials and supplies \$359,403; rentals, office expenses, advertising and miscellaneous expenses \$138,903; depreciation and insurance \$68,615.

Mr. HARRIS: Have you a break-down of the operating expenses?

Mr. SYMINGTON: Yes.

Mr. HARRIS: Would that be available, Mr. Chairman?

Mr. SYMINGTON: Yes.

Mr. HARRIS: Is it available now, Mr. Chairman?

Mr. SYMINGTON: I do not know whether it is available to be filed, but I have the figures here and I intended to point out some of the high lights.

Mr. HARRIS: I was not interested in the high lights; I am interested in the figures—the entire break-down of the operating expenses should be filed.

Mr. SYMINGTON: Yes, all right.

Mr. DONNELLY: How do you account for the great increase in the operating expense?

Mr. SYMINGTON: It is accounted for first by the increased mileage flown; secondly, by the increased cost of materials, gas, etc., and third by the cost of living bonus.

Hon. Mr. HOWE: The reduction in operating revenues is due to the fact that the mail rate was cut down by the 1st of April last year from 60 cents a mile to 45 cents a mile.

Mr. HARRIS: Partially cut; perhaps the minister will agree with that?

Hon. Mr. HOWE: Partially? They were all cut.

Mr. HARRIS: They were cut from 60 to 45?

Hon. Mr. HOWE: That is right.

Mr. HARRIS: As a matter of fact, progress in the inverse ratio; I imagine the rates will go down.

The CHAIRMAN: That is quite clear.

Mr. HARRIS: Yes, I think we all appreciate what the minister was able to do in that regard.

Mr. MAYBANK: Was it cut over all?

Hon. Mr. HOWE: Yes, it was cut on the 1st of April.

Mr. MAYBANK: It was not all taken away—

Mr. HARRIS: The fact is, Mr. Chairman, that 53 per cent of the revenues of the T.C.A. is coming under that sacred depository known as the post office. The observation I made, Mr. Chairman, was this: we are still in the happy position of finding it necessary to carry mail by air, and in carrying mail by air we are able to provide the cost of operating the T.C.A. to the extent of 53 per cent by a contract negotiated between the Post Office Department and the T.C.A. which permits of \$53 out of every \$100 of revenue emanating from post office sources. I have no complaint in regard to that. I make that observation. That rate is high compared to rates which obtain in other parts of North America and certainly in Europe previous to war time. None the less, that is the fact. This committee, in my opinion, is appreciative of the fact that it is gradually coming down to a more reasonable basis, but two years ago it provided something in the nature of 70 per cent of our revenue; 1940, it was 62 per cent of all revenue, and in the year gone by it has provided 53 per cent, due to the fact that the rate was reduced; and I think, Mr. Chairman, that the minister will agree that rates, for the density of mail carried, in the United States find themselves in many places half of the rate which presently obtains. The only point I have in mind in making these observations is that the public should know that we have this service. I have enjoyed it for the last two or three weeks to a considerable extent and we must keep it up to a high level. At the same time, the source from which the money comes to operate that service should be known also to the Canadian people,

namely, that it is coming to a large degree out of post office services—the postal department; and the postal department, as I have said before, is always considered by the British Empire and the Canadian and Anglo Saxon people as a kind of sacred depository, and the people should know there is a contract in existence between the Post Office Department and the T.C.A. which gives them the opportunity of receiving this revenue. There is no complaint in regard to that. At the same time, each and every year we ought to review that particular contract to know where the money is coming from.

I have one further observation to make. I would like to ask this question. I find that on April 1st the rate of carriage of air mail was reduced; is that April 1st of this year?

Hon. Mr. HOWE: April 1, 1941. It is fair to say following your remarks that the Post Office is now making a profit out of the air mail portion of the stamps, and also that there are many rates in the United States which on the longer routes are considerably lower but on the shorter routes are higher. This is an over-all rate for long and short services, and you are getting down very much on a comparable basis with the States.

Mr. HARRIS: The majority of rates are lower.

Hon. Mr. HOWE: Yes, that is right.

Mr. SYMINGTON: May I put some figures on the record now relative to the discussion which might be of interest with respect to the Post Office?

“According to data prepared by the Post Office Department, there are on the average fifty letters to a pound of air mail, and the revenue to the Post Office is \$3 per pound. Of this \$3 the cost of ground service (sorting, delivery, etc.,) is \$1, leaving \$2 available as revenue to apply against payment to the air carrier.” That is, out of a 6-cent letter rate 2 cents goes to the credit of the post office for over-all expenses without the T.C.A. getting any credit for it and 4 cents is credited to the carriage of air mail.

“The table which follows indicates revenue received by the Post Office for the fiscal years noted (April 1st to March 31st) from airmail carried by Trans-Canada Air Lines and the corresponding payments to the company for the carriage of the airmail:

Fiscal Year	Pounds Airmail Carried	Postal Revenue at \$3 per lb.	Ground Service cost at \$1 per lb.	Postal Revenue available for payment to T.C.A.	Payments to T.C.A.
1938.....	172,640	\$ 517,920	\$ 172,640	\$ 345,280	\$ 877,115
1939.....	566,831	1,700,493	566,831	1,133,662	1,754,455
1940.....	990,631	2,971,893	990,631	1,981,262	3,088,674
1941.....	1,516,949	4,550,838	1,516,946	3,033,892	2,995,438

There is a surplus on the business from the 2-cent contribution of \$1,516,000 to apply to ordinary overhead, sorting, delivery, etc., and a surplus of \$50,000 roughly in actual earnings above what was paid the T.C.A. under the contract. That necessarily arises by the nature of the contract in that whatever other earnings the T.C.A. makes it reduces the post office earnings because there is a revision every year based upon what the line earns, and as your passenger and express revenues grow it brings down your air mail rate. There has been more mail; a 60 per cent increase in express; and the same percentage increase in passengers, has given the line more revenue which is applied to the air mail rate. I can see a great improvement in the situation.

Mr. NICHOLSON: If the 45-cent rate applied for the entire year, have you any idea what the surplus might be to the Post Office Department?

Mr. SYMINGTON: I think there would not be a surplus. I cannot give you those exact figures, but I have some figures from the Post Office Department.

Hon. Mr. HOWE: I do not think you understood the question. He said if the 45-cent rate had gone for the year what would have been the profits of the Post Office Department?

Mr. SYMINGTON: I do not think there would have been any profit to the post office, but if the 45-cent rate applied for the whole year—oh, I see—well, there would have been a larger profit, considerably. I cannot give you the increase, but depending upon T.C.A. results under the contract it automatically is reduced or increased.

Mr. HARRIS: The word "profit" comes in there after you have taken full cognizance of all overhead in regard to the aggregate conduct of the post office facilities.

Hon. Mr. HOWE: What the Post Office Department did was to take all of the 6-cent rate, all of the \$3 rate—

Mr. HARRIS: Don't you think the words "credit balance" would be better.

Mr. SYMINGTON: I have no objection because we are not a profit making concern, but the facts are that on the post office's own method of calculating, whether it be good or bad, they did take 2 cents for their overhead.

Mr. HARRIS: As a matter of fact, it is not profit only, but credit balance?

Mr. SYMINGTON: Well, whatever you care to call it, but from the standpoint of our position under the contract there it is.

Mr. HARRIS: The Post Office Department does not pay any rent for the buildings they are occupying and on the service leading up to the time you took the matter over.

Mr. SYMINGTON: Except this, while it is quite true they do not charge themselves any rent, we contribute \$1,515,000 to whatever ground costs they have; whether that is a right proportion or not I do not know.

Mr. HARRIS: As long as the statement is fair I am satisfied.

Mr. GRAY: Is there any provision in the contract for readjustment of the contract between the Post Office Department and the T.C.A., or must we go on this basis, because eventually you will be working for the post office?

Mr. SYMINGTON: There is a yearly adjustment up or down. If we make a profit as we did last year then the rate for this year will be reduced automatically, taking the costs, the profit, according to the miles we are budgeted to fly. If we had a deficit the rate from the post office is raised.

Mr. GRAY: For the ensuing year?

Mr. SYMINGTON: For the ensuing year. May I point out to the committee at this stage that the reduction from 60 cents to 45 cents from last April was not in accordance with the contract. I may say quite frankly that I protested vigorously against it; I did not see why—we being a company that were trying to run on a business basis—why the contract should be broken in our case rather than in the case of a private concern. But the government felt that under all the circumstances it should be reduced, as we were earning a great deal of money because of the expansion that was taking place. My hope had been that we would be permitted, and it was the scheme of the original contract, to make this line financially safe; that we would be permitted to build up a reserve so that we need never come back to the government for more money.

Mr. GRAY: Hear, hear.

Mr. SYMINGTON: Planes change. This is a rapidly moving industry. The planes we have to-day may be of no use to us at all after the war. I am satisfied they won't be. I had anticipated that by that time the company would have gotten into a position by reason of the contract that we made with the government that we would not have to come back to the government for money. However, the government thought that was the wise thing to do; and we, of

course, willingly complied: Had that not been done we would have had a reserve of probably, I should think, nearly a million dollars more; and we would have had a liquid position which would have placed us in a very strong position, looking forward to the necessary changes which will have to take place in equipment after the war. However, that is done.

Mr. BERCOVITCH: How many planes have you?

Mr. SYMINGTON: We have 18 planes.

Mr. NICHOLSON: If the increase in volume of air mail continues next year and if the 45-cent rate is maintained what would be the amount of the profit to the Post Office Department during this year?

Mr. SYMINGTON: We anticipate a surplus of \$24,000 in our budget.

Mr. NICHOLSON: I am speaking of the post office.

Mr. SYMINGTON: Oh, the post office. The way things stand at this stage, if these figures of the post office are right, every pound of mail we carry gives a 100 per cent increase in surplus because the expense is all being taken care of by the present volume. It is purely a question of volume. Once you get up to moving enough air mail to pay your expenses then everything added on to it is completely net.

Mr. NICHOLSON: These figures you have given indicate a tremendous increase each year since 1938; if that rate of increase is continued it will ensure the post office a handsome profit?

Mr. SYMINGTON: That is so—but “handsome”; what will we say—credit balance.

Mr. NICHOLSON: Have you any figures to show how much this credit balance will be if this increase is maintained?

Mr. SYMINGTON: Well, every pound of air mail increase will earn them approximately \$3.

Mr. JACKMAN: In view of the fact that the more business the air lines do the more profit there should be, or the higher percentage of profit, I find it difficult to understand why the operating ratio of the T.C.A. went up to such an extent last year resulting in a great decrease in “net,” despite a great increase in operating revenues and those factors which the president of the T.C.A. mentioned—the increase in the cost of gasoline and the payment of cost of living bonuses. I wonder if he would be good enough to give us the figures on these two items.

Mr. SYMINGTON: I will get you those figures. I might say, however, that our revenue in 1941 for mail was only 42 cents per miles flown, instead of 53·86 in 1940; that arising by reason of the reduction in the mail rate. The result whether you increase the expense or reduce the revenue, of course, increases your operating ratio. Trans-Canada can never change its operating ratio very much; if it makes a profit down goes the mail rate, and if it has a loss, of course, up goes that rate; so that it is difficult to talk in terms of operating ratio under a contract of that kind. I would point out, of course, that our mail revenue per mile flown was reduced 11·86 cents in 1941 as compared with 1942. That was one way through which our revenue was reduced; but, as Mr. Harris very properly pointed out, 53 per cent of our business is mail.

Mr. DONNELLY: If you have to reduce your rates according to your profits you will never have any revenue built up.

Mr. SYMINGTON: Quite true, we will never be able to build up any very great reserve in Trans-Canada; that is quite true.

Mr. DONNELLY: And if you believe, as I think we all believe, that when this war is over your revenue is going to decrease, you are going to run into difficult times if you have no reserve.

Mr. SYMINGTON: That may be. That depends what the future brings. I have some views on that; those views perhaps may be wrong; everybody is inclined to take it for granted that business will decline and with it the volume of air mail, that people generally will not use air mail to the extent that they are now using it, that they will not be using it as much as they are to-day, and naturally rates will have to go up. My own judgment is that it will be the reverse; I think that air travel will be very much greater; that remains to be seen.

Hon. Mr. HOWE: The view of the government was that we would set this company up so that it would never earn much profit, it would always be on a safe basis; if they get a bad year they will have a corresponding better year, and in that way sort of reach an automatic adjustment. But we took the view that it should be a safe operation; that is, the company should always be allowed to earn its expenses. The post office subsidized it for the first three years—it had expected to have to subsidize it for five years; but the war, of course, has brought that period to a close sooner than we had expected and we asked the company to make that adjustment because last year was a war year and revenues were hard to find. We thought that the company being able to help out should help out. That is why we made an abrupt adjustment last year rather than an automatic adjustment which would have been considerably less.

Mr. GRAY: While I can see what the minister and the government did, in my own view it does seem to me that we should at least express our opinion in connection with setting up a reserve for Trans-Canada. They have painted this picture; they have built up a creditable organization; they are doing an excellent work; and my thought is that in the future, and the not too distant future, once we have built up these lines under Trans-Canada Air Lines we are going to have a competing organization that is going to be set up. As you know, they have already acquired lines all over the country, and unless we prepare for it we are going to be faced with the same type of situation that we have been faced with in connection with the railways. That is my own personal view; and I think the government and the management of the Trans-Canada Air Lines should seriously consider a revision of their policy in order to set up a reserve; otherwise, we are going to be faced with a very serious situation as I see it in the next few years.

The CHAIRMAN: Is there any further discussion; if not, we will proceed.

Mr. MAYBANK: How is that competing line getting along? Have you any knowledge about that? Are you watching it?

Mr. SYMINGTON: Well, of course, we are watching it very closely. Theoretically there should be no competition; and I hope the government and parliament will continue that policy. The policy on Trans-Canada as laid down was that Trans-Canada running a certain high class and extensive service in a sparsely populated country should operate all main line services or services up to the standard of main line, because, the government had to spend a great deal of money in making landing fields, radio communications, meteorological stations, and so on. It is government money which makes it possible. It is post office money that makes it possible. This is essentially a government operation; and, furthermore, all international services being an arrangement between governments should be operated by the government concerned. To private enterprise was left what may in the long run prove to be the most profitable field; namely, branch line service not up to the standard of main line service, plus freight carrying into the northern country—that should be left to private enterprise; and that was the policy as stated in parliament and to the management of Trans-Canada. To my mind, unless you want to repeat the railway situation, that policy should be continued; but, that is a matter for you gentlemen, of course. Up to the moment that policy has been continued; but you see signs

in propaganda and in the newspapers of the setting up of great organizations which rather indicate that a competitive situation is contemplated. I am not worrying about it; that rests with the government and parliament in the carrying out of their policy.

Hon. Mr. HOWE: Of course, there can be no competitive situation unless parliament revises the Trans-Canada Act. The Trans-Canada Act protects these lines against competing services. I do not think parliament will ever be disposed to modify it. I do not see why they should. This franchise is owned by the people of Canada. While they might abrogate the Act to let private enterprise in, I do not think they will.

Mr. Sissons: Does Trans-Canada plan to extend the service to Alaska?

Hon. Mr. HOWE: That is the programme, yes.

Mr. SYMINGTON: Trans-Canada plans to extend its service to Alaska, being an international service, with a foreign government, and being a port, a gateway, to an airway across the world. In my judgment, Canada occupies a very important position in the future of the air world. It is on the great circle. It is the shortest way. It has stable weather. It must inevitably take part, in my judgment, in both trans-Pacific and trans-Atlantic air services by agreement with foreign countries. These air lines in foreign countries, with the exception of the United States, are all government air lines. The government is, of course, very much interested in the position of Canada in transportation in the air, over the ocean or any other place; and a competitive situation in Canada would, to my mind, be perfectly fatal to that policy.

Now, the general intentions of Trans-Canada are these—as we know them at the moment, and subject always to the government and parliament—that whatever part Canada takes in these services will be performed by some arm of Trans-Canada; because we have built up an organization on a service which I think I can say with pardonable pride does not obtain any other place. We have built it up from the ground. We have shown that it could be done. I don't think there is an air line any place that could have 18 planes fly 7,000,000 miles, and fly them safely. It is unheard of, so far as I know, any place else.

Mr. HARRIS: You have had your exceptions.

Mr. SYMINGTON: That is a comparative term. We have had one exception, quite true. But it is considered a safe flying line. It is a line which was built up on the principle of safety. It was built up first and foremost on an excellent ground service. That is what is necessary to any air line, the ground service counts first and foremost. Second, is the training of your pilots; because, the human element always enters into it; but the correct training of your pilots, plus your ground work are the first essentials to the safe operation of an air line. After that, of course, you must use eternal vigilance to keep everybody up to the mark; you have to be very close to the situation; and you have to pray. That is what air line operation amounts to.

But the moment adequate equipment, in the shape of four-engined machines, becomes available Trans-Canada Air Lines will change its present route from Winnipeg and fly from Winnipeg to Port Arthur and Fort William, the Sault, and Toronto. The east line will branch off, instead of going North Bay-Toronto, and it will go straight across; the Toronto line will connect up with Montreal, and go to New York; because that is the shortest and the best populated route. But until the four-engined machine comes in it is not safe to fly over the Great Lakes. But it is coming, just as sure as we are here, the minute the war is over. There will be, as I say, a great deal of international traffic; and, of course, it is for parliament to say what is going to be done about it. But at the moment connecting lines are being watched closely by Trans-Canada Air Lines for the purpose of eliminating competition in a service which essentially cannot stand competition, because the cost per cubic foot of carriage does not permit it; it is too expensive a service.

Mr. Sissons: We have the newspaper reports that Trans-Canada services would be extended to Alaska this year. Can you tell us anything about that?

Mr. SYMINGTON: The service is slated to be extended the minute we can get the planes. We have applied, and have at the moment acceptance by the United States authorities, for the right to get these planes this fall, commencing August 1st. If we get them I would expect that the service will start; if we do not, it won't. It all depends on the war situation and the materials and planes that we can get; and that depends upon the government.

Mr. NICHOLSON: What rates are to be paid for the carrying of mail on these future lines by the post office people?

Mr. SYMINGTON: That I cannot say.

The CHAIRMAN: All right, proceed.

Mr. SYMINGTON: Next we come to:

Income Charges and Interest	199,221.24	197,186.20	2,035.04
Surplus	\$302,436.79	\$539,263.15	\$236,826.36

Operating revenues totalled \$5,807,794, an increase of \$1,215,411 or 26% over the preceding year, which indicates a substantial growth in the earning power of the company. Passenger revenues increased \$774,211 or 50%; mail revenues increased \$225,758; express and miscellaneous revenues increased \$215,442. Effective April 1st the rate for the carriage of air mail was reduced from 60 cents to 45 cents a mile. Partly as a result of this reduction in rate, and partly due to the increase in passenger business, mail revenue contributed 53% of the total revenue as compared with 62% in 1940 and 70% in 1939.

Operating expenses totalled \$5,306,136, an increase of \$1,450,202 or 38% over the preceding year. Approximately one half of the increase is accounted for by expansion of services; the remainder represents increased labour and material costs due to war conditions. Payrolls increased \$597,398; gasoline and oil \$285,883; materials and supplies \$359,403; rentals, office expenses, advertising and miscellaneous expenses \$138,903; depreciation and insurance \$68,615.

Mr. HARRIS: Before you leave that last bit there about depreciation and insurance, I would like to ask what was the depreciation for the year 1941?

Mr. SYMINGTON: On aircraft it was \$567,953.87; on ground facilities it was \$140,571.12; a total of \$707,000.

Mr. HARRIS: Yes. What was the cost of the insurance for the year 1941?

Mr. SYMINGTON: I will get that for you in a moment: That insurance for 1941 was \$340,930.87.

Mr. HARRIS: Who were the premiums paid to? Was it between a number of insurance companies?

Mr. SYMINGTON: Oh, there are pages of names here.

Mr. HARRIS: What is the main item; for example, the 18 planes that you spoke about? They are insured, are they not?

Mr. SYMINGTON: The 18 planes are insured—except that we carry our own crash insurance. That is for the planes.

Mr. HARRIS: You carry your crash insurance; do you carry liability insurance?

Mr. SYMINGTON: No.

Mr. HARRIS: What is the name of the company or organization which handles the liability insurance?

Mr. SYMINGTON: That is the British-America Insurance Company, Limited.

Mr. HARRIS: Where are they located?

Mr. SYMINGTON: They are in Toronto. I can read you what they carry: fire, in flight and not in flight, \$1,494,400; transportation, not in flight; wind-storm, not in flight; land damage, not in flight.

Mr. HARRIS: Who carries the liability insurance in flight?

Mr. SYMINGTON: The same people.

Mr. HARRIS: Have the claims for the Armstrong crash been settled, or are they still in court.

Mr. SYMINGTON: They have nearly all been settled, except the ones which are in court and I think the insurance company is taking an appeal on those.

Mr. HARRIS: Who is taking the appeal?

Mr. SYMINGTON: The insurance company.

Mr. HARRIS: Who is representing the insurance company—it is a Canadian organization?

Mr. SYMINGTON: Oh, yes; it is this company, the British-America Insurance Company.

Mr. HARRIS: With headquarters at Toronto?

Mr. SYMINGTON: With headquarters at Toronto.

Mr. HARRIS: How many claims have been settled?

Mr. SYMINGTON: Seven have been settled and there are two pending.

Mr. HARRIS: And the two that are pending are to be appealed, I understand.

Mr. SYMINGTON: Appealed, yes.

Mr. HARRIS: By the Canadian insurance company concerned?

Mr. SYMINGTON: Yes. The appeal, I may say, is being taken to settle apparently a legal point. I do not think there is any objection to the amount of the verdict. As you, I think, understand, there is a doctrine called *res ipsa loquitur* in law which says, "the thing speaks for itself". If that applies to the air line company there will be responsibility in every case. The insurance company is anxious to find out whether the doctrine applies or not, and this is a particularly favourable case. If it does, it may have an important bearing on our future operations—when a jury are unable to find any negligence. It is based on a legal proposition to the effect, if an accident occurs, is there liability? They are trying to settle that point, I understand.

Mr. HARRIS: What is the total cost so far of premiums?

Mr. SYMINGTON: \$340,000; and that covers, Mr. Harris, a great number too. It also covers a number of different types of insurance. I was surprised when we came to review them. I can read you the headings, if you like.

Mr. HARRIS: Mr. Chairman, could it be put on the record? Would the chair permit that to be taken into the record?

The CHAIRMAN: If the committee so desires; I have no objection.

Mr. SYMINGTON: We will furnish the headings of the insurance carried.

Mr. HARRIS: I was going to ask this witness just one more question: how do insurance premiums compare with the liability, or the cost, if the company had its own insurance?

Mr. SYMINGTON: We were going over that last week, Mr. Harris; there are certain types of insurance which I think we could carry ourselves now that we are getting in a better position.

Mr. HARRIS: Is it not a fact that the railway company as a matter of policy does not carry insurance to anything like the extent it is being carried by the air lines?

Mr. SYMINGTON: Yes; that is so; except this, that the railway in common with the air lines takes out insurance for anything in the nature of a catastrophe; something where a large sum of money is involved, where it might hurt the company, where the risk is perhaps unduly great.

Mr. HARRIS: Mr. Chairman, does the T.C.A. follow the same policy as Canadian National Railways with regard to insurance; or, dealing with these individual items themselves—what I am getting at, Mr. Chairman, is; there are quite a number of insurance policies issued to Trans-Canada Air Lines for services rendered by the insurance companies which do not apply in the case of the Canadian National Railways, and I would like to have a statement as to why this directorate consider it necessary to carry certain insurances while the other directorate does not consider it necessary to carry like insurance?

Hon. Mr. HOWE: I think the explanation of that is that one crash here could wipe out the capital of this company if it is bad enough. That is a considered risk which the railway does insure against. For instance, they insure the Canadian National Steamship Line's boats; the loss of one steamship would wipe out its capital.

Mr. HARRIS: I would ask that that statement be made as comprehensible as possible.

Mr. SYMINGTON: The Trans-Canada looks after their insurance quite apart from the railway altogether.

Mr. BERCOVITCH: What is the total depreciation?

Mr. SYMINGTON: Do you mean the present reserve against; or the annual—I can give you the annual, I think.

Hon. Mr. HOWE: It is shown on the last page, here.

Mr. SYMINGTON: The accrued depreciation to date is \$1,858,365.86; and that was after writing off the Armstrong plane, the plane that was in the crash.

Mr. NICHOLSON: Do I understand that the cost of the insurance includes the losses at Armstrong?

Mr. SYMINGTON: I do not so understand.

Mr. NICHOLSON: Might I ask how much the dependants of each person in that crash were paid, how much they were paid in the case of a crash of that sort?

Mr. SYMINGTON: They are paid whatever settlement is made; or, whatever a jury awards them.

Mr. NICHOLSON: Are those figures to go on the record?

The CHAIRMAN: Mr. Harris has asked that they be placed on the record.

I would like to suggest, gentlemen, if you would listen to the repartee that goes on between the speaker and the interrogator you probably would not have to ask a number of questions that are asked several times, thereby delaying the committee.

Proceed, Mr. Symington, please.

Mr. HARRIS: Mr. Chairman, let us dispose of this first.

The CHAIRMAN: All right.

Mr. HARRIS: The question asked was, what was the award that was made in the case of this crash at Armstrong; it is common knowledge, and it should go on the record. Hon. members here asked that question.

The CHAIRMAN: He asked a question that had been asked by you, and that had been answered to you.

Mr. NICHOLSON: I do not think that question was the same.

Mr. HARRIS: I think not, and I endorse what he says.

Mr. SYMINGTON: I haven't that figure here, because the verdict was in 1942; but Mr. Larson informs me that the verdict in that particular case amounted to \$19,400.

Mr. HARRIS: You are speaking of the two contested ones?

Mr. SYMINGTON: Yes.

Mr. HARRIS: What was paid with respect to the ones settled out of court?

Mr. SYMINGTON: \$47,361.45, in total.

Mr. HARRIS: That is the total amount?

Mr. SYMINGTON: Yes.

Mr. HARRIS: How many cases?

Mr. SYMINGTON: I believe there were seven.

Mr. HARRIS: And the unsettled amount is \$19,000. Thank you.

Mr. SYMINGTON: These settlements, I may say, were of course made by the insurance company, not by us.

Mr. HARRIS: And the latter were contested by the insurance company?

Mr. SYMINGTON: Yes. They made the settlements, of course, under the insurance policy. They take care of these claims.

Mr. HARRIS: If I might make another observation, I would say that the settlements that were made, to my mind, Mr. Chairman, have been reasonably good. As to the other two cases; as a layman, I do not know anything about the settlements being contested; the awards being lower than those obtained in the cases that were settled. I do not see why we should ask these unfortunate people, as in these two latter cases to undergo the delay and difficulty which the situation brings to them. I happen to know that they are in difficult circumstances and that private citizens have had to come to the rescue in order to keep them going.

Hon. Mr. HOWE: How do you know that to be the case?

Mr. HARRIS: I put money up out of my own pocket; is that good enough?

Hon. Mr. HOWE: Of the two that were contested?

Mr. HARRIS: Yes. I would rather the press would not put that in.

Mr. GRAY: Is it clear to you that this is not being done by the T.C.A. but by a private company?

Mr. HARRIS: Quite.

Mr. GRAY: I think it ought to be clear to all of us now.

Mr. HARRIS: I am not saying it as any reflection on the T.C.A. Admittedly it is a case which might reflect on the whole organization if it is not promptly settled; and the appeal that I make now, inasmuch that the evidence has come out, is that the insurance companies issuing the policies under which they assume the liability of these risks should be of such a class and kind as will keep the good name of the T.C.A. on a very high plane when it comes to settling accidents.

Mr. SYMINGTON: I can only say with reference to that that the company is I think one of the best; secondly, that we did everything we could to try to get them settled, but of course they have the right to defend. So far as we are concerned, we do not like the publicity of it.

Mr. HARRIS: We do not, either.

The CHAIRMAN: Next.

Mr. SYMINGTON: Operations and Development:—

Route miles operated at December 31 totalled 4,024, and daily scheduled miles 18,764, an increase compared with December 31, 1940, of 362 miles and 3,620 miles respectively. Revenue plane miles flown during the year were 6,384,651, as compared with 4,770,219 in 1940, an increase of 1,614,432. 97.2 per cent of the mileage scheduled was completed. Total miles flown, including training, amounted to 7,274,815, as compared with 5,258,984 in 1940.

Mr. HAZEN: What is that about training miles?

Mr. SYMINGTON: That means training pilots and check tests of pilots.

The CHAIRMAN: Next.

Mr. SYMINGTON: Passenger Service:—

Revenue passengers numbered 85,154 in 1941, as compared with 53,180 in 1940, an increase of 31,974 or 60 per cent. The average passenger journey was 520 miles, as compared with 551 miles in 1940. The percentage of passenger occupancy (passengers carried in relation to seat capacity) was 67 per cent, as compared with 63 per cent in 1940. On the transcontinental service the percentage was 71 per cent as compared with 66 per cent in 1940.

As an added service to passengers a central reservation bureau was established to control the assignment of space for all trips.

In common with all air transport lines on this continent, the company has suffered loss of revenue, and its prospective patrons have experienced inconvenience, because of "no shows", i.e., passengers who make a reservation and then fail to appear at plane departure time or who cancel their reservations immediately prior to departure. Measures have been taken which are effecting an improvement in this regard.

Mr. HANSON: What steps have been taken in that regard?

Mr. SYMINGTON: What we are doing now or trying to do is that we call up the people continuously, and three hours before the plane leaves they must take up their ticket and decide that they are going or they cannot get a seat. It is working out pretty well. I am not entirely satisfied with it yet.

Mr. DONNELLY: Are there any special rates for the army or the navy or any militia men?

Mr. SYMINGTON: No, sir, there are no special rates; there are some privileges in the matter of "must rides" which are limited. They must come from the department or from the officer commanding in Vancouver or Halifax, and they are strictly regulated. But on military service there are these "must rides" and somebody must give up a seat. But there is no discount or passes.

Mr. DONNELLY: Can you give us any idea of what the percentage of passengers in military service is?

Mr. SYMINGTON: We have figured it as 80 per cent.

Mr. DONNELLY: 80 per cent?

Mr. SYMINGTON: Now, that is not the services, but those on direct war work, manufacturing, munitions, and all that sort of thing. That 80 per cent represents people who are travelling in connection with the war.

Mr. SHAW: I judge from the statement made here that there have been no changes made in the passenger fare rates; am I correct in that?

Mr. SYMINGTON: Yes.

Mr. SHAW: How do present day rates compare with those when the service was first inaugurated?

Mr. SYMINGTON: They are the same.

Mr. SHAW: From a previous statement I understand that revisions or reductions are being made in air mail service in order, as you indicated, to offset too great a surplus in your operations; in other words, you are not contemplating the building up of a substantial surplus, and in order to offset that you are reducing air mail rates. Has any consideration been given to the reduction of passenger rates?

Mr. SYMINGTON: No consideration has been given to the reduction of passenger rates. The rates are the rates fixed by the board—filed with the board—and are the same as the United States rates on our competing lines.

Hon. Mr. HOWE: That is provided for in the Trans-Canada Act.

Mr. DONNELLY: If 80 per cent is due to the war it seems to me that your contention that you should set up a reserve is absolutely well founded.

Mr. SYMINGTON: It may be, sir, but when I speak about it being due to the war it is a business war, and I think a good many of those enterprises will still be in business after the war; at least one would hope so.

Hon. Mr. HOWE: If we had twice the equipment we have we could sell twice the number of seats. The service is away below the requirement. I do not think there will be any falling off after the war.

Mr. JACKMAN: With regard to the air mail service, notwithstanding the decrease in the poundage rate paid by the post office the T.C.A. received \$225,758 more in revenue from the post office for the service rendered, and the increases in passenger service and express and miscellaneous were even more substantial. I wonder how it is that the witness can say that the increase in operating ratio was due to the decrease in the poundage rate.

Mr. SYMINGTON: The better position in the mail service arises by reason of the greater number of miles flown, and we are paid according to the miles flown for the mail. The minute you increase your miles you increase your expense, and instead of getting 60 cents we got 45 cents a mile whereas our expenses were the same or higher on the increased mileage.

Mr. JACKMAN: The extra pounds of mail do not cost you as much.

Mr. SYMINGTON: We get nothing for the extra cost of mail, it is mileage. The growth of the mail is all for the post office; we get our rate even though there is not a letter carried. As it is added to that it goes to the post office. This mail can grow to a tremendous weight and that is all for the benefit of the post office and to our disadvantage because it is more weight to carry and we get no more for it.

Mr. JACKMAN: You did get \$225,000.

Mr. SYMINGTON: We got that because the mileage was increased from Halifax to Moncton and from Toronto to New York and we added a service between Toronto and Montreal. The minute we add to the mileage then our revenue increases, but an addition to the poundage of mail does not increase our revenue at all—it is the added mileage flown that increases our revenue. I see that you do not understand it yet. Our contract you see is so much a mile on an approved route by the post office, so that if you added, for instance, Toronto to New York we get an added mileage under the post office contract.

Mr. BERCOVITCH: Whether you carry mail or not?

Mr. SYMINGTON: Yes, whether we carry mail or not. But they have the right to use it for mail, and if the mail is heavy we have to leave passenger seats vacant because the post office has the first call. That is, the heavier the mail we are carrying the fewer passengers we can put in. We get no more money but our revenue comes from the increased mileage.

Mr. DONNELLY: You get paid so much a pound for every mile you fly.

Mr. SYMINGTON: No, so much every mile; the poundage does not matter.

Mr. DONNELLY: For example, you put on two services across the continent. Now, do you get paid double mileage?

Mr. SYMINGTON: Yes.

Mr. NICHOLSON: The minister mentioned additional planes that could be used. I notice that the percentage of passengers is 71 per cent; is that as high a percentage as you hope to get?

Mr. SYMINGTON: Well, that is considered to be a high percentage. You start out with a plane from Vancouver going to Halifax. I suppose not one

passenger in ten would be going right through. One man might be going to Lethbridge, and if we do not pick up a passenger at Lethbridge that reduces the occupancy. If we could take in a passenger every time we stop and let a passenger off that would give us 100 per cent occupancy. Very often you start off with a full plane at Vancouver and someone gets off at Lethbridge and you do not fill that place until you get to Winnipeg, and that reduces your percentage down in that case below 70 per cent of occupancy. You cannot occupy a plane that stops—unless it is a through one—100 per cent or anything like it; 71 per cent is considered a very high percentage of occupancy.

Mr. DONNELLY: What is the American occupancy?

Hon. Mr. HOWE: There is no system in the States that ever reaches 70 per cent. They have always told us that it could not be done. Trans-Canada has the highest rate of occupancy.

Mr. SYMINGTON: In industry 65 per cent has been considered the saturation point.

Mr. BERCOVITCH: In the hotel business the same thing applies.

Mr. POULIOT: Is it possible to know what mail is sent by the various departments of government and what is sent by other people?

Mr. SYMINGTON: It is not possible for me to tell you, sir. I think the post office would have to tell you that.

Mr. POULIOT: Are there any officers of the Post Office Department here?

Mr. SYMINGTON: I do not know, sir.

Mr. POULIOT: Could they be called to give us that information?

The CHAIRMAN: Yes, you can have them here if you ask for them; if you want to subject them to an interrogation.

Mr. POULIOT: I want to know what quantity of air mail is sent by the various branches of the government as compared to the mail from other people.

The CHAIRMAN: Well, if the members desire that the post office officials be here to answer interrogations we will request them to come.

Mr. SYMINGTON: I suppose we could place it this way, that our mail out of Ottawa is not out of proportion to our mail out of other centres, if you are speaking of government departments here.

Mr. POULIOT: It might apply to branches of government throughout the country.

Mr. SYMINGTON: It may, but we have no means of checking it. The mail bags come to us and we turn them over to the post office at delivery.

Mr. JACKMAN: I wonder if the witness would tell us how they reckon how many passengers are on government business or belong to the services?

Mr. SYMINGTON: We make periodic tests in the traffic business in the air line. We have to keep very close touch with the passengers, not only for the purpose of communicating with them or knowing where their business is but also on the question of preference of rides for war as opposed to civilian business.

Mr. JACKMAN: The only priorities that the T.C.A. grant are to men in the armed services?

Mr. SYMINGTON: That is right.

The CHAIRMAN: Next item.

Mr. SYMINGTON: Air Mail Service:—

There was a marked increase during the year in the use made of the air mail service. Miles flown with air mail increased 34 per cent; pounds of air mail carried increased 50 per cent; and pound miles of air mail carried increased 60 per cent, all indicating an increasing mail load per

trip, resulting in more revenue to the Post Office. Mail loads now approximate 5,000 pounds per day. This represents about a quarter of a million air mail letters per day. On the transcontinental night trips the heavy mail load occasionally necessitates some passenger accommodation being withheld from sale.

Mr. NICHOLSON: I asked for the rates paid by the feeder lines on air mail carried. It was said they did not have that information before the rate was reduced from 60 to 45. It seems to me you should have that information—the rates paid by the Post Office Department to other competing lines?

Mr. SYMINGTON: That may be so, but you see our rate is fixed by an Act of the Parliament of Canada which says it shall be 60 cents and each year an account will be taken to show whether we made a profit or loss and if we make a profit the air mail is reduced and if we make a loss the air mail rate is increased. It bears no relation under the statute to what they may be paying somebody who is running up to the north country; it is a thing separate and apart and is fixed by the Act itself.

Mr. NICHOLSON: Did I not understand that the reduction should not have taken place for some time?

Mr. SYMINGTON: The reduction which took place last April should not have taken place until now—at least December 31st.

Mr. NICHOLSON: Who brought pressure on you to reduce this rate?

Mr. SYMINGTON: The government said: you are making too much money and this is a war year and we want you to reduce your rate. Although we protested the rate was reduced.

Mr. DONNELLY: I understand at the present time they have a daily or a twice daily mail service between Regina and Moose Jaw and Regina and Saskatoon; is that the Transcontinental?

Mr. SYMINGTON: That is the prairie—the C.P.R. air services. It used to be the Prairie Air Services.

The CHAIRMAN: Next item.

Mr. SYMINGTON: Air Express Service:—

Air express service continues to gain in popularity as its speed and convenience are recognized. During the year 173,192 pounds of air express were carried, as compared with 105,788 pounds in 1940, a gain of 64 per cent. The average distance a shipment was carried was 1,400 miles, or approximately the distance between Montreal and Winnipeg.

Following the inauguration of the Toronto-New York service, arrangements were made with the Railway Express Agency and the Canadian National Express for an air express service between points in Canada and points in the United States.

Mr. SHAW: Are these express service rates also established by statute?

Mr. SYMINGTON: No, they are established by the board; only the mail rate is established by statute.

Mr. SHAW: Has anything taken place with respect to the rates charged on express?

Mr. SYMINGTON: No, they are fixed by the Board of Transport Commissioners, approved by them. They are the same rates as obtain in the United States and in Canada.

Mr. SHAW: How frequently are they reviewed by the board?

Mr. SYMINGTON: When anybody makes a complaint to the board that the rates are unreasonable there is a hearing.

Mr. SHAW: I would judge that any individual could register a complaint?

Mr. SYMINGTON: Yes.

Mr. SHAW: And he would register that complaint with the board?

Mr. SYMINGTON: Yes.

Mr. DONNELLY: How does the air mail express rate compare with the railroad express rates?

Mr. SYMINGTON: It is very much higher, of course.

Mr. DONNELLY: What is the comparison?

Mr. SYMINGTON: I do not think you can make a comparison, but the air express rates are very much higher—three or four times at least. Really air express would only be useful in an emergency, nobody would use it ordinarily—if somebody wants fresh flowers or a piece of machinery in a hurry and it is worth while to pay for that service they pay for it.

Service Extensions:—

Service was extended from Moncton to Halifax on April 16th. The flight from Montreal to Halifax occupies less than four hours. The service is filling a definite need and is well patronized.

The Civil Aeronautics Board of the United States granted the company a licence to operate between Toronto and New York. An agreement was entered into with the city of New York for terminal facilities at La Guardia Airport and with American Airlines for the servicing of this company's equipment. Service was inaugurated on May 10th on the basis of two daily trips and increased to three on June 16th. The extension of the service to New York provides a valuable passenger, mail and express connection to United States points and with Trans-Atlantic, Caribbean and South American services.

Mr. HANSON: The minister stated a service would be inaugurated to Sydney; do you know when that will go into force?

Mr. SYMINGTON: That service is opening to-morrow. It has been flown for familiarization purposes since April and it is opening May 1st.

Mr. EMMERSON: Is that extension to Sydney alone?

Mr. SYMINGTON: No, Newfoundland.

Mr. JACKMAN: Are the American services coming into Canada now?

Mr. SYMINGTON: There is a service from Seattle to Vancouver, a short service into Lethbridge by the Western Air Line, a service into Winnipeg from Minneapolis by the North-West Lines and there is a service into Moncton by the Northeastern Lines.

Hon. Mr. HOWE: There is a service into Montreal.

Mr. SYMINGTON: I do not know whether that was originally Canadian Colonial Company—I think it is now a Colonial Company which is an American company.

Mr. JACKMAN: There is nothing coming into Toronto now?

Mr. SYMINGTON: Yes.

Hon. Mr. HOWE: Yes, the American Air Lines fly into Toronto from Buffalo.

Mr. SYMINGTON: Yes, they fly into Toronto from Buffalo.

Mr. JACKMAN: The one flying from Toronto to Buffalo is the only one which competes with the T.C.A. service?

Mr. SYMINGTON: Yes, the only one, and it is not competitive to any extent because it is not a through line. Our service to New York is a 2-hour service, and they cannot compete.

Mr. BERCOVITCH: Two hours from Montreal?

Mr. SYMINGTON: Two hours from Toronto.

Mr. HANSON: With regard to the service from Spokane to Fairbanks, Alaska, will they be allowed to take Canadian passengers?

Mr. SYMINGTON: I understand not, sir.

Mr. HANSON: There are two services.

Mr. SYMINGTON: Yes.

The CHAIRMAN: Next item.

Mr. SYMINGTON: Price Edward Island Service:—

On April 15th, Canadian Airways Limited cancelled its service between Moncton, Summerside and Charlottetown. On request of the Postmaster General, Trans-Canada temporarily operated a service until December 8th, when the Post Office Department entered into a contract with Maritime Central Airways Limited.

Property and Equipment:—

Flight Equipment:—As of December 31, 1941, the flight equipment of the company consisted of:—

12 Lockheed 14H Aircraft, equipped with two Pratt and Whitney Hornet engines each of 850 horsepower.

6 Lockheed Dodestar Aircraft, equipped with two Pratt and Whitney Twin-row Wasp engines each of 1,200 horsepower.

Retirements during the year were: two Lockheed 14H Aircraft requisitioned by the Dominion Government and one Lockheed 14H Aircraft destroyed in the accident at Armstrong, referred to in last year's report.

To provide for replacement of these three aircraft, and for additional flight equipment required for service extensions, the Office of Production Management, Washington, has allocated to the company six Lockheed Lodestar aircraft for delivery in August and September of the current year.

A contract was entered into for purchase of Twin-row Wasp engines for replacement of Hornet engines in the 14H aircraft. Engineering work on this project was completed during the year and deliveries of the engines are now being made. It is expected that this programme will be completed by the late summer of 1942.

Mr. JACKMAN: I think it was about two years ago when the matter of equipment was up that I suggested that possibly the T.C.A. should not expand its services at that time because of the very urgent need for those larger aircraft in the old country. The answer given to me I thought was reasonably satisfactory at that time, namely that those particular planes would not be used anyway and were produced in a factory which did not have orders in the United States, but I noticed an item in one of the American journals that the T.C.A. had had to give up certain of its planes in order to facilitate trans-oceanic flights or for other war purposes.

Mr. SYMINGTON: War work on this continent, carrying military people.

Mr. JACKMAN: How many did you have to give up?

Mr. SYMINGTON: Two.

Hon. Mr. HOWE: We did not have to give them, we gave them.

Mr. JACKMAN: The commercial American air lines had already given them up.

Hon. Mr. HOWE: No, we gave the first two planes that went into that plan. Why do you want to make a statement like that? We presented the first two planes that went into that pool.

Mr. JACKMAN: The reason I made the statement is that I wanted to be sure we did our share.

Hon. Mr. HOWE: We were asked to lead the way and we did. We presented the first two planes that went into that pool.

Mr. JACKMAN: The T.C.A. was the first air line on this continent to give up planes for war services?

Hon. Mr. HOWE: That went into the particular pool you are talking about—fifty planes which were required overseas.

Mr. JACKMAN: I do not know anything about the pool, but I do know that the commercial lines in the States did give up planes, and the article which I read said that the T.C.A. by reason of pressure by American air lines gave up certain planes.

Hon. Mr. HOWE: You should not believe all you read, especially in the isolationist press.

Mr. BERCOVITCH: What would be the average life of a plane?

Mr. SYMINGTON: We depreciate them every four years, but the average life is longer.

Mr. DONNELLY: After how much flying do you give a complete overhaul to each of your planes?

Mr. SYMINGTON: 600 miles in the air. They are continually serviced when they do come in, but a complete overhauling occurs after every 600 miles in the air.

Mr. DONNELLY: Where do you do that?

Mr. SYMINGTON: Largely in Winnipeg. We have a very finely equipped shop there.

The CHAIRMAN: Next item.

Mr. SYMINGTON: Ground Facilities:—

The hangar at Montreal Airport (Dorval) constructed under arrangement with the Department of Transport, was completed during the summer. Agreements were entered into with Canadian Colonial Airways Limited, Northeast Airlines, Inc., and Quebec Airways Limited, to provide those companies with storage and servicing facilities in the new hangar.

Airway Facilities

Early in the year the Department of Transport took over from the municipal authorities for the duration of the war the operation and management of the airports at Vancouver, Lethbridge, Calgary, Edmonton, Regina and Winnipeg. This measure was necessary in order to maintain adequate airway control because of the increasing use of the facilities by military aircraft for defence purposes. All airports in Canada used by the company are now under the direct control of the government.

A continuing programme of improvements to runways, field facilities, lighting, and navigational aids was carried on by the Department throughout the year, including terminal airports and intermediate and emergency fields. Owing to the heavy military and commercial traffic over Canadian airways steps are being taken by the Department to establish a system, similar to that in effect in the United States, of regional traffic control zones to expedite the movement of airborne traffic.

The weather reporting service, operated by the Meteorological Branch of the Department, was extended and its personnel augmented to meet the growing needs of military and civil aviation.

Runways and other field facilities of the Montreal Airport at Dorval were completed in August and the airport was opened on September 1. On the same date the St. Hubert Airport was transferred to the

military. The new airport is conveniently located to the city, and with the completion of the administration building early this year is one of the best equipped and most modern on the continent.

The administration buildings at Malton and Ottawa were enlarged by the department to provide for the increasing volume of traffic.

Mr. McCULLOCH: When the mail service starts to Sydney is there any chance of New Glasgow getting into that field as a feeder?

Hon. Mr. HOWE: Is your field up to Trans-Canada standards?

Mr. McCULLOCH: It is a growing community and the industries there are quite large.

Hon. Mr. HOWE: I do not think that it is possible to use that field for the present.

Mr. McCULLOCH: When the mail service is coming from Moncton to Prince Edward Island and Sydney will that be used as a feeder in the future?

Hon. Mr. HOWE: I do not think I can answer that in times like these. We have always had it in mind as an intermediate stop.

Mr. McCULLOCH: I know you had it in mind before.

Hon. Mr. HOWE: Yes.

The CHAIRMAN: Gentlemen, may I interrupt just for a moment with the query as to whether we will sit this afternoon. It is desirable that we should if the committee has no objection. Since there is no objection, we will meet at 4 o'clock.

Mr. SYMINGTON:

PERSONNEL

Personnel as at December 31, 1941, totalled 1,123, the comparative figures being as follows:—

	December 1941	31st 1940
Administrative	13	13
Captains and First Officers.....	105	89
Stewardesses	54	40
Maintenance and Overhaul.....	562	399
Dispatch and Communications.....	125	101
Station Staffs.....	82	43
Traffic	68	50
Clerical, Stores and General.....	71	54
Maintenance and Overhaul, Dorval, for British Overseas Airways Corporation.....	43	—
	<u>1,123</u>	<u>789</u>

As of December 31, sixty-six employees had enlisted for active service. The trend during the year was to employ women to release men for military service. As of December 31, 1940, there were only eighteen women employees apart from stewardesses on the company's payrolls, whereas by December 31, 1941, this number has increased to one hundred and one.

As from June 1, 1941, a wartime cost-of-living bonus has been paid to employees of the rank of foreman or under.

Mr. SHAW: Before we leave that section: I notice here, paragraph 1, certain airports which were municipal were taken over by Trans-Canada Air Lines and managed by the government; what type of arrangement or agreement was entered into with a municipality with respect to the taking over of such fields?

Hon. Mr. HOWE: The municipalities turned them over to us on the basis of a dollar a year, we undertake to make all expenditures on airports as long as we have them. The chief purpose in taking them over was to make them available for military training.

Mr. SHAW: After the war they will be returned, I presume, to the municipalities?

Hon. Mr. HOWE: Yes.

Mr. SHAW: And all the improvement will be turned over to the municipalities?

Hon. Mr. HOWE: Yes, I should think so; that is, non-removable things—the runways and that sort of thing—the buildings, I presume, would be in a different category.

Mr. HANSON: Just before you leave that; what is the percentage of women to men in your employ at the present time?

Mr. SYMINGTON: It is 20 per cent.

FINANCIAL

Balance Sheet:

The paid in capital of the company, \$3,750,000, which has all been raised by the issue of capital stock, was not increased during the year. The reserve for depreciation increased by \$546,212, and now stands at \$1,878,366. The self insurance reserve increased by \$85,345 and is now \$292,172.

Property and Equipment:

Expenditures on property and equipment totalled \$765,666, and retirements amounted to \$513,460, resulting in a net increase in investment account of \$252,206, as follows:—

EXPENDITURES:

Purchase of Pratt & Whitney Twin-row Wasp engines to replace Hornet engines—part payment.....	\$504,460	
Purchase of propeller assemblies and blades.....	65,405	
Purchase of Bendix automatic radio compasses for 14H aircraft	65,484	
Shop and servicing equipment.....	59,111	
Ground station radio equipment.....	27,781	
Betterments to aircraft and aircraft equipment.....	9,748	
Betterments to hangars and other buildings.....	8,496	
Furniture and fixtures for offices and stations, and miscellaneous	25,181	\$765,666

RETIREMENTS:

Three Lockheed 14H aircraft with two spare engines....	\$415,868	
Sperry automatic pilots sold.....	73,710	
Propeller assemblies.....	9,575	
Servicing equipment and miscellaneous.....	14,307	513,460
Net change in Investment Account.....		\$252,206

Mr. EMMERSON: In respect to the purchase of these Pratt & Whitney Wasp engines to replace the Hornets; I understand that the Pratt & Whitney were 1200 horsepower and the others only 850 horsepower.

Mr. SYMINGTON: That is correct.

Mr. EMMERSON: Can these Wasps be assembled in the same plane in place of the Hornets without any remodelling of the plane?

Mr. SYMINGTON: They can, sir; but the plane would be over-engined. We are engaged now in converting these planes into lodestar size by lengthening them to put on the heavier engines; that gives us greater carrying capacity, of course.

Mr. JACKMAN: What about the three Lockheed aircraft retired?

Mr. SYMINGTON: One was Armstrong; two, were the two that went to the War Services.

Mr. JACKMAN: And you haven't got those back yet?

Mr. SYMINGTON: We will never get those back.

The CHAIRMAN: Next item, please.

GENERAL

Special War Activities:

The company has undertaken on a considerable scale the repair and overhaul of military aircraft, including engines, propellers and instruments. Throughout the year the volume of work produced has shown a consistent increase. Women have displayed particular aptitude for certain types of work and an increasing number are being trained. The company's shops are on a three-shift basis and full use is being made of all facilities.

Maintenance and Overhaul of Aircraft Employed in Atlantic Return Ferry Service:

An agreement was entered into with the British Overseas Airways Corporation, under which Trans-Canada has undertaken the repair and overhaul of aircraft employed in the Atlantic Return Ferry Service operated by the Corporation. A maintenance staff, the nucleus of which was provided from the Winnipeg repair base, has been organized at Dorval. The company will shortly undertake the necessary servicing requirements in Newfoundland in connection with this service.

Service Extensions:

Recent negotiations have resulted in an arrangement for Trans-Canada to establish an air service to Newfoundland. It is anticipated a regular daily passenger, mail and express schedule will commence on May 1 next.

Because of this new service, and in view of the extent of the company's existing operations in the Maritime Provinces, a divisional headquarters and dispatch centre has been established at Moncton, with jurisdiction over operations east of Montreal, including Newfoundland.

Transportation difficulties and unseasonable weather combined to delay the completion of airports and other facilities on the airway being constructed by the Canadian Government for military and commercial aviation between Edmonton and Whitehorse, Yukon Territory. The airway will be completed and suitable for main line operation in the autumn of 1942 and Trans-Canada will then extend its services to that territory, thus providing a direct main line service from the United States and Canada to Alaska.

Outlook for 1942:

The outlook for 1942 contains many uncertainties. There is every indication of a further increase in traffic on the services now operated and of a substantial volume of traffic from the extension of services planned. Work on direct war contracts for the overhaul of military aircraft, engines, instruments and accessories will expand considerably and place additional burdens on the supervisory and skilled personnel of the company, but these will be accepted cheerfully. The company's equipment and plant have been well maintained and are in good condition.

On July 24, Mr. H. J. Symington, K.C., became President of the Company, succeeding Mr. S. J. Hungerford who resigned from that position and from the Board of Directors. Concurrently, Mr. R. C. Vaughan succeeded Mr. Hungerford as a Director.

The directors record with pleasure their appreciation of the loyal and capable services of the officers and employees of the company.

For the Directors,

H. J. SYMINGTON.

President.

The CHAIRMAN: Is there any discussion at this point?

Mr. SANDERSON: Where are these shops located?

Mr. SYMINGTON: The main shops are at Winnipeg—we have a shop at Malton, and at all our airports—but the main shops are at Winnipeg, Malton and Montreal. Some of the work done in these shops is on account of war service and the demands of this nature are growing very rapidly. I am informed that our costs are below that of anybody else giving a similar service.

Mr. DONNELLY: I believe it was stated that every 600 miles you give an engine a complete overhaul—how many man-hours does it take to give a complete overhaul to these engines?

Mr. SYMINGTON: It takes 450 man-hours.

The CHAIRMAN: If you would care to file a copy of that material.

Mr. SYMINGTON: I will.

Mr. MAYBANK: Where is that cost-plus that you referred to reflected in the income account; that \$303,000?

Mr. SYMINGTON: Mr. Cooper, could you answer that?

Mr. COOPER: That is on page 10, under the heading of gross revenue and incidental services.

Mr. MAYBANK: That \$303,964.44?

Mr. COOPER: That is it.

Mr. MAYBANK: Is that pretty well made up of these cost-plus jobs?

Mr. SYMINGTON: Yes.

Mr. MAYBANK: Or, does it come from some other place too?

Mr. SYMINGTON: No. That includes the overhaul of instruments including bomb-sights, camera guns, and all other instruments of British, Canadian and American manufacture for the R.C.A.F. It includes the overhauling and conditioning of metal propellers; the overhaul of engines to the account of the Canadian government and Ferry Command—we do overhaul of engines for Ferry Command before they go across the ocean if there is anything wrong with them. It includes B.O.A.C.—that is, the transport engines of the British Overseas Airways Corporation. It includes the overhaul of plane engines at Winnipeg for the R.C.A.F.; if there are crashes or injuries to planes; the overhaul of twin-engined aircraft for the R.C.A.F. at Malton, and the rebuilding of aircraft after accidents. Flight personnel—we do test work for others; that is, generally, with respect to overhaul, at both Vancouver and the Maritimes. It includes the servicing of R.C.A.F. aircraft moving out of T.C.A. stations; and all B.O.A.C. ground work at Montreal.

Mr. SHAW: Referring again to these shop operations, I notice it is operated on three eight hour shifts; is that throughout the whole week?

Mr. SYMINGTON: It operates throughout the whole week, but every employee is given one day off in seven.

Mr. HANSON: I would like to ask this question: you said that it is the intention of the air lines to extend the mail service to the new airports in 1942?

Mr. SYMINGTON: Regular mail service is taken over by Trans-Canada when a new service is established; and once they take over the mail is carried at whatever rate is then established.

Mr. HANSON: I understand there is a service at the present time from Edmonton to Whitehorse?

Mr. SYMINGTON: Yes.

Mr. HANSON: But that there is no mail service at the present time; will that be included later?

Mr. SYMINGTON: I do not know what the post office are going to do about that; that is their arrangement; but, of course, if Trans-Canada flies what we might call New York-Toronto-Winnipeg-Regina-Edmonton-Whitehorse-Alaska, mail will be carried throughout the route; but what arrangement would be made for the use of the branch lines—I presume they would stay the way they are.

Mr. HANSON: However, that is up to the Post Office Department?

Mr. SYMINGTON: Yes.

The CHAIRMAN: Next item, please.

BALANCE SHEET AT 31st DECEMBER, 1941

ASSETS		LIABILITIES	
<i>Current Assets:</i>		<i>Current Liabilities:</i>	
Cash.....	\$ 388,494 54	Accounts Payable.....	\$ 504,291 04
Working Fund Advances.....	3,495 71	Traffic Balances Payable.....	28,075 12
Special Deposits.....	10,062 53	Salaries and Wages.....	79,517 01
Accounts Receivable.....	874,153 43	Other Liabilities.....	32,280 75
Traffic Balances Receivable.....	253,374 88		<hr/> \$ 644,163 92
Balances Receivable from Agents.....	27,194 22	<i>Self Insurance Reserve</i>	292,171 67
Materials and Supplies.....	635,623 56		
Other Current Assets.....	67,819 48	<i>Capital Stock:</i>	
	<hr/> \$2,260,218 35	Common Stock Subscribed—Par Value...	\$5,000,000 00
<i>Investment in Affiliated Companies</i>	2,250 00	Less Uncalled Subscriptions to Common Stock.....	1,250,000 00
<i>Prepayments—Insurance</i>	33,178 64		<hr/> 3,750,000 00
<i>Capital Assets:</i>		<i>Surplus:</i>	
Property and Equipment.....	\$5,110,754 40	Balance at 1st January, 1941.....	\$ 539,263 15
Less Accrued Depreciation.....	1,878,365 86	Surplus for year 1941.....	302,436 79
	<hr/> 3,232,388 54		<hr/> 841,699 94
	<hr/> <hr/> \$5,528,035 53		<hr/> <hr/> \$5,528,035 53

T. H. COOPER,
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the Trans-Canada Air Lines for the year ended the 31st December, 1941, and we certify that, in our opinion the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Air Lines as at the 31st December, 1941, and that the relative Income Account for the year ended the 31st December, 1941, is correctly stated.

10th March, 1942.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

Mr. DONNELLY: What about this \$2,250, "investment in affiliated companies"; what company is that?

Mr. ENGLISH: In connection with our service into New York there is an operating company which operates the airport terminal services there, and each operating company is required to take out so many shares of stock in that operating company.

Mr. NICHOLSON: This item of accounts receivable, appears very large; how do you account for that?

Mr. COOPER: I would say that since the turn of the year that item has all been paid in, with the exception of \$50,000. I can give you the details if you like. Most of it was due from the Post Office Department. Here are the details:

A/C 104 ACCOUNTS RECEIVABLE

Post Office Department.....	\$494,388 79
Department of Munitions and Supply.....	83,153 04
Department of Transport.....	61,352 37
Department of National Defence.....	53,437 88
Royal Air Force Ferry Command.....	42,154 31
British Overseas Airways.....	31,787 62
Province of Ontario.....	35,218 03
" " Quebec	14,443 56
" " Manitoba	11,095 64
" " Alberta	7,762 68
" " Saskatchewan	5,983 25
" " British Columbia	2,622 52
Yukon Southern Air Transport.....	5,684 49
Northeast Air Lines.....	4,288 73
Miscellaneous	20,780 52
	<hr/>
	\$874,153 43

Mr. NICHOLSON: Then, how about this next item, traffic balances receivable; can you give us the detail as to that?

Mr. COOPER: Yes, that is made up as follows:

A/C TRAFFIC BALANCES RECEIVABLE:

American Airlines, Inc.....	\$79,582 49
United Air Lines.....	63,301 56
Department of National Defence.....	22,917 98
Canadian National Railways.....	21,143 21
Northwest Airlines, Inc.....	18,994 70
Canadian Colonial Airways.....	7,928 90
Transcontinental & Western Air, Inc.....	7,592 76
Eastern Air Lines.....	7,344 94
Canadian National Express.....	5,126 90
United States Federal Government.....	4,023 94
Western Canadian Greyhound.....	3,041 45
Miscellaneous—under \$3,000.....	12,376 05
	<hr/>
	\$253,374 88

Mr. NICHOLSON: Those accounts should be all right, I think.

The CHAIRMAN: We have the O.K. of the chartered accountant below the financial statement so I think we can now proceed to page 10.

INCOME ACCOUNT

YEAR ENDED 31ST DECEMBER, 1941

GROSS REVENUE:

Passenger	\$2,348,428 46
Mail	3,058,120 95
Express	78,811 56
Excess Baggage.....	18,341 12
Other Transportation.....	127 50
Incidental Services.....	303,964 44
	<hr/>
Total	\$5,807,794 03

INCOME ACCOUNT—*Con.*

YEAR ENDED 31ST DECEMBER, 1941

OPERATING EXPENSES:

Aircraft—		
Operation and Maintenance.....	\$3,011,315 13	
Depreciation	567,953 87	\$3,579,269 00
Ground Facilities—		
Operation and Maintenance.....	\$1,029,651 13	
Depreciation	140,571 12	1,170,222 25
Incidental Services.....		155,488 20
Traffic and General Administration.....		394,260 97
Tax Accruals.....		6,895 58
Exchange, etc.....		11,721 24
Interest on Capital Invested.....		187,500 00
Total		\$5,505,357 24
Surplus		\$ 302,436 79

STATISTICAL DATA

YEAR ENDED 31ST DECEMBER, 1941

Route Mileage Operated.....	4,024
Plane Miles Flown—Revenue.....	6,384,651
Plane Miles Flown—Non Revenue.....	890,164
Revenue Passengers Carried.....	85,154
Percentage of Passenger Occupancy.....	67
Average Passenger Journey—Miles.....	520
Air Mail Carried—Pounds.....	1,389,614
Express Carried—Pounds.....	173,192
Excess Baggage Carried—Pounds.....	112,924

Since the inception of operations the company has flown a total of 15,063,735 plane miles in revenue service and a total of 85,943,053 passenger miles.

Mr. JACKMAN: Number of plane miles flown—non-revenue, this bears quite a high relationship to the plane miles flown—revenue; is that all for training?

Mr. SYMINGTON: That is all for training; or, for example, when we start the Newfoundland service, which we expect to do on the 1st of May, for one month our pilots familiarize themselves with the ground fields, temperatures, and everything else relating to safe flying. That is non-revenue mileage. Also the training of pilots and refresher courses. Then, after a plane has been reconditioned it is flown quite a high number of miles by test pilots putting it through all sorts of things to see that it is in good shape.

Mr. DONNELLY: Do you think that your depreciation figures is high enough?

Mr. SYMINGTON: It has so proved over four years. I do not think we would be allowed by the government to write off any faster than that. Our engines are written down on the basis of service; that is, the engine itself—so many hours. We have had to boost that, they say we are taking too much depreciation. These things are adjusted in accordance with experience. I would say, sir, that our depreciation is adequate.

Mr. NICHOLSON: In connection with these plane miles flown—non-revenue; it seems to be a fairly high percentage—have you the percentages of the previous years available?

Mr. SYMINGTON: I can get that for you. It is roughly the same, Mr. Larson informs me. It varies naturally, once you open up a new route your revenue miles increase because you have got to familiarize your pilots with these routes. As long as the system extends there is bound to be a large percentage, relatively, of non-revenue miles.

Mr. NICHOLSON: I notice here incidental services, \$303,964.44; what are some of these incidental services?

Mr. SYMINGTON: I will ask Mr. Cooper to give you that?

Mr. COOPER: The incidental services are as follows:

511	Buffet and Restaurant Service.....	7,092 14
514	Commissions.....	751 75
515	Fuel and Oil—Sales.....	89,768 71
516	Repairs and Service—Sales.....	130,893 33
516A	Hangar Storage.....	8,098 96
517	Rents.....	6,278 26
518	Other Incidental Revenue.....	61,081 29
Total.....		\$5,807,794 03

The CHAIRMAN: I might say, gentlemen, that during the recess the doors will be locked so it will be quite safe for you to leave your papers here.

Mr. NICHOLSON: Are we through with the T.C.A.?

The CHAIRMAN: I think we have the auditor's report before we are entirely through with it.

Mr. SYMINGTON: There is no auditor's report, except the signature which you have on the financial statement.

The CHAIRMAN: All right. I do not know whether Mr. Matthews will refer to this again when presenting the report of the auditors. However, we will adjourn now to resume at 4 o'clock.

The committee adjourned at 1 o'clock p.m. to meet again at 4 o'clock p.m. this day.

AFTERNOON SESSION

The Committee resumed at 4 o'clock.

The CHAIRMAN: Gentlemen, when the committee rose at 1 o'clock we had just finished a review of the report of the Trans-Canada Air Lines. I presume the first order of business would be a motion for the adoption of this report.

Mr. McCULLOCH: I move that the report be adopted.

Mr. SANDERSON: I second that motion.

Mr. HANSON: Before the motion is put I would like to ask as a matter of courtesy for a breakdown of the item accounts receivable. Perhaps the officials would file that before the motion is put.

Mr. COOPER: That was put into the record this morning.

Motion agreed to.

The CHAIRMAN: Now, if it meet with the approval of the members of the committee the officials of the Canadian National transportation system would like us to consider the report of the National Steamships Limited. We will proceed with the report and Mr. Vaughan, the President of the Canadian National Railways, will read the President's Report.

Mr. R. C. VAUGHAN: (Reads):

The Honourable P. J. A. CARDIN, K.C., M.P.,
Minister of Transport,
Ottawa.

SIR,—On behalf of the directors, I beg to submit the annual report of Canadian National (West Indies) Steamships, Limited, for the year ended 31st December, 1941.

The comparative operating results are as follows:

	1941	1940	Increase	Per cent
Operating revenues.....	\$6,756,463 57	\$5,750,341 42	\$1,006,122 15	17.50
Operating expenses.....	5,029,106 60	4,545,306 51	483,800 09	10.64
Operating profits.....	\$1,727,356 97	\$1,205,034 91	\$ 522,322 06	

Details of operating revenues and operating expenses are given in the accounting statements accompanying this report.

The cash surplus for the year, i.e., the amount by which operating revenues exceeded operating expenses and bond interest, was \$1,205,656.97, which will be paid to the government as interest on advances (current and arrears). The corresponding figure in 1940 was \$666,101.57.

The *Lady Somers*, which was requisitioned for war service on October 3, 1940, was lost during the year as a result of enemy action while serving as an auxiliary cruiser. The *Lady Hawkins* (Commander H. O. Giffin, R.C.N.R.) also was lost as a result of enemy action while south-bound on January 19, 1942. The Directors very much regret the loss of these two fine ships. They also take this opportunity of expressing their sympathy with the relatives of the passengers, officers and crew of the *Lady Hawkins* who lost their lives in the tragedy. Pending settlement for the value of the *Lady Somers* the asset has been retained in the accounts at the original cost of the vessel, less depreciation accrued in the accounts to the date of requisitioning.

Two vessels, the *Dalwarnic* and *Canatco*, owned by the Canada Atlantic Transit Company, a subsidiary of Canadian National Railways, have been chartered for West Indies trade, replacing vessels of the company assigned for service to the Far East.

On July 24th, Mr. R. C. Vaughan became a Director and President of the company in succession to Mr. S. J. Hungerford who resigned from the said offices.

The Directors again express their appreciation of the loyal service rendered by the company's officers and employees under the stress of wartime conditions.

The CHAIRMAN: Any discussion?

Mr. HAZEN: Mr. Chairman, in connection with the loss of the *Lady Hawkins* on January 19, 1942, I wonder if Mr. Vaughan could tell us if that ship were armed before she sailed?

Mr. VAUGHAN: Yes, she was.

Mr. HAZEN: Could you tell us if Captain Giffin, the master of the ship, wrote the company complaining of lack of proper armament?

Mr. VAUGHAN: I could not say that. I did not hear of that, but in any event, those vessels sail entirely under the direction of officers of the navy and it is the navy which decides whether they should have a convoy or not.

Mr. HAZEN: If he did write such a letter would it come to your attention?

Mr. VAUGHAN: Well, it probably would. I have never seen such a letter. I have not heard that he wrote such a letter.

Mr. HAZEN: Is it possible such a letter would go to someone else?

Mr. VAUGHAN: It may be possible that such a letter was written.

Mr. HAZEN: If it was written and you did not receive it whom might it have been received by?

Mr. VAUGHAN: It would probably go to Mr. Teakle, General Manager of the Canadian National Steamships Limited, Montreal.

Mr. HAZEN: Is he here?

Mr. VAUGHAN: No, he is not here to-day. We can get him here if necessary. I think I can answer most questions, but I cannot answer that particular question because I have no knowledge of such a letter ever having been written.

Mr. HAZEN: You say it is possible such a letter could have been written?

Mr. VAUGHAN: I could not say that such a letter was not written because he may have written it. I can say this—I do not know how much of this would be desirable to go on the record because the navy have asked us to keep as secret as possible everything that happens in connection with the movements of these vessels—I do know that some of our captains have felt that they should have escorts.

Mr. HAZEN: I understood that Captain Giffin did write a letter. I do not know whether it should be tabled or put in the record, but I was told that such a letter had been written.

Mr. VAUGHAN: I can ascertain if such a letter was received and let you know in the morning.

Mr. HAZEN: I will appreciate it if you do that.

Mr. VAUGHAN: Yes, we will do that.

The CHAIRMAN: Any further discussion?

Mr. HANSON: What is the value of the *Lady Somers*?

Mr. COOPER: The original cost is \$1,779,000.

Mr. HANSON: You have depreciation?

Mr. COOPER: After deducting depreciation the ledger value would be \$1,167,000.

Mr. HANSON: That stands as an asset to the company?

Mr. COOPER: That is the value at which the asset is carried in the accounts; but I would not say it indicates the real value of the vessel.

Mr. HANSON: That is the value in the accounts.

Mr. VAUGHAN: The replacement value would be more.

Mr. HAZEN: Have you still some ships in the West Indian trade?

Mr. VAUGHAN: Yes, a number.

Mr. HAZEN: Are you satisfied with the armament on them at the present time?

Mr. VAUGHAN: That is difficult to say.

Mr. HAZEN: Has any convoy system been provided for ships?

Mr. VAUGHAN: I could not tell you that because our boats only move when they are released by the navy and they travel entirely under the direction of the navy. We do not know whether they are convoyed or not.

The CHAIRMAN: Will we proceed with page 6? Mr. Armstrong will read this.

Mr. ARMSTRONG:

CONSOLIDATED BALANCE SHEET
At 31st December, 1941

ASSETS		LIABILITIES	
Investments:		Capital Stock:	
Vessels	\$9,189,634 39	Authorized and issued 400 Shares of \$100 each.....	\$ 40,000 00
Plant and Equipment.....	8,273 78	Funded Debt:	
Office Furniture and Fixtures.....	18,062 45	25-Year 5% Dominion of Canada Guaranteed Gold Bonds due in 1955.....	9,400,000 00
	\$9,215,970 62	Dominion of Canada Account:	
Current Assets:		Notes Payable Secured by Mortgages on Vessels	\$ 933,071 83
Cash in Banks.....	\$1,821,492 31	Advances:	
Special Deposits.....	4,200 00	Capital	\$ 713,619 23
	\$1,825,692 31	Working Capital.....	450,000 00
Accounts Receivable.....	385,671 39	Deficits	5,059,960 94
Agents	564,858 99		6,223,580 17
Inventories of Stores and Supplies.....	25,640 62	Interest Accrued Unpaid.....	1,011,770 61
Advances to Captains, Crews and Agents.	33,866 54		8,168,422 61
Amount due from Canadian National Railways Joint Insurance Fund.....	187,159 62	Current Liabilities:	
	3,022,889 47	Dominion of Canada.....	\$1,205,656 97
SS. <i>Lady Somers</i>		Accounts Payable.....	554,329 23
Original Cost plus Improvements.....	\$1,779,694 67	Interest Matured Unpaid.....	4,200 00
Depreciation accrued to October 3, 1940.	611,976 94	Unmatured Interest Accrued.....	156,666 67
	1,167,717 73	Passage Money paid in Advance.....	130,639 88
Insurance Fund.....	2,772,739 44	Insured Loss Unpaid.....	43,278 34
Discount on Funded Debt.....	40,744 43		2,094,771 09
Discount on Capital Stock.....	40,000 00	Insurance Reserve.....	2,772,739 44
	1,167,717 73	Unadjusted Credits.....	17,233 34
	2,772,739 44	Uncompleted Voyages—Suspense.....	487,221 27
	40,744 43	Accrued Depreciation.....	3,370,456 98
	40,000 00	Profits and Loss— <i>Deficit</i>	10,090,783 04
	\$16,260,061 69		\$16,260,061 69

CONTINGENT LIABILITY—No contingent reserve is accrued for pensions. Pension payments are charged currently to operating expenses.

T. H. COOPER,
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the Canadian National (West Indies) Steamships, Limited and Subsidiary Companies for the year ended the 31st December, 1941, and subject to our report to Parliament, we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Steamships as at the 31st December, 1941, and that the relative Income and Profit and Loss Accounts for the year ended the 31st December, 1941, are correctly stated.

10th March, 1942.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

Mr. HAZEN: How many vessels does the company own?

Mr. VAUGHAN: They are all on the last sheet, on page 10.

Mr. SANDERSON: What was the deficit in the previous year, December, 1940?

Mr. VAUGHAN: The deficit after all charges was \$12,733.

Mr. SANDERSON: About \$2,000,000 less?

Mr. VAUGHAN: No, the actual surplus without amortization of discount, interest due government and depreciation on vessels is \$593,216.83, but the profit after taking into account interest on the bonds is \$1,205,656 against \$666,000 last year. That is on page 9.

The CHAIRMAN: If there is no further discussion shall we continue on page 8?

Mr. JACKMAN: The auditor's report shows that the *Lady Hawkins* was lost in January, 1942, and was insured in the insurance fund in the amount of \$1,500,000; what was the book value?

Mr. VAUGHAN: The book value is about the same as the other boat, \$1,100,000 or \$1,200,000.

Mr. COOPER: The *Lady Hawkins*, \$1,689,000; accrued depreciation to 1941, \$640,000.

Mr. ROSS: Have you any information with regard to uncompleted voyages. The breakdown includes uncompleted voyages at the end of the year. Could we have some more information on that?

Mr. COOPER: That is the accrued revenue and expense on voyages which are in progress at the end of the year. We only take into the income account the income and expenses on voyages which are actually completed—certain vessels are on voyage at the end of the year—and the revenues and expenses of those uncompleted voyages are carried in this account.

Mr. ROSS: That includes uncompleted voyages during the year?

Mr. COOPER: Yes.

Mr. JACKMAN: On the *Lady Hawkins* the original cost value is \$1,689,000, after the depreciation which shows on your book is \$640,000, leaving a net book value of \$1,049,000, and yet you had your own insurance fund for \$1,500,000 which I presume you collected from your insurance fund and paid into some other fund. How do you handle that?

Mr. VAUGHAN: There was a certain amount of that war risk which was insured outside. The *Lady Hawkins* was all in our own fund.

Mr. COOPER: It is our purpose to place the \$1,500,000 in a replacement account.

The CHAIRMAN: I am sure that the members of this committee do not hear what is going on. I am in the centre of the circle and I have difficulty myself.

Mr. COOPER: I understand that Mr. Jackman was enquiring what we propose to do with the \$1,500,000.

Mr. JACKMAN: I asked how you handle it in your account. You had an asset of \$1,049,000 and you get \$1,500,000 from yourselves. I want to know how you handle that. You are getting more back by reason of the sinking of the ship.

Mr. COOPER: I think Mr. Jackman is interested in the book profit.

Mr. JACKMAN: Yes.

Mr. COOPER: It is a capital gain. It will be taken up through the surplus account of the company.

Mr. HAZEN: You only get back \$1,049,000.

Mr. COOPER: We collected the insurance value \$1,500,000.

Mr. JACKMAN: From yourself, from the insurance fund?

Mr. COOPER: Yes.

Mr. JACKMAN: I have not had time to examine the account thoroughly to see if it in any way enters into the operating accounts.

Mr. COOPER: The *Lady Hawkins* was not lost until 1942. Its loss has no place whatever in the 1941 accounts. There is a reference to it, however, in the report of the directors as a matter of information only.

Mr. JACKMAN: On the *Lady Somers*, what is the contention with regard to the loss, or claim against the government?

Mr. VAUGHAN: We have made a claim for what we think is a fair valuation of the boat. What we are asking for is that we be settled with on the same basis as the Imperial government is settling with other steamship owners who have lost boats under the same conditions. If we can do that it ought to give us something in the neighbourhood of \$2,000,000.

Mr. ROSS: Was the *Lady Somers* requisitioned by the Canadian or British government?

Mr. VAUGHAN: By the Canadian government for the use of the Imperial government. She has been in the service of the British government, not in the service of the Canadian government.

Mr. JACKMAN: In the president's report he mentioned:—

The cash surplus for the year, *i.e.*, the amount by which operating revenues exceeded operating expenses and bond interest, was \$1,205,656.97, which will be paid to the government as interest on advances (current and arrears). The corresponding figure in 1940 was \$666,101.57.

How much of that will go to current interest and how much to arrears?

Mr. COOPER: That is shown on page 9, Mr. Jackman; the interest charged to income during the year 1941 was \$346,000—that is current interest. The remainder is arrears.

Mr. JACKMAN: You have paid about \$320,000 of arrears?

Mr. COOPER: We paid considerably more than that.

Mr. JACKMAN: Yes, I was looking at the 1940 book.

Mr. HANSON: What kind of freight is being brought up from there now, do you still bring bananas and things of that kind?

Mr. VAUGHAN: Substantial quantities of bananas from certain of the islands like Jamaica; molasses and the usual commodities produced in the West Indies.

The CHAIRMAN: Well, gentlemen, if we were to continue with page 8 and look at these figures we might get some of this information that is now being asked for in a general way.

Mr. JACKMAN: May I just put one question first: mention was made that you were carrying more war risk insurance; is that a change in policy since last year?

Mr. VAUGHAN: We have changed the policy to some extent since the hazard has become greater in that trade. I may say that they are under the British scheme of war risk insurance.

Mr. JACKMAN: And there is no concern because of any new type of risk either directly or indirectly connected with the war that the insurance reserve may not be adequate for the purposes of the company.

Mr. VAUGHAN: That was not the principal reason, although that was a factor; indeed, if we should lose this whole fleet we would not have enough money in the insurance reserve to replace them.

Mr. JACKMAN: The war risk insurance is the only thing that is a cause for concern and the occasion for placing the insurance outside of the company. This war risk insurance is the only type that you are placing outside?

Mr. VAUGHAN: We are still carrying the marine risk.

The CHAIRMAN: We will now proceed with page 8.

Mr. ARMSTRONG:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

At 31st DECEMBER, 1941

Balance at 31st December, 1940—Deficit	\$10,683,998 87
Surplus as per Income Account, year 1941.....	593,215 83
Balance at 31st December, 1941—Deficit.....	<u>\$10,090,783 04</u>

Mr. VAUGHAN: I perhaps should have said Mr. Jackman, that these boats are going all over the world to-day. We do not know where they are going to be sent to-morrow. Some of them were sent to the far east and in the rubber and other trades.

The CHAIRMAN: How did your deficit for the year 1941 compare with the year 1940?

Mr. VAUGHAN: There is no deficit this year.

The CHAIRMAN: I know; I mean for 1941 as compared with 1940.

Mr. VAUGHAN: We show a surplus after everything this year of \$593,000 against a deficit of \$12,000 last year.

The CHAIRMAN: That is an improvement.

Mr. JACKMAN: Might I ask how that surplus compares with budget surplus as reported to this committee last year?

Mr. VAUGHAN: It was, I think, greatly in excess of it.

Mr. ARMSTRONG: Last year's budget showed an income available towards payment of interest on advances by the Government of Canada of \$500,000; that corresponds to \$1,205,656. In the actual results for the year there is an improvement of about \$700,000.

Mr. JACKMAN: Over that budget?

Mr. ARMSTRONG: Yes.

The CHAIRMAN: Possibly that will be shown in the figures on page 9. I think we had better have page 9 read.

Mr. ARMSTRONG:

CONSOLIDATED INCOME ACCOUNT

	Year 1941	Year 1940
OPERATING REVENUE:		
Freight	\$5,358,734 12	\$4,854,623 81
Passenger	937,156 16	565,269 13
Baggage, Express and Miscellaneous.....	169,280 00	85,443 52
Subsidies	201,564 96	201,564 96
Charter	89,728 33	43,440 00
Total	<u>\$6,756,463 57</u>	<u>\$5,750,341 42</u>
OPERATING EXPENSES:		
Closed Voyages.....	\$4,891,699 67	\$4,422,651 63
Management and Office Salaries.....	101,093 93	88,974 81
Rent and Taxes.....	9,466 80	9,466 94
Office Supplies and Expenses.....	26,460 99	22,295 03
Advertising	3,807 57	3,579 00
Interest and Exchange.....	3,422 36	1,660 90
Total	<u>\$5,029,106 60</u>	<u>\$4,545,306 51</u>

<i>Operating Ratio</i>	<i>74.43%</i>	<i>79.04%</i>
Operating Profit.....	\$1,727,356 97	\$1,205,034 91
Interest on Bonds held by Public.....	470,000 00	470,000 00
Exchange on U.S. Funds.....	51,700 00	68,933 34
	<hr/>	<hr/>
	\$1,205,656 97	\$ 666,101 57
	<hr/>	<hr/>
OTHER CHARGES:		
Amortization of Discount.....	\$ 3,094 44	\$ 3,094 44
Interest due Government.....	346,701 38	346,661 24
Depreciation on Vessels.....	262,645 32	329,079 87
	<hr/>	<hr/>
Surplus	\$ 593,215 83	\$ 12,733 98
	<hr/>	<hr/>

Mr. HAZEN: Why is the depreciation down this year?

Mr. COOPER: Due to the fact the *Lady Somers* was lost, and depreciation discontinued.

Mr. HAZEN: The item, net operating revenue—passenger; does that include revenue received from carrying troops?

Mr. VAUGHAN: Yes, that would include all passenger revenue.

Mr. JACKMAN: Is a certain amount of tourist business being done at the present time?

Mr. VAUGHAN: There is very little tourist business in recent months. People are not taking ocean trips now unless they have to. We have been moving troops and people from the United States going to the islands of Trinidad and other naval bases.

Mr. HAZEN: I notice advertising is still rather high; what is the explanation of that when there are not so many tourists?

Mr. VAUGHAN: There may have been a carry-over there; I am not sure, but it is a very small amount. We are doing practically no advertising, except a little newspaper advertising so that people may know that the boats are sailing on or about certain dates.

Mr. HAZEN: I notice that management and office salaries are increased somewhat?

Mr. VAUGHAN: You are speaking about dollars and cents—that is largely because of the cost of living bonus.

Mr. HAZEN: Is that 15 per cent in this instance also?

Mr. VAUGHAN: No, it would hardly be that. It is not worked out on exactly the same basis. We have had to readjust our wages all around to meet certain scales being paid by other people, so we may have a different scale of wages for different trades.

Mr. JACKMAN: What has been the course of ocean freight rates?

Mr. VAUGHAN: It has been up, very substantially. Expenses have increased very materially on account of war risk, the cost of coal and oil, and other expenses.

Mr. HAZEN: The wages of the seamen have gone up?

Mr. COOPER: Yes, their wages are up.

Mr. HAZEN: Where are they in the statement?

Mr. COOPER: In the first item there under operating expenses—expenses of closed voyages.

Mr. HAZEN: About what percentage has the wages of the seamen increased?

Mr. COOPER: I think they were increased 25 per cent in 1939.

Mr. VAUGHAN: I think about 25 per cent. We had to give certain bonuses, and we have had to follow the British Maritime Wage Scale where our ships are serving in the same trade.

Mr. HAZEN: In connection with officers and men who lost their lives on the *Lady Hawkins*, or on any other vessel, is any provision made for them?

Mr. VAUGHAN: Yes, the provision is made by the Canadian government.

Mr. HAZEN: Not by your company?

Mr. VAUGHAN: No, sir.

Mr. JACKMAN: Is that a special wartime regulation?

Mr. VAUGHAN: Yes, they have regulations in connection with all vessels that engage in trade on the high seas.

Mr. JACKMAN: But they are no more applicable to your company than they are to all the rest?

Mr. VAUGHAN: Oh, no; we are treated exactly the same as any other steamship line.

The CHAIRMAN: We come now to page 10; I think that should be in the record.

Mr. ARMSTRONG:

FLEET AS AT 31st DECEMBER, 1941

	Gross tonnage	Deadweight tonnage
Lady Drake.....	7,985	6,370
Lady Hawkins.....	7,989	6,370
Lady Nelson.....	7,970	6,370
Lady Rodney.....	8,194	4,665
Cathcart.....	3,708	2,950
Cavelier.....	3,663	2,950
Chometry.....	6,136	8,600
Colborne.....	6,230	8,650
Cornwallis.....	5,458	8,390
Connector.....	1,789	2,781
	<hr/> 59,122	<hr/> 58,096

ASSIGNMENT OF FLEET DURING YEAR 1941

SERVICES	Vessels
Eastern Passenger and Freight.....	3
Eastern Freight and Far East.....	3
Western Passenger and Freight.....	1
Western Freight.....	2
Charter.....	1
	<hr/> 10

VOYAGES COMPLETED DURING YEAR 1941

SERVICES	Voyages
Eastern Passenger and Freight.....	23
Eastern Freight.....	10
Western Passenger and Freight.....	12
Western Freight.....	24
Kingston—Belize.....	9
United Kingdom—West Indies.....	1
Far East.....	1
Charter.....	1
	<hr/> 81

Mr. HAZEN: Where do these vessels now sail to, take these ones on the western voyages?

Mr. VAUGHAN: The ships in the western service go to Bermuda and from Bermuda to Jamaica—that is what we call the western route.

Mr. HAZEN: What is the eastern?

Mr. VAUGHAN: What we call the eastern voyages here go down through the various islands, Nassau, St. Kitts, St. Lucia, Trinidad, Barbadoes and British Guiana.

The CHAIRMAN: If there is no further discussion a motion to adopt this report will be in order.

Annual Report of Canadian National Steamships Limited, adopted.

The CHAIRMAN: We now come to Canadian National Railways. Mr. Vaughan, will you proceed, please.

Mr. VAUGHAN:

CANADIAN NATIONAL RAILWAYS

MONTREAL, 10th March, 1942.

THE HONOURABLE P. J. A. CARDIN, K.C., M.P.,
Minister of Transport,
Ottawa.

Sir, In conformity with *The Canadian National-Canadian Pacific Act, 1936*, the Board of Directors submit the following report of the operations of the Canadian National Railways for the calendar year 1941.

RESULT OF OPERATIONS

	1941	1940	Increase or Decrease
Operating revenues.....	\$304,376,778 12	\$247,527,224 81	\$56,849,553 31
Operating expenses.....	237,768,437 13	202,519,812 88	35,248,624 25
Net operating revenue...	\$ 66,608,340 99	\$ 45,007,411 93	\$21,600,929 06
Other income and profit and loss requirements..	12,247,025 13	11,532,968 88	714,056 25
Net available for interest	\$ 54,361,315 86	\$ 33,474,443 05	\$20,886,872 81
Interest on funded debt held by public.....	44,698,226 88	48,701,523 73	4,003,296 85
Interest on government loans.....	5,646,762 24	1,737,963 50	3,908,798 74
Cash surplus.....	\$ 4,016,326 74	\$ 16,965,044 18	\$20,981,370 92

The CHAIRMAN: Is there any discussion here?

Mr. HANSON: That is the highest year we have had?

Mr. VAUGHAN: Yes, the best year we have had.

Mr. HANSON: Better than 1929?

Mr. JACKMAN: The interest on the funded debt held by the public is given here; the interest on government loans cannot be estimated.

Mr. JACKMAN: Vested securities. They have not turned them over to you yet?

Mr. VAUGHAN: No.

Mr. COOPER: They are held by the Minister of Finance as collateral for the loan made by the dominion.

Mr. McCULLOCH: I think it must be very gratifying to show a statement like that.

Mr. VAUGHAN: All our staff have done a very good job, and the result is a vindication of the policy of our management in keeping the road and equipment in reasonably good physical condition in the years of depression to meet an emergency of this kind.

Mr. HANSON: How does it compare with the highest peak year before?

Mr. VAUGHAN: I think the peak year before was 1928.

Mr. COOPER: Yes.

The CHAIRMAN: There was a surplus of \$15 millions that year, I think.

Mr. COOPER: In 1928 our net revenue was \$54,859,000. That compares with \$66,608,000 in 1941.

Mr. HANSON: What was the lowest year, 1932 or 1933?

Mr. COOPER: 1933 was the year in which the gross revenues were the lowest; they were down to \$148,000,000. In 1941 they were more than twice the gross revenue of 1933.

Mr. HANSON: What was the deficit that year?

Mr. COOPER: The operating net revenue was \$5,000,000. After interest the deficit was \$58,955,000. That compares with the figure of \$4,000,000 surplus in 1941. As regards final deficit, however, 1931 was the worst. In 1931 the deficit was \$60,900,000. That was the worst year from the point of view of total deficit. We are about \$65,000,000 better in the final result in 1941 as compared with 1931.

Mr. SANDERSON: Much better.

Mr. HAZEN: In how many years have you had a cash surplus?

Mr. COOPER: After paying interest?

Mr. HANSON: Yes.

Mr. COOPER: In 1926 we had a surplus of \$1,500,000. In 1928 we had a surplus of \$3,500,000.

The CHAIRMAN: After paying all charges?

Mr. LOCKHART: I should like to refer to the operating expenses in relation to the operating revenues. It costs \$35,000,000 more to obtain an increase of \$56,000,000. Does that seem to be satisfactory to the railway?

Mr. VAUGHAN: We think it is. That is mentioned, I think, at the top of page 5. We go into that in a little more detail.

The CHAIRMAN: I think perhaps you ought to mark these places and come back to them a little later on.

Mr. VAUGHAN: It shows that out of every additional dollar earned, we saved 49 cents.

Mr. JACKMAN: In regard to that operating ratio of 78·12 per cent, I notice the C.P.R. operating ratio for last year, before taxes, was 71·65 per cent. Are there any taxes that they include in figuring their ratio that you have to pay or are these simply corporation taxes?

Mr. VAUGHAN: I could not answer that. We come back to the old question of standardized accounting and we do not know just how they keep their accounts. I do not mean to say for one minute they do not keep them correctly; I am sure they do, but they are not entirely on the same basis as ours.

Mr. JACKMAN: How are members of the committee going to make a comparison with that which should be readily comparable?

Mr. VAUGHAN: Put the C.P.R. under your jurisdiction and bring them here.

Mr. JACKMAN: I think business men generally feel the operating ratio of the Canadian Pacific Railway is, according to their figures, which I believe are generally acceptable, somewhat better than that of the C.N.R.

Mr. VAUGHAN: They did not save as much of the additional earnings as we did.

Mr. JACKMAN: No; I realize that may be so, but theoretically to start with they could not be expected to save as much.

Mr. VAUGHAN: It is very difficult for us to answer in connection with the C.P.R.; we do not know. They have a lot of advantages that we have not. We operate much more unprofitable mileage in unsettled districts than they do and our traffic density is not as great as theirs, and in the final analysis our fixed charges are nearly double theirs.

Mr. JACKMAN: You do not include fixed charges in the final analysis—in the operating revenue, of course.

Mr. VAUGHAN: No.

Mr. HAZEN: You are carrying soldiers going on leave, I understand, at one-third of a cent a mile, or at the rate of one-third the regular rate.

Mr. VAUGHAN: I have not got the exact charge here, but there was a special arrangement made by both railways with the Department of National Defence under which on certain leaves, not all leaves, but certain leaves, I think, where it was two-thirds of the one-way fare or something of the kind. One-third was paid for by the government—

Mr. HAZEN: The government is paying some?

Mr. VAUGHAN: Yes. I think it is here. It says these fares were based on two-thirds of the normal one-way fare for the round trip, one-third of the one-way fare payable by the Department of National Defence and one-third payable by the holder of the warrant; the other third is the amount of reduction in fare assumed by the railway.

Mr. HAZEN: You are getting two-thirds of the regular rate. Are you making any profit on that?

Mr. VAUGHAN: On some we make a profit and on some we do not. By and large there is very little money in the passenger business.

Mr. HAZEN: Very little?

Mr. VAUGHAN: Very little money in the passenger business. It has always been a drain on the railway. We have usually shown a substantial loss on our passenger business.

The CHAIRMAN: That is to say, on all railways?

Mr. VAUGHAN: Yes, practically; on certain trains they make money, but if they have a widespread business like ours, by and large they will not make money on the passenger traffic.

Mr. LOCKHART: Are there many passenger trains run for the soliders? I know there are a lot of passenger trains taking troops going overseas and back, but I am speaking of the movement generally back and forth.

Mr. VAUGHAN: No, unless an arrangement is made with the Department of Transport. We frequently find that we need extra trains, because of the soldiers moving on leave in large numbers and we have to sometimes split the trains up into sections. That frequently has been done.

Mr. NICHOLSON: What policy is followed in splitting the business between the railways in competing points? What share are you getting?

Mr. VAUGHAN: I think that was up last year. We do not have any say as to the division of the business. That is under the control of the department. We are trying to get as much as we can.

Mr. NICHOLSON: I recall last year you were not getting your share, taking into consideration the mileage you have. I was wondering if there was any adjustment.

Mr. VAUGHAN: We still think we are not getting our share.

Mr. NICHOLSON: Have you any figures available that the committee may have?

Mr. VAUGHAN: No, we have no figures to show definitely the amount that is paid by the department for the movement of troops and other services to both railways.

Mr. HAZEN: Have you any figures available to show how you estimate your loss on carrying passengers?

Mr. VAUGHAN: That was done at one time; I do not think it has been done in the last few years.

Mr. COOPER: It was a theoretical estimate based on pro-rates and averages and the final result did not mean a thing, and we gave it up.

The CHAIRMAN: Neither the reporter nor myself nor these men down here can hear anything.

Mr. SANDERSON: May I ask this question, Mr. Chairman? Are you losing money on the traffic with the soldiers, carrying them here and there?

Mr. VAUGHAN: On troop trains I do not think we are losing money to-day; I do not believe we are making any money on them, but I do not think we are losing any. Where we get business in volume like that, with heavy trains and all coaches filled, they can be handled to much better advantage than otherwise.

Mr. HAZEN: Do you know for a fact you are losing money on your passenger service?

Mr. VAUGHAN: I could not say that to-day. That would be something that would require very close analysis. It is a very difficult thing, as Mr. Cooper has said, to divide your expenses as between passenger and freight rates—it is almost impossible to do it.

The CHAIRMAN: Is it not a notorious fact that passenger trains have always been looked upon as a kind of liability and loss to the railway?

Mr. VAUGHAN: Generally speaking, yes.

The CHAIRMAN: That has been my impression and information.

Mr. HAZEN: That would be prior to the war.

The CHAIRMAN: Since they have run passenger trains they have always run them at a loss.

Mr. NICHOLSON: Coming back to this question of the division of business. The president stated he did not think the C.N.R. was getting a fair share. How has the picture changed now as compared with a year ago, for example?

Mr. VAUGHAN: I would say about the same.

Mr. NICHOLSON: What seems to be the difficulty? This is a company that should be getting the break rather than the competing line getting the larger percentage. What seems to be the trouble?

Mr. VAUGHAN: These are difficult questions to answer. I think you will have to ask some one here in Ottawa.

Mr. NICHOLSON: It is not because you have not been trying to get it?

Mr. VAUGHAN: That is right.

Mr. HAZEN: Up to the present time have you experienced any increases in passenger traffic due to the restrictions on gasoline?

Mr. VAUGHAN: There has been some increase to that end, a certain increase to date, but there has hardly been sufficient time to judge what is the final result. We do expect to have to handle a lot of additional passenger traffic as the result of the gasoline rationing.

Mr. JACKMAN: I notice there has been a decrease in the requirement for interest on funded debt held by the public and there has been an increase in the interest payment to the government on loans for capital purposes. What rate do you pay the government for the advances that you get from them?

Mr. COOPER: We are paying $3\frac{1}{2}$ per cent.

Mr. JACKMAN: That would about equalize the average rate on the securities the government is holding.

Mr. COOPER: A fraction less than that, a fraction less than the average rate on the repatriated securities.

Mr. JACKMAN: A fraction less than the average rate on the repatriated securities?

Mr. COOPER: The decrease in interest on the funded debt paid to the public is mainly with respect to the Grand Trunk 4 per cent debenture stock. The interest charged by the Government is $3\frac{1}{2}$ per cent. The two things do not equalize exactly to the half of one per cent because of additional capital borrowing. If you turn to the top of the next page, Mr. Jackman, you will see we say "The primary reason for the decrease in interest paid to the public and the increase in interest paid to the government lies in the repatriation of the G.T.R. 4 per cent debenture stock—"

Mr. JACKMAN: What are you doing with your operating surplus; is that added to your working capital account?

Mr. VAUGHAN: We gave a cheque to the government for it.

Mr. JACKMAN: You have paid it under the statute, and did it come back as some evidence of indebtedness?

Mr. COOPER: That is 1942 business.

Mr. JACKMAN: In 1941 you had a cash surplus of \$4,000,000 odd.

Mr. COOPER: It was not paid until March of this year.

Mr. JACKMAN: But you paid that under the act. Does the government give you back one of your notes when you pay this back?

Mr. COOPER: I think they will.

Mr. VAUGHAN: That is what we are expecting.

Mr. LOCKHART: To what extent has the issuing of free passes increased since the beginning of the war? Have you any idea of that?

Mr. VAUGHAN: I do not think it has increased. We are watching the issuance of passes very carefully. As you know, during the holiday season of Christmas and New Year's we restricted the use of passes to emergency cases.

Mr. LOCKHART: Would you say there has not been an increase?

Mr. VAUGHAN: I do not think so.

Mr. SANDERSON: You bought some Victory bonds?

Mr. VAUGHAN: Yes.

Mr. SANDERSON: To what extent?

Mr. VAUGHAN: Out of one of the funds we had, out of the pension fund.

Mr. JACKMAN: Do you consider your working capital is quite ample for the present needs of the railroad?

Mr. VAUGHAN: We think it is. Of course, our working capital requirement has increased very materially on account of the increased pay-rolls and materials.

Mr. JACKMAN: You do not feel there is a surplus there?

Mr. VAUGHAN: No, I do not think so. It takes a lot of money to run a railroad the size of ours with all the material we have to buy and the pay-rolls we have to meet.

Mr. NICHOLSON: What are the possibilities of increasing the railroad stock to meet the demands that are likely to be made on it?

Mr. VAUGHAN: You will come to that later on. We have quite a substantial quantity of rolling stock on order, which is in the estimate.

The CHAIRMAN: Could we go ahead now, Mr. Vaughan, please?

Mr. VAUGHAN: (continuing) The financial result of the operations of the national railway system in 1941 was better than in any previous year. Net revenue, after the payment of all operating expenses, was \$66.6 millions, an increase of \$21.6 millions over the previous year. The cash surplus, after the payment of taxes, interest paid to the public and to the government, was \$4,016,000, an improvement of \$21 millions over 1940.

Operating Revenues

Operating revenues totalled \$304,376,000, an increase of \$56,849,000 or 23 per cent over the preceding year. The gross amount was approximately equal to that of 1928 and was more than double that of 1933. Only two other railway systems on the continent had larger gross revenues. The increase on system lines in Canada was 23·3 per cent and on system lines in the United States 21·3 per cent.

Freight revenue increased \$45,030,000 or 23·1 per cent. In 1941 the railway moved the largest tonnage of freight in its history. It moved the equivalent of 27,199 million tons one mile, an effort 20 per cent greater than in the previous peak year of 1928. The increased freight revenue over 1928, however, was only 5 per cent.

Passenger revenue increased \$10,191,000 or 47 per cent. Measured by passenger miles, passenger traffic increased 57 per cent, but the increase in revenue was not proportionate to the increase in volume because of the low fares for members of the armed forces and special rates for workmen's trains serving munition plants. The average revenue per passenger mile was 1·8 cents, an all-time low.

The increased activity in rail transportation was reflected in the other revenue accounts, such as switching, demurrage, mail, sleeping car, chair car, dining car, and commercial telegraphs. Express revenue, however, was less than in 1940 due to the diminution of certain movements of gold bullion which were unusually heavy in that year.

Mr. POULIOT: Now, Mr. Vaughan, I think there is something being done regarding the centralization of balance sheet departments, is there not?

Mr. VAUGHAN: Of what departments?

Mr. POULIOT: Something being done about the centralization of balance sheet departments?

Mr. VAUGHAN: Yes, there is; we are considering centralizing certain of our accounting departments.

Mr. POULIOT: And I have a list here for the central region. May I put it on the record as it is here or shall I read it?

Mr. VAUGHAN: Whichever you prefer.

Mr. POULIOT: It is a list of the prospective transfers from various places to Toronto, and I presume the same thing is contemplated in all regions.

Mr. VAUGHAN: That is right, sir.

Mr. POULIOT: What is the reason for that, Mr. President?

Mr. VAUGHAN: We think we will have increased efficiency and a very substantial saving in dollars and cents.

Mr. POULIOT: Is the present system not working well?

Mr. VAUGHAN: The present system is working all right, but we see an opportunity of saving several hundreds of thousands of dollars. Also we felt that at this particular time there would be less likelihood of disturbing or at least throwing men out of employment when they can get positions elsewhere. We will, of course, take care of all of our older employees, although some of them will have to move.

Mr. POULIOT: You have received representations from various public bodies like municipal councils?

Mr. VAUGHAN: Through some bodies we have received representations, yes.

Mr. POULIOT: Protesting against the scheme?

Mr. VAUGHAN: Yes. It has probably been worked up by our own employees who do not like moving away from the particular town in which they have lived for some time.

Mr. POULIOT: If this is done, will you maintain the general superintendents just the same?

Mr. VAUGHAN: Yes. There will be no disturbance in any of the operating officers or mechanical officers. It is purely accounting.

Mr. POULIOT: Will there be the same justification for their position if the accounting is not any more under them?

The CHAIRMAN: He means will it be condensed, I suppose.

Mr. VAUGHAN: There will be no change or disturbance in the operating positions; general superintendents and superintendents of regions and their officers will not be changed. The only officers that will be changed will be accounting officers.

Mr. POULIOT: Is that just prospective or is it decided finally?

Mr. VAUGHAN: We are working on it now and it is actively in hand.

Mr. POULIOT: That is to take place at the end of the calendar year?

Mr. VAUGHAN: Yes. In some regions the work will be done sooner than in others. I think the central region will probably be the last, because it is the largest.

Mr. POULIOT: I have a letter here. That letter is headed "System Adjustment Board, Canadian Brotherhood of Rly. Employees, Montreal, March 30, 1942; S.A.B. Circular No. 209, File SAB-C-151; to all Local Divisions, Canadian Brotherhood of Rly. Employees and Other Tr. Workers, Canadian National Railway." (Reads letter.)

The CHAIRMAN: I do not believe that letter should go into our records. I do not know that it makes any difference, but it means a lot of unnecessary printing. We can discuss it here if we desire to do so.

Mr. McCULLOCH: Most of the members received one of those letters.

The CHAIRMAN: I do not think it should go into this record. I do not think it has anything to do with it.

Mr. VAUGHAN: It is entirely a matter of efficiency and economy.

Mr. SANDERSON: Mr. President, if you follow that course, you will put a lot of men out of employment, will you not?

Mr. VAUGHAN: No; very few. I think Mr. Cooper can give you more detail on that.

Mr. COOPER: So far as getting down to details is concerned, we have only dealt so far with the western region. I might say that after a canvass of all the employees affected, those who will be transferred from the different division points to Winnipeg, almost without exception the employees have expressed a desire to be transferred. Only those who will not be required, those who are redundant, have any cause for dissatisfaction. But on the western region, these employees all have less than three years' service. We do not feel we have any great responsibility for people whose service is as short as that.

The CHAIRMAN: Less than three years?

Mr. COOPER: Less than three years. Everybody with more than three years' service will be taken care of, and will be taken care of in a way which they have agreed to and are satisfied with, and in many cases are very pleased to see it happen.

The CHAIRMAN: How large a percentage are going to be put out, would you say, Mr. Cooper?

Mr. COOPER: On the western region, out of 354 people, sixty-five will not be required.

Mr. SANDERSON: Will you please speak a little louder, Mr. Cooper? It is difficult to hear. It is not your fault; it is the fault of the room.

Mr. COOPER: I should like to mention in connection with this change it was decided we would give each district engineer an accounting clerk, and we chose the division assistant accountant to stay with the district engineer; but in every case except one they asked that they be permitted to remove to Winnipeg. The reason for that is a perfectly sound one. The opportunity for this staff in the Winnipeg office will be measurably better than it is in the district and divisional offices. At the present time the advancement which is open to these small staffs is very limited. They cannot go very far. By moving into the central accounting office at Winnipeg, they have the opportunity of going as far as, say, the regional auditor's position, which is quite a responsible position.

Mr. SANDERSON: What about the province of Ontario—London, for instance?

Mr. COOPER: After we have dealt with the western region, we intend to move to the central region. Centralization having been agreed to in principle, and having some regard to the practicability of making these changes, we have to do it in stages. We thought it would be advantageous to deal first with the western region, then with the central region, and then move to the Atlantic region, the thought being that complete centralization would be effected before the end of this year. I might say that, as far as I know, the Canadian National Railway is the only railway on the North American continent which has not centralized its accounting either on a regional or on a headquarters basis.

Mr. HANSON: Is the C.P.R. centralized?

Mr. COOPER: The C.P.R. is more or less centralized in two places: in Western Canada and in Montreal. They have what they call district accounting, which is a stage in between division accounting and regional accounting. Most of the large railways are at least on a regional basis and quite a number of them are on a centralized basis centred at headquarters.

Mr. POULIOT: Is that done in view of possible regulation of the railways in the near future?

Mr. COOPER: Not in any way, Mr. Pouliot, no. It is done essentially in the interests of efficiency. It is also due to the fact that under present conditions we are finding it very difficult to get the clerical staff we need to perform the work that has to be done. The work of the railway has increased tremendously, and members of our staff are enlisting. We are confronted with restrictions in the engagement of staff to replace them, and I think it is inevitable that steps of this sort should be made effective if the railway work is to be continued. We have to do more work, and we have to do it with less staff; and that is what centralization of accounting is intended to do. Incidentally, we expect to save some money.

Mr. NICHOLSON: At how many centres is this work now being carried on in the central region?

Mr. COOPER: We have Fort William, Port Arthur, Dauphin, Regina, Saskatoon, Prince Albert, Calgary, Prince Rupert, Vancouver and Winnipeg. In future all this accounting work will be done in Winnipeg. We feel too that this is a good time to do it. Any one who might be displaced at this time has all sorts of opportunities to go and find work. If we waited until things were slack, then you would be confronted with a personnel problem. We have thought of this plan, as a matter of fact, for several years. We have hesitated to do it because of the damage that would be done to the people whose positions would be abolished. This seems to us to be a very desirable time to introduce a centralization plan of this sort. The relatively few people who might be displaced, as I see it, will not have the slightest difficulty in leaving the railway service and finding other employment. But in every case the people displaced will have relatively very short service. I should like to repeat that those who are transferred to the centres will have considerably better prospects. The position of chief accounting officer of the Canadian National Railways will be

open to every one of these employees. Previously their horizon has been a very restricted one. The best they could hope to become would be chief clerk to a superintendent or something of that sort.

Mr. NICHOLSON: Will it be possible to transfer them without any reduction in salary?

Mr. COOPER: That is our intention. We do not intend to reduce salaries at this time.

Mr. McCULLOCH: You feel it is good business tactics?

Mr. COOPER: Yes.

The CHAIRMAN: Gentlemen, before going any further, we might consider the prospect of this committee sitting to-night.

Some Hon. MEMBERS: Oh, oh!

The CHAIRMAN: All right. I see it does not meet with the general wish. So then if you are not in favour of it, we will let it go. That is what I wanted to find out. Will you proceed, Mr. Vaughan?

Mr. VAUGHAN: Yes.

Operating Expenses.

Operating expenses totalled \$237,768,000, an increase of \$35,249,000 or 17·4 per cent over the preceding year. The wartime cost-of-living bonus granted to employees on lines in Canada from June 1st, 1941, cost the railway \$6,108,000, of which \$5,508,000 was charged to operating expenses—the remainder being charged to investment account, hotel operations and separately operated subsidiaries. Increased rates of pay granted to employees on the lines in the United States under the United States railway labour mediation agreement cost the railway \$769,000, of which \$701,000 was charged to operating expenses. Apart from these charges the increase in operating expenses brought about by the additional traffic was \$29,040,000, so that out of every additional dollar of revenue, operating expenses absorbed 51 cents, leaving 49 cents available for taxes and fixed charges. This is considered a satisfactory relationship between increased revenue and expense. The operating ratio was 78·12 per cent, the lowest on record.

The railway and its equipment have been maintained in satisfactory operating condition. System freight car serviceability throughout the year was the highest on record, the year's index registering 96·4 per cent. The ratio of locomotives in serviceable condition was 79·6 per cent, the highest for several years. The expenditures for maintenance of way and structures was \$1,708 per equated track mile, against \$1,456 in 1940, and was the highest since 1930. Some difficulty in obtaining materials for repairs and renewals was beginning to make itself felt towards the close of the year.

In view of the more intensive utilization of system equipment it was thought advisable to increase the provision for depreciation. The provision made in the 1941 accounts was \$13,591,000 against \$11,262,000 in the preceding year.

Since the outbreak of war, and apart from the acquisition of additional rolling stock, approximately \$10,000,000 has been expended on capital account for so-called war projects, involving the construction, extension or improvement of tracks, yards, spurs, sidings, shops and other railway facilities. It is recognized that the end of the war will terminate the usefulness of some portion of these facilities and that in such cases the capital expenditure involved, less salvage, should be amortized by charges to operating expenses within a reasonably short period of time in order that the net revenue account shall carry the full cost of securing the

traffic during the period of its existence. An amortization charge of \$500,000 has been included as a first instalment in the 1941 accounts.

Provision has also been made in the operating accounts for the retirement from service of the old passenger station facilities in the Montreal area which will be replaced by the new terminal.

The cost of protecting the company's property against possible sabotage was \$552,000 against \$476,000 in 1940. This expense is absorbed by the railway as an operating cost.

The number of employees increased by 6,705 to 89,536. It is significant that compared with 1928 the traffic volume in 1941 was greater but the number of employees was twenty thousand less.

Mr. NICHOLSON: In connection with the Montreal terminal, when is that going to be ready for use?

Mr. VAUGHAN: We expect it will be ready this fall, but as yet we cannot name the exact date.

Mr. JACKMAN: How much provision have you made in the operating account for the disposition of the old terminal property; are you showing anything in respect to that by way of write-off?

Mr. COOPER: \$1,000,000.

Mr. JACKMAN: What has been its book value?

Mr. COOPER: It might be a shade more. \$1,000,000 is the original cost, less whatever salvage there might be.

Mr. JACKMAN: You are writing the whole thing off then?

Mr. COOPER: Yes.

Mr. JACKMAN: The wartime cost-of-living bonus granted to employees on lines in Canada from June 1st, 1941, cost the railway \$6,108,000, of which \$5,508,000 was charged to operating expenses—the remainder being charged to investment account, hotel operations and separately operated subsidiaries; what has the cost-of-living bonus got to do with the investment account?

Mr. COOPER: Any of our employees who are working on work which is chargeable to investment account, their wages, of course, are charged to investment account. The cost-of-living bonus is simply an addition to the wage.

Mr. JACKMAN: Why do you include that? Is it not an expenditure, a capital investment—why do you include that as an addition to capital investment in operating expense.

Mr. COOPER: We do not.

Mr. JACKMAN: Under the heading of the paragraph, "Operating Expense"—would not that expenditure go direct to capital account and not into operating account?

Mr. COOPER: The sentence reads:—

The wartime cost-of-living bonus granted to employees on lines in Canada from June 1st, 1941, cost the railway \$6,108,000, of which \$5,508,000 was charged to operating expenses.

If we had stayed there someone would have said, where did the difference go to? We explain that the remainder of the cost went either to the hotels, or investment account, or to separately operated properties.

The CHAIRMAN: You were distributing it.

Mr. COOPER: Yes, according to the work on which the men were employed.

Mr. HAZEN: Where is this difference given in connection with United States increased costs?

Mr. COOPER: It will be the same thing. Out of the total of \$769,000, \$701,000 was charged to operating expenses. The remainder would be charged to investment account and to miscellaneous. We have no hotels on the Grand Trunk Western.

Mr. JACKMAN: I see here, expenditures, \$1,708 per equated track mile; what do you mean by an equated track mile?

Mr. ARMSTRONG: That refers to the way in which we arrive at an equation for measuring costs relating to main line, duplicate track, sidings and yard trackage. First there is the main track, each mile of which is counted as 1.0. Any second main track, that is, where there is a duplicate or a triplicate track, the additional track would be counted or 80 per cent of a mile, or .8. All the yard tracks and sidings are considered to be equivalent to one-half, or .5, of a main track mile. It is really an equated total used with respect to the maintenance of track mileage on the whole system. All these other tracks are equated to the equivalent of main line miles.

Mr. JACKMAN: It is a technical term anyway, I suppose.

Mr. ROSS: I note particularly the last sentence in paragraph 2 under operating expenses: "Some difficulty in obtaining materials for repairs and renewals was beginning to make itself felt towards the close of the year"; what is the situation now?

Mr. VAUGHAN: The situation is that it is difficult to get anything in the steel line at all, whether it be rails, tracks, track fastenings, steel plates, steel sheets, it is a matter of obtaining priorities at Washington or Ottawa, and it is very difficult.

Mr. ROSS: It has not affected the efficiency of the railway so far?

Mr. VAUGHAN: Not so far. I may say that we have a man in Washington and another at Ottawa following up our request and insisting on priorities all the time on these materials.

Mr. ROSS: Now, if I might interject just a little human touch here; we have been listening to a bunch of figures so far, but I think the C.N.—and I would say the C.P.R. as well—have been doing a wonderful job since the war started in connection with the movement of troops and equipment and munitions of war, over this period of months with very little or no loss, but we have heard very little about it. The one great difficulty I find with both these roads is that they do not blow their own horns enough. People in general have a great interest in the railways. They feel that the railways are just as much a part of the army as any other branch of the service; and we know that they are working in the very closest cooperation with the active defence forces; both army, navy and air force. In connection with giving this road more publicity, with your permission, because it is fairly short, I would like to read to the committee a report of what has been done on the railways in the United States in connection with work of this kind. While it is possibly not directly relevant to the matter under discussion at the moment I am sure it would be of interest to the members if I were to read it.

(Article on American railroads war effort read off the record.)

I have looked quite often through the Canadian National Magazine for interesting things like that. I am sure the press of the country would be glad to seize upon interesting facts like that, and I am equally sure the whole of the people across Canada would be glad to have access to them. I am sure we have them in this country. I am perfectly satisfied that the public of Canada would enjoy from time to time little interesting stories like that telling of the great achievements of the Canadian National Railways.

Mr. VAUGHAN: I am sure you have not seen all our magazines.

Mr. ROSS: I follow them pretty closely.

Mr. VAUGHAN: I am sure a number of our magazines have dealt with incidents like that very well. We have been in exactly the same position as the United States railways only two years longer.

Mr. ROSS: I am not talking about publicity. I should like human interest stories like that to reach the public.

Mr. VAUGHAN: We have Mr. Thompson here, the Director of Public Relations. He could probably talk to you about that.

Mr. THOMPSON: May I say a word on the subject? Railway men are constitutionally in the habit of going about their jobs, whether they are men working in the yards in ice and snow, in the shops or driving locomotives. They are by no means unlike our other citizens. We have felt since the beginning of the war, that we are doing a good job; indeed the very best job we can conceivably do. We have also realized, however, that there were tens of thousands of other men doing an equally good job in other industrial plants and in government service. We of the Canadian National Railways by reason of our history are inclined to a natural modesty of statement. However, I can assure you that the external publicity has an enormous effect upon our internal relations with our men. We are not unmindful of that fact.

I can tell you that within the last ten days there has been a national broadcast over the C.B.C., "The Voice of Victory program", in which our employees took part, describing what they had been doing on their war job. We have an illustrated feature which is running in the newspapers of the country, including papers here in Ottawa, describing our war work. Of course, up to certain limits we are using every vehicle of publicity that we know of to state what we are doing modestly—photos, news matter, the C.N.R. magazine.

I think perhaps the situation might also be referred to in this way: our President, Mr. Vaughan, has made two speeches on this very subject, one before the Vancouver Board of Trade and the other to the Canadian Club in Montreal, in which he covered almost a full page of newspaper space in the Montreal, Vancouver, and other papers through the country. I do plead guilty on behalf of our railway to the charge of modesty, founded on the reasons I have given to you.

The CHAIRMAN: Gentlemen, this statement that has been read by Mr. Ross is very interesting. It has to do with American railways. I doubt very much that it should go into the record of our committee here, particularly since there has been an order from the War Services Department asking us to curtail printing.

Mr. ROSS: It contains a lot of interesting information.

The CHAIRMAN: Yes, but it has to do with an American railroad and we are dealing with a Canadian railroad. It is not relevant to the work of this committee.

Mr. LOCKHART: We might put in a short paragraph, saying that it was discussed.

The CHAIRMAN: In drawing up our report we might say it had been read to the committee by Mr. Ross.

Mr. LOCKHART: And that the discussion took place on the service being rendered.

The CHAIRMAN: Yes. It could appear in the Minutes of Proceedings.

Mr. LOCKHART: But we should not go into the detail of printing it.

Mr. VAUGHAN: Mr. Walton, Vice-President of Operation, Construction and Maintenance, is here. He is immediately in charge of our troop movements. Perhaps you would like him to say a word on what we have been doing.

Mr. N. B. WALTON: It might be of interest to say that possibly some of what looks like lack of publicity is due to the desire on our part to carry out indications we have had from the authorities on the maintenance of secrecy in regard to

many of these movements. It is true that after the movement is all over possibly something could be said about it, as was done in this case; but we do feel that it is better probably to err on the side of safety in these various movements, and that applies to some considerable number of freight movements, munitions and so on, which have been moved on time schedules and which are almost equally important as the movement of men. So far as our employees are concerned, where men in some branches of the service, particularly not as fully informed as those right in the so-called running trades, we have made a practice in our meetings with representatives of men in the other departments to tell them very fully what is being done so that they will have an appreciation of what is being carried on by other branches of the service. We have not had anything, of course, approximating the concentrated volume of this movement, although with regard to our facilities we have had pressure from time to time, movements of men running up to 15,000 over a period of two or three days, and other movements of that kind. One figure that I have in mind as indicating the level on which business is running is that one of our largest roundhouse points, which is a station where power is maintained. A certain portion of the engines at least need repairs between trips. For the first three months of this year at this point I have in mind we turned out an engine every $11\frac{1}{2}$ minutes for the three months. That indicates the level of the business.

Mr. ROSS: The committee does not get my point. I am not after factual information. I am trying to point out the human interest in the story. Mothers and fathers up and down the line would like to have information like this. They may have sons leaving western Canada and going to Halifax. These are the kind of people who would like to see items like this in the paper. The railroads are not telling the people the story.

Mr. SANDERSON: This happened in some other country.

Mr. ROSS: We read about Pearl Harbour in our papers.

The CHAIRMAN: I should not like to offend anybody, but I do feel that your remarks, of course, are part of the proceedings of this committee like the remarks of Mr. Walton and Mr. Thompson. I have a definite responsibility and I do not believe the remarks that appear in a magazine concerning the railroads in other countries have any part in the report of this committee, and I feel that I must so rule. If the committee wishes to override my ruling, well and good. I do not wish to give any offence at all. I think we will have to rather converge.

Mr. McCULLOCH: I think we are losing a lot of time.

The CHAIRMAN: All right. That is my ruling, anyway.

Mr. ROSS: I will consent to withdraw it. I suppose the proper place would be under the budget.

The CHAIRMAN: There is one thing we might as well take up now. Tomorrow is Friday, and it is a well known fact that a great many Quebec and Ontario members go home on Fridays. We should like to carry on the proceedings of this committee, but I am reminding you now that it is Friday tomorrow, and we should like to meet at eleven o'clock in the morning. What is your wish?

Some HON. MEMBERS: Agreed.

Mr. McCULLOCH: There is another committee meeting.

Mr. LOCKHART: We have about five committees meeting at eleven now.

The CHAIRMAN: Well, we have bitten into this thing and we could get through with it in a short time. But if it is not expedient to meet to-morrow, we want to know now.

Mr. LOCKHART: Have you conferred with the other chairmen, as suggested, I believe, by the Prime Minister?

The CHAIRMAN: I do not think it was the Prime Minister. I think I heard Mr. Mackenzie say he was arranging something. Our clerk tells me that there is no other committee meeting to-morrow morning.

Mr. DONNELLY: Excuse me, but there is. We have a meeting, at eleven o'clock to-morrow morning, of the committee on Vocational Training.

Mr. HAZEN: The officers of the company are here, Mr. Chairman, and we do not want to bring them back unnecessarily.

The CHAIRMAN: Yes. I should like to see us make some headway. I understand the committee which is meeting to-morrow morning is for organization only, that they will meet for only a few minutes probably, elect a chairman and then disband. Shall we meet to-morrow at eleven o'clock?

Some Hon. MEMBERS: Agreed.

Mr. LOCKHART: We can try it one week, anyway.

The CHAIRMAN: Well, if it is in agreement with the wishes of the committee, we will meet to-morrow at eleven o'clock.

Mr. SANDERSON: The quorum is down to eight.

The CHAIRMAN: Yes.

Mr. SANDERSON: There will be eight here, surely.

The CHAIRMAN: Yes, I think so. All right, settled. Will you proceed, Mr. Vaughan, from wherever you left off?

Mr. HAZEN: If I am in order, may I ask what two railway systems on this continent had larger operating revenues than the C.N.R.?

Mr. VAUGHAN: The Pennsylvania Railroad and the New York Central Railroad.

Mr. JACKMAN: In the fourth paragraph on page five it says, that since the outbreak of war, approximately \$10,000,000 has been expended largely for so-called war projects.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: And that there has been set up an amortization charge of \$500,000 against it. Does the government not give you any help where the work is specifically and largely for a war expenditure?

Mr. VAUGHAN: We have not asked the government for any help in that connection. On account of the large amount of war materials that have had to be handled, we have had to extend our sidings, put in new yards, signal systems and everything of that kind, which has come out of our own funds.

Mr. JACKMAN: But in an ordinary industrial plant, which has to expand solely for war purposes, the money is put up by the government or the depreciation rate is so high that the government pays for it in two or three years.

Mr. VAUGHAN: That is correct. We get no consideration in that connection.

Mr. JACKMAN: Do you consider it inequitable as far as the railway is concerned?

Mr. VAUGHAN: I think when the war is over—and we are keeping a record of these moneys that are being expended—we may have something to offset against them at the time.

Mr. DONNELLY: You do not know yet how much of this will be useless or how much of it will be useful?

Mr. VAUGHAN: No.

Mr. DONNELLY: You will have to wait until the war is over to find that out.

Mr. VAUGHAN: We have started to amortize this expense.

Mr. EMMERSON: Would an expenditure such as that in connection with the installation of an electrical control system or something of that sort come under that head?

Mr. VAUGHAN: Yes. That is almost entirely a war measure, to handle war traffic going to Halifax. But that appeared in our budget in the ordinary way, which you gentlemen saw last year.

Mr. JACKMAN: Suppose you build a spur into a war plant where war material exclusively is being manufactured. What happens in that connection?

Mr. VAUGHAN: Take for instance, Pickering, which is near Toronto. We would pay for the cost of the sidings on our own right-of-way. But as to the sidings that go into the plant off our right-of-way, the industry would pay for what we call perishable material and the industry would pay interest on the non-perishable material; that is, they pay for the perishable and pay interest on the non-perishable material.

Mr. JACKMAN: At any rate, you have no complaint that you think you should tell us about as to the treatment you have received. On the other hand, you are accumulating something which may be a good bargaining asset to you at the close of the war. Is that the way I understood it?

Mr. VAUGHAN: That is right. We have no complaint, but we are keeping careful record of these expenditures.

Mr. HAZEN: Did the company carry any bombardment insurance prior to December 31st last?

Mr. VAUGHAN: No.

The CHAIRMAN: It is so close to six o'clock now that it is hardly worth starting on the next section. Have you any more questions on this? If not, I think we will adjourn. What do you think?

Mr. DONNELLY: I move that we adjourn.

Mr. McCULLOCH: Finish the page.

The CHAIRMAN: We will not get through the page by six o'clock. Adjournment is in order if anybody moves that we adjourn.

Mr. HAZEN: There is just one matter I wish to mention, and that is in connection with the Canadian National Steamships Limited. I was referring to a letter written by the Master of the *Lady Hawkins*, and I understood the President to say he would make some inquiries about it and see if there were such a letter.

Mr. VAUGHAN: I will try to have that information for you in the morning.

The CHAIRMAN: All right. The committee is adjourned until to-morrow at eleven o'clock.

The committee adjourned at 5.50 p.m. to meet on Friday, May 1, at 11 a.m.

APPENDIX "A"

TRANS-CANADA AIR LINES
INCOME STATEMENT

OPERATING REVENUES

		Aggregate to	December 31st
		1941	1940
<i>Transportation—</i>			
501	Passenger	\$2,348,428 46	\$1,574,217 33
502	Mail	3,058,120 95	2,832,363 20
503	Express and Freight.....	78,811 56	39,488 84
504	Excess Baggage.....	18,341 12	9,192 36
505	Other Air Services Revenue.....	127 50	27,744 63
<i>Incidental Services—</i>			
511	Buffet and Restaurant Service.....	7,092 14	6,210 59
514	Commissions	751 75	192 69
515	Fuel and Oil—Sales.....	89,768 71	59,241 53
516	Repairs and Service—Sales.....	130,893 33	28,655 18
516A	Hangar Storage.....	8,098 96	6,860 88
517	Rents	6,278 26	4,974 91
518	Other Incidental Revenue.....	61,081 29	3,241 25
	Total	<u>\$5,807,794 03</u>	<u>\$4,592,383 39</u>

OPERATING EXPENSES

Aircraft Operation, Mtce. and Depreciation.....	3,579,269 00	2,637,313 72
Ground Operation, Mtce. and Depreciation.....	1,170,222 25	794,645 49
Incidental Services.....	155,488 20	63,830 97
Traffic and General Administration.....	394,260 97	301,256 51
General Taxes.....	6,895 58	58,887 35
Total	<u>\$5,306,136 00</u>	<u>\$3,855,934 04</u>
Net operating profit.....	<u>\$ 501,658 03</u>	<u>\$ 736,449 35</u>

INCOME ACCOUNT

Miscellaneous Income.....	1,581 62	393 88
Miscellaneous Income Charges.....	13,302 86	10,080 08
Interest on Capital Invested.....	187,500 00	187,500 00
Net income.....	<u>\$ 302,436 79</u>	<u>\$ 539,263 15</u>

STATISTICS

Route Mileage Operated.....	4,024	3,662
Revenue Miles Flown.....	6,384,651	4,770,219
Non Revenue Miles Flown.....	890,164	488,765
Revenue Hours Flown.....	40,130	29,788
Non Revenue Hours Flown.....	5,081	2,764
Revenue Passengers Carried.....	85,154	53,180
Per cent of Passenger Occupancy.....	67	63
Average Passenger Journey (Miles)	520	551
Revenue Passenger Miles Flown.....	44,248,124	29,312,240
Air Mail Carried (Pounds).....	1,389,614	927,037
Ordinary Mail Carried (Pounds).....	88,705	—
Express Carried (Pounds).....	173,192	105,788
Excess Baggage Carried (Pounds).....	112,924	50,559

TRANS-CANADA AIR LINES
OPERATING EXPENSES

Aggregate to December 31
1941 1940

I *Aircraft Opn. Mtce. and Depreciation—*

601	Flying Personnel.....	\$ 526,881 01	\$ 380,190 69
602	Flying Personnel Supplies and Expenses.....	86,196 13	71,322 38
603	Aircraft Engine Fuels.....	786,074 08	517,568 27
604	Aircraft Engine Oils.....	55,050 21	37,672 48
605	Passenger Supplies and Expenses.....	39,344 52	25,454 37
605A	Passenger Meals (Aircraft).....	127,644 54	49,836 44
607	Clearance Fees.....	5,817 45	2,953 23
608	Servicing—Labour and Supplies.....	407,023 80	253,544 84
611	Aircraft Repairs.....	200,392 80	118,589 51
612	Aircraft Propeller Repairs.....	19,656 01	13,610 90
613	Aircraft Instrument Repairs.....	43,891 67	19,075 35
614	Aircraft Engine Repairs.....	339,732 40	255,597 85
615	Aircraft Communication Equipmt. and Repairs.....	30,981 71	18,849 61
616	Misc. Flying Equipment—Repairs.....	20,703 51	19,333 50
617	Flying Equipment Insurance.....	196,158 38	166,598 86
618	Liability and Compensation Insurance.....	119,413 03	90,161 25
619	Injuries, Loss and Damage.....	5,270 08	260 25
620	Other Flying Expense.....	1,083 80	970 26
625	Aircraft—Depreciation.....	369,011 89	392,545 67
625A	Propellers and Hubs Depreciation.....	29,456 05	—
626	Aircraft Engines—Depreciation.....	131,314 82	168,959 55
627	Aircraft Communication Equipmt.—Dep'n.....	36,793 34	33,282 44
628	Misc. Flying Equipmt.—Depreciation.....	1,377 77	936 02
		\$3,579,269 00	\$2,637,313 72

II *Ground Opn. Mtce. and Depreciation—*

631	Superintendence.....	\$ 139,435 41	\$ 105,092 86
632	Airport and Hangar Employees.....	214,575 10	125,064 91
633	Communication Operators.....	123,030 28	96,210 26
636	Travelling and Office Expenses.....	151,397 60	73,147 33
637	Light, Heat, Power and Water.....	45,812 96	40,883 45
638	Rent of Fields, Buildings and Offices.....	82,730 31	51,753 22
639	Rent and Expenses of Motor Vehicles.....	23,105 45	15,380 28
640	Rent of Other Equipment.....	—	20 00
641	Communication Equipment Repairs.....	44,355 06	40,496 38
643	Hangar Equipment Repairs, Suppls. and Exps.....	24,838 81	18,713 70
644	Shop Equipment Repairs.....	6,229 46	4,327 86
645	Motor Vehicles—Repairs.....	10,844 92	7,712 91
647	Furn., Fixt. and Office Equip. Repairs.....	2,934 02	2,209 28
648	Miscellaneous Ground Equipment Repairs.....	6,245 14	1,013 54
649	Bldgs. and Other Improvements—Repairs.....	13,820 08	12,795 43
650	Shop Exp. Indirect Labour and Materials.....	34,070 88	23,720 64
651	Stores Expense.....	30,376 87	16,623 48
652	Stores Expense—Inventory Adjustments.....	1,945 02	6,890 58
653	Bldgs. Mat'l. and Ground Equip.—Insurance.....	6,568 24	7,370 34
654	Ground Liability and Compensation Insc.....	18,074 96	14,682 11
655	Injuries, Loss and Damage.....	—	70 00
656	Other Ground Expenses.....	31,334 47	23,812 61
656A	Express Expenses.....	21,816 13	878 82
660	Depreciation on Ground Facilities.....	140,571 12	105,775 50
		\$1,170,222 25	\$ 794,645 49

III *Incidental Services—*

671	Buffet and Restaurant Service.....	\$ 7,463 26	\$ 6,996 30
675	Fuel and Oil—Sales.....	71,233 73	45,725 62
676	Repairs and Services—Sales.....	76,791 21	11,109 05
		\$ 155,488 20	\$ 63,830 97

STANDING COMMITTEE

		Aggregate to December 31	
		1941	1940
IV	<i>Traffic and General Administration—</i>		
681	Salaries and Wages—Traffic.....	\$ 100,418 98	\$ 65,031 43
682	Travelling and Office Expenses—Traffic.....	53,342 74	32,921 27
683	Rent of Traffic Offices.....	19,325 00	11,455 00
684	Agency Commissions.....	21,074 66	16,691 03
685	Advertising	56,889 90	70,936 72
687	Other Traffic Expenses.....	11,655 27	4,496 77
691	Salaries and Wages—General.....	80,189 68	52,524 69
692	Travelling and Office Expenses—General.....	9,745 47	11,458 41
694	Adminis. Chgs. from Affil. Coys.....	36,466 68	30,438 10
696	Insurance	716 26	528 70
698	Other General and Adminis. Exps.....	4,436 33	4,774 89
		<u>\$ 394,260 97</u>	<u>\$ 301,256 51</u>
V	<i>General Taxes—</i>		
699	General Taxes.....	<u>\$ 6,895 58</u>	<u>\$ 58,887 35</u>
	A/C 402—Total Operating Expenses.....	<u>\$5,306,136 00</u>	<u>\$3,855,934 04</u>

SESSION 1942

HOUSE OF COMMONS

STANDING COMMITTEE
ON
RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 2

FRIDAY, MAY 1, 1942

WITNESSES:

- Mr. R. C. Vaughan, President, Canadian National Railway System.
- Mr. N. B. Walton, Vice-President of Operations, Canadian National Railway System.
- Mr. T. R. Cooper, Comptroller, Canadian National Railway System.
- Mr. W. M. Armstrong, Assistant Chief of Research and Development, Canadian National Railway System.

MINUTES OF PROCEEDINGS

Room 277, Friday, May 1, 1942.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 11.00 o'clock a.m., Mr. J. P. Howden, Chairman, presided.

Members present: Messrs. Bercovitch, Donnelly, Dubuc, Emmerson, Ferland, Gray, Hanson (*Skeena*), Hazen, Howden, Jackman, Lockhart, McCulloch, Maybank, Nicholson, Pouliot, Sanderson, Shaw, Sissons.

In attendance: Mr. C. P. Edwards, Deputy Minister of Transport; Mr. G. W. Yates, Assistant Deputy Minister; Mr. F. M. MacLennan, Chief Treasury Officer; and Mr. J. A. Wilson, Director of Air Services. The following officers of the Canadian National Railway System: Mr. S. J. Hungerford, Chairman of the Board of Directors; Mr. R. C. Vaughan, President; Mr. N. B. Walton, Vice-President of Operations; Mr. W. M. Armstrong, Assistant Chief of Research and Development; Mr. T. H. Cooper, Comptroller; Mr. Walter S. Thompson, Director of Public Relations. Mr. O. A. Matthews represented George A. Touche & Co., Auditors.

The Chairman opened the proceedings and invited Mr. R. C. Vaughan to resume the reading of the Annual Report of the Canadian National Railway System for the year ended 31st December, 1941. The witness was assisted again by Messrs. Walton, Armstrong and Cooper.

As the Committee explored the report the following resolutions were adopted:—

On motion of Mr. Gray, it was, by a vote of 14 to 1:

Resolved,—That the Minister of Transport and Public Works, the Minister of National Defence, the Minister of Munitions and Supply, and the Postmaster General be called to appear before the Committee on Railways and Shipping in connection with the ratio of business between the Canadian National Railway System and the Canadian Pacific Railway System in the light of the recommendation made by this Committee last year.

On motion of Mr. Maybank, it was, by a vote of 14 to 1:

Resolved,—That the correspondence exchanged between the various ministers above mentioned and/or their department heads with the President and/or officials of the Canadian National Railways, in connection with the same subject be produced before the Committee.

In the course of the proceedings the Chairman enquired about the wishes of the members concerning future sittings.

Mr. McCulloch thereupon moved, seconded by Mr. Nicholson, that when the Committee adjourns at one o'clock p.m., it stand adjourned until four o'clock p.m. this day.

And the question being put on the said motion, it was carried affirmatively as follows: Yeas, 11; Nays, 2.

At 1 o'clock p.m., on motion of Mr. Donnelly, the Committee adjourned to meet again at 4 o'clock in the afternoon.

AFTERNOON SITTING

The Committee met again at 4 o'clock p.m., Mr. J. P. Howden, Chairman, presiding.

Members present: Messrs. Donnelly, Dubuc, Emmerson, Gray, Hanson (*Skeena*), Hazen, Howden, Jackman, Lockhart, McCulloch, Maybank, Nicholson, Ross (*Middlesex East*), Sanderson, Shaw, Sissons.

In attendance: The same persons whose names appear in the list of attendance at the morning sitting.

Mr. Vaughan was invited to resume the reading of the Annual Report. In replying to questions he was assisted again by Messrs. Walton, Armstrong and Cooper.

As Mr. Vaughan was reading that part of the Annual Report of the Canadian National Railway System dealing with the abandonment of lines in accordance with decisions of the Board of Transport Commissioners and with particular regard to 53.4 miles of track between Forth (near Red Deer) and Ullin, Alberta, Mr. Shaw moved:

That the members of the Board of Transport Commissioners who sat on the Board at the hearing of the case of the abandonment of 53.4 miles between Forth (near Red Deer) and Ullin, Alberta, and whose decision had been rendered in recent days, both assenting and dissenting members, be called to appear before the Committee on Railways and Shipping, in order to question them in connection with that decision.

Discussion followed. Some members expressed doubts as to the legality of this move. However, the Chairman reserved his decision on the matter until the next meeting and the said motion was allowed to stand.

Before adjournment the Chairman announced that he was instructing the Clerk to notify the various ministers in accordance with the resolutions adopted in the morning and he expressed the hope that the ministers would be heard sometime during the day, next Monday, at whichever time was convenient to the ministers.

At 6 o'clock p.m., on motion of Mr. Jackman, the Committee adjourned to meet again on Monday, May 4, 1942, at 11 o'clock a.m.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 268,

May 1, 1942.

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

The CHAIRMAN: Order, gentlemen. We want to get over as much as we can. I will ask Mr. Vaughan, the President of the Canadian National Railway system, to resume the presentation of the annual report for 1941.

Mr. VAUGHAN: We now come to:

Other Income and Profit and Loss Requirements

The accounts in this group show an increased charge of \$714,000 over 1940.

Taxes (other than sales taxes added to the cost of material) amounted to \$7,836,000, an increase of \$797,000, of which \$478,000 is attributable to the Dominion unemployment insurance plan which became effective July 1, 1941. The debit per diem balance, for the use of freight cars in interchange traffic, increased \$1,250,000. The financial results of separately operated subsidiary companies improved to the extent of \$1,169,000. Hotel operating income improved by \$89,000 to \$591,000.

Mr. JACKMAN: Before we go on, Mr. Chairman, could we have a breakdown of the various hotels in the system the same as last year? I do not know whether it was incorporated in the record or not, but I remember it having been submitted.

Mr. VAUGHAN: We will be glad to furnish you that.

Mr. JACKMAN: Would you include a comparison with the preceding year?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: And, coming back to this operating expenses, the second paragraph; "the railway and its equipment have been maintained in satisfactory operating condition"; and, at the bottom of the paragraph, "some difficulty in obtaining material for repairs and renewals was beginning to make itself felt towards the close of the year".

Mr. VAUGHAN: Yes.

Mr. JACKMAN: I notice in the C.P.R. report that they set up \$3,500,000 for a special renewal reserve because they could not get the labour or materials which they would ordinarily do in peace time; and it was so stated in their report; did you put up any reserve at all?

Mr. VAUGHAN: No, we have no reserve of that kind that we have built up.

Mr. COOPER: Except the \$500,000 for amortization of war projects.

Mr. VAUGHAN: Yes, but that is in a different category, that \$500,000 for war projects. We did add something to our depreciation, as you will see from our report.

Mr. JACKMAN: You feel that you have been able to get the labour and materials necessary to do any repair work that you would ordinarily do, particularly in view of the tremendously increased volume of traffic that is going over the lines?

Mr. VAUGHAN: We have been able to get sufficient labour and materials up to the present time.

The CHAIRMAN: Mr. President, there is a small matter right here which I would like to mention, if I may. It is the matter of freight cars, your old out-worn freight cars. At one time the farmers of western Canada could procure those freight cars and use them to good advantage; but it has been the policy, I understand, with both roads for the last two or three years not to permit these cars to be sold. I think they used to be sold for a nominal amount of say \$25; and it was pointed out to me by the management in the west that the retail lumber firms thought it worked an unfairness on them when they were so disposed of. They said that these freight cars were being pulled down by the people who bought them and the lumber salvaged sold in competition with their product. And the farmers, many of whom are certainly not at all wealthy, and who were very greatly advantaged by the procuring of these cars, are shut out now. I have had a number of them appeal to me and I have endeavoured to obtain cars for them. No doubt this appears to be a very small matter to be brought before this committee at the moment, but it does seem to me that the railways might very well modify their policy just a little on this particularly during a time when lumber is very hard to obtain for any purpose.

Mr. LOCKHART: Before Mr. Vaughan replies, will he include in that a statement with respect to the sale of electric car bodies that are no longer in use.

Mr. VAUGHAN: In each case, we, of course, get the most we can for the second-hand material. We do not think we should give it away if we can get something for it; that is the policy we have been following, both in connection with these old freight cars about which Dr. Howden speaks, and in connection with the old electric cars, and everything of that kind. There is a market for nearly everything to-day and we feel that it is incumbent upon us to realize what we can for that material.

The CHAIRMAN: But the farmers would readily pay whatever reasonable fee is put on these cars if they were made available. At one time they could be got for \$25, and they were delighted to pay that for them. The situation to-day, as I understand it, is that these cars are sold and broken up and the lumber in them sold as second-hand lumber.

Mr. VAUGHAN: I have not heard of that complaint which you mention from the lumber companies at all; it is simply a case that we have been trying to get as much as we could for the salvage material from the cars.

The CHAIRMAN: That is what they told me at Winnipeg; that it was on account of the representations made by the lumber dealers.

Mr. WALTON: There are very few available at the present time; as a matter of fact, according to the last report we only had some 50 cars on the whole system which were at the destruction point. Practically everything has been cleaned up.

The CHAIRMAN: That is what they told me last year, but I saw these cars being pulled to pieces by second-hand junkers.

Mr. LOCKHART: There is a reference here to several hundreds of these cars. What was done with them; were they sold, or torn to pieces? I think the whole matter is one which should be very easily cleared up.

Mr. VAUGHAN: These cars are torn down by ourselves and demolished in our own scrap yards.

The CHAIRMAN: That would be all right, if they were; that would be fine.

Mr. VAUGHAN: That is what is done. We have scrap yards located at strategic points across the country and these old cars go into these yards and the

material that is usable is salvaged and is used over again by the railway; and that which is not usable is sold to the best advantage, for the highest price that we can get for it. As you probably know, under existing conditions the price of steel scrap is regulated by the Steel Controller at Ottawa.

Mr. LOCKHART: However that may be, there was a practice followed of selling old electric cars from the abandoned systems. I know of many cases where as much as \$50 was paid for these old cars. There are people these days who are desperate for houses and they would take one of these old cars, maybe add a little leanto to it for a kitchen, and make a very comfortable home for themselves. What is your policy with respect to them? Are they scrapped, or are they available; and is there a price set upon them?

Mr. VAUGHAN: There is no definite price set for them. Each case is dealt with on its merits.

Mr. LOCKHART: The body of an old electric car or a box car could be offered at a stipulated price. A price could be set on it.

Mr. VAUGHAN: There is no definite price at all. There would be a price set in accordance with what we considered was the value to the company of the salvage material. It might vary every few months.

Mr. LOCKHART: But there could be a price set on it?

Mr. VAUGHAN: Yes.

The CHAIRMAN: I would not have mentioned it at all except for the fact that I have definitely seen wrecking jobbers wrecking C.N.R. cars with the idea of selling the lumber. I have definitely seen that with my own eyes; and I have definitely been given the reply by the management at Winnipeg that there was an understanding between the railway companies that these cars would not be sold to the public, because of representations made by retail lumber firms; and that the railways felt that if they wanted to have the patronage of these retail lumber or wholesale lumber firms they had to make certain concessions. As a matter of fact the retail or wholesale lumber firms will just ship their lumber by any means that will afford them the best advantage. If they can ship by transport trucks along the highway they will use them.

Mr. VAUGHAN: I have not heard of that, Dr Howden. We will be glad to look into it. I do know that these old cars have been sold by tender in many cases, and that may account for what you have seen.

The CHAIRMAN: Yes, I dare say.

Mr. HAZEN: Before you go on to the next paragraph if I may be permitted to I would like to ask Mr. Vaughan just one question: perhaps I should preface my remarks by saying that I am from Saint John, New Brunswick; and I have read in the local press there on two or three occasions in the past few weeks some criticism about the connections—if I might put it that way—of the trains that leave the C.N.R. station, that leave Saint John, in the morning. As I understand it, I am not very familiar with the situation, the C.N.R. train formerly arrived in Saint John at a quarter past eleven in the morning going east. That train used to pick up passengers from the C.N.R. train that arrived in Saint John I think about eleven o'clock, or perhaps a little after eleven. Recently the C.N.R. have moved its departure hour back to 11 o'clock and the result, as I understand it—and I may not have the facts quite right—the result is that the C.P.R. passengers arriving from the east arrive at the station and find the train gone, with the result that they have to wait over until 10 o'clock, or later, that night; or wait for the train next morning. I do not know whether or not that difficulty is one which has been brought to your attention.

Mr. VAUGHAN: That is a matter we have under consideration, Mr. Hazen, and I will ask Mr. Walton, our vice-president of operations, who has this particularly in hand, to tell you something about it.

Mr. WALTON: The situation at Saint John to which you refer is that we were, up until recently, connecting at Moncton with a train known as the "Scotian", which follows the "Ocean Limited". There are a lot of passengers from Saint John and intermediate points up to Moncton who are very desirous of making connections with the "Ocean Limited", rather than have to take the other train, through passengers who prefer naturally to make connection with the "Ocean Limited". Now, we made out our time table to provide just that connection. The Canadian Pacific changed the time of their train to an extent—I think it is based on the departure from Ottawa here at 4:10 instead of 3:30 in the afternoon as previously, which affects the time all the way down past Montreal and including the train through to Saint John. That, if anything, made the matter worse; but in view of the mail connection that is involved we have agreed until the 17th of this month to make connection with our 11 o'clock train on Sunday if their train is on time, involving a "hold" of about 20 minutes so as to connect with the Canadian Pacific. The Canadian Pacific as well as ourselves have the matter under consideration. As stated by you, sir, it looks as though we are not waiting for that connection; but the primary idea is that we are trying to take care of people on our own lines who have just as justifiable a desire to connect with what is the earlier of the two trains on the main line out of Moncton.

Mr. HAZEN: You realize that the situation is pretty inconvenient, particularly for those passengers who want to get on that C.N.R. train, to arrive there and find that there is no C.N.R. train to meet them.

Mr. WALTON: I have no desire to say what other people should do but an important point for consideration there I think is that if they would make a connection at Montreal West rather than at Windsor station they would have no difficulty in connecting with the train for Saint John; they could pick up the Ottawa connection and still be early enough to reach Saint John and connect with our train and let us do what we are trying to do for the people from Saint John, and on the Saint John-Moncton line, who want to make their connection, at Moncton.

Mr. HANSON: The statement was made in the house last night by an hon. member that the C.N.R. was selling cars to the C.P.R.; or loaning them.

Mr. VAUGHAN: We have sold no cars to the C.P.R. at all.

Mr. HANSON: That statement was made in the house last night by one of the members.

Mr. VAUGHAN: It is not correct.

Mr. JACKMAN: I do not know whether it had to do with the selling of cars precisely; I sent out for *Hansard*; and the question was this; having regard to scrap steel not being available for a 24-hour day run for certain of the steel mills in the west; and then one of the members said, "Then let the hon. member ask this of the Canadian National: how many cars have the Canadian National given over to the Canadian Pacific?"

Mr. VAUGHAN: We have handed over no cars whatever to them, Mr. Jackman; there are both passenger and freight cars used in the regular interchange of business between the roads.

Mr. JACKMAN: As a matter of fact I notice in your report your per diem rentals of cars—I suppose from other systems—is up considerably this year. Apparently you are using more rented cars than you are sending out of your own; you are using a greater number than the rentals you receive would indicate?

Mr. WALTON: That represents the influx of cars from other roads to our lines?

Mr. JACKMAN: In other words, there is nothing at all to substantiate the statement?

Mr. VAUGHAN: Nothing at all.

Mr. HANSON: No, it is not a good statement to put on *Hansard*.

Mr. BERCOVITCH: I notice that your taxes amounted to \$7,836,000; could you let us have a breakdown of that item?

Mr. VAUGHAN: We could get it for you.

Mr. BERCOVITCH: You might let us have that.

Mr. VAUGHAN: We will be glad to furnish it.

Mr. JACKMAN: In regard to taxation; I suppose on your American lines you have to pay American taxes; and if you make a profit you have to pay income tax on it too?

Mr. VAUGHAN: That is right.

Mr. JACKMAN: Do you make any profit on any American lines?

Mr. VAUGHAN: Sometimes we do and at other times we do not.

Mr. JACKMAN: It is not quite as bad as the Sault line, then?

Mr. VAUGHAN: Not quite.

Mr. MAYBANK: Mr. Chairman, I do not know whether this is the appropriate time to ask Mr. Vaughan about a matter that came up last year. I find among some of the transportation employees, particularly in Winnipeg, a great deal of complaint that they are unemployed; a number of them have been unemployed for a long time, whereas your competitor is crying out for men, and indeed some of your men are working temporarily for the C.P.R. That is, they may have been on your seniority list for a long time and could not hold a job. After having been out of work for quite a long time they managed to get a job on the C.P.R. and they are on that seniority list too. The complaint arises apparently from the fact that you are not getting as much work as you should from different sources. Of course, there is only one source now that is the big work giver. That brings to my mind this: last year we spoke about government business going in certain proportions to the C.P.R. and the C.N.R. It would be my thought in between sessions of this committee the Canadian National Railways itself would take some steps to try to improve this position with reference to the government business. Have you taken any steps at all to improve your position?

Mr. VAUGHAN: We have.

Mr. MAYBANK: What have you done?

Mr. VAUGHAN: We have approached the various ministers concerned and have pointed out the resolution which was passed by this committee of last year and have asked that something be done.

Mr. MAYBANK: You did that verbally?

Mr. VAUGHAN: Verbally and in writing.

Mr. MAYBANK: Have you got the writings?

Mr. VAUGHAN: I have not got them here.

Mr. MAYBANK: They ought to be here. I would not want to ask you what was in the writings since we have a rule that the best evidence is the writings themselves.

Mr. VAUGHAN: I imagine the letters were marked private and confidential; I do not know.

Mr. MAYBANK: They could not be private and confidential, I suggest, Mr. Chairman. They could be private and confidential, but not from this committee. Private and confidential are a couple of words that may be appropriate where

it comes from a member to a minister, but not relating to government business. An agency of the government writing to the government, I suggest, Mr. Chairman, could not mark its writing in that way. They could be marked that way, but it would have no effect unless, of course, we can bring in that well known rule that we hear a great deal of these days, "Not in the public interest."

Mr. VAUGHAN: I will not dispute that with you. The only thing I can say, Mr. Maybank, is what we have done. We have done everything within our power to get what we think is a fair share of the business of the Dominion of Canada.

Mr. SANDERSON: Mr. President, the ministers that you interviewed, were they sympathetic?

Mr. VAUGHAN: Yes, I think, generally speaking, they were.

Mr. SANDERSON: I would expect they would be. However, your request did not get very far; is that right?

Mr. VAUGHAN: I do not think the resolution of this committee has been acted on yet.

Mr. MAYBANK: No, the resolution of this committee has not been acted on in the house. Who made the representation verbally that you are speaking about?

Mr. VAUGHAN: I made several representations myself.

Mr. MAYBANK: To whom?

Mr. VAUGHAN: Several cabinet ministers.

Mr. MAYBANK: Who were they?

Mr. VAUGHAN: Well—

Mr. MAYBANK: There is nothing secret about Canada's business, Mr. Vaughan. I desire to know.

Mr. VAUGHAN: I saw Colonel Ralston, I saw Mr. Howe, and I saw Mr. Cardin.

Mr. MAYBANK: Now, will you state what transpired between you and Mr. Ralston on this occasion?

Mr. VAUGHAN: You are putting me on the spot.

Mr. MAYBANK: Exactly, you are on the spot.

Mr. VAUGHAN: Colonel Ralston suggested that it be made a cabinet matter.

Mr. MAYBANK: Was it made a cabinet matter?

Mr. VAUGHAN: I could not say.

Mr. MAYBANK: You mean that he suggested that he would take it up with the cabinet?

Mr. VAUGHAN: No, he did not suggest that; he merely suggested that it should be made a cabinet matter.

Mr. MAYBANK: What exactly were the representations that you were making?

Mr. VAUGHAN: We feel we should receive not less than 65 per cent of the competitive business of the country.

Mr. NICHOLSON: As compared with how much? What percentage did you have last year?

Mr. VAUGHAN: We do not know. We believe that there are certain instructions in some departments, although we have never been able to obtain the information definitely, that the business be divided on a 50-50 basis. And we know that some of the officers of the various departments have that in the back of their minds.

Mr. MAYBANK: Why did you mention Colonel Ralston first? Is it just chance that you went to him first?

Mr. VAUGHAN: No, because his department, of course, controls the movement of troops.

Mr. MAYBANK: So when you were dealing with him it was because he was the shipper to a very large extent of one class of government business?

Mr. VAUGHAN: That is right.

Mr. MAYBANK: Do you know what percentage of business you got from that department?

Mr. VAUGHAN: No; we have no means of determining that.

Mr. MAYBANK: Did you represent to Mr. Ralston what you believed to be the case as to the division?

Mr. VAUGHAN: It has been represented to that department on different occasions that we felt we were entitled to a larger share of the movement of troops.

Mr. MAYBANK: In your talk with Mr. Ralston did you represent to him what your beliefs were at that time as to the way the work was divided in his department?

Mr. VAUGHAN: I do not recall at the moment exactly what my conversation with Colonel Ralston was. As I said before he was, I think, sympathetic, but he felt it was a large matter and one that should be dealt with by the cabinet.

Mr. MAYBANK: Did you ever have another interview with him after that on the same subject?

Mr. VAUGHAN: No, I did not.

Mr. MAYBANK: Then there was nothing with Colonel Ralston after that in that regard?

Mr. VAUGHAN: No, except our officers are in touch all the time with the various officers of his department and I think there has been some improvement in the share of business we are getting.

Mr. MAYBANK: To what extent has there been an improvement in that department?

Mr. VAUGHAN: I can answer that by saying our passenger business generally is increasing very substantially.

Mr. MAYBANK: From that department?

Mr. VAUGHAN: From that department.

Mr. MAYBANK: Do you know whether it is increasing with relation to the total amount of traffic that department has?

Mr. VAUGHAN: I could not say that because we have no figures showing the amount of money which the Department of National Defence paid to the two railways.

Mr. MAYBANK: Do you know whether that kind of traffic emanating from that department has increased both on your western lines and on your eastern lines or just one of them?

Mr. VAUGHAN: I think it has increased to a greater extent on our eastern than on our western lines.

Mr. GRAY: Before Mr. Maybank goes on into some other branch may I say we frequently have postal officers here to give us information with respect to the postal business and the carriage of mail. Is there any reason why we should not have officials from the Department of National Defence brought here to give us information along the same lines with regard to their department?

The CHAIRMAN: If you make the requisition in a motion and have it passed by the committee we can get them here.

Mr. GRAY: If the Canadian National Railways find themselves handicapped and feel they are not being justly dealt with in the face of the recommendation passed by this committee last year, I certainly would feel that the best way to find out is to have the officials here and let us settle this thing once and for all.

The CHAIRMAN: Might it not be well to have Mr. Maybank ask the president first of all if the cabinet dealt with the matter?

Mr. MAYBANK: I am going to follow that. You said a moment ago you had the impression—correct me if I am wrong in this—you stated you had the impression that there were certain men in the department who believed that the division should be the way it has been in the past and that as a consequence of these men having such a belief you could not get what you want. I am quoting your statement correctly, am I not, Mr. Vaughan?

Mr. VAUGHAN: I believe some of the men in the various departments are of the opinion it is the wish of the government to divide their business equally between the two railways.

Mr. MAYBANK: Now, are some of the men that you have been describing in the Department of National Defence?

Mr. VAUGHAN: Yes, I think that is true.

Mr. MAYBANK: These are the men to whom you have to go to get traffic, is that right?

Mr. VAUGHAN: That is right. Generally speaking, I believe our traffic officials feel that the officers in the Department of National Defence are treating us fairly in the division of their business so far as their understanding of the wishes of the government are concerned.

Mr. MAYBANK: Your men would hardly get that idea just drawing it out of the air, Mr. Vaughan. How did they ever get that idea with reference to these men in the Department of National Defence?

Mr. VAUGHAN: I suppose that information must have been given to some of our officers by certain officers of the Department of National Defence; but I really would prefer that you talk with Mr. Fraser, our Traffic Vice-President, on this traffic matter.

Mr. MAYBANK: Is the person who would know here?

Mr. VAUGHAN: No, he is not here; but of course our traffic men are in daily contact with the officers of the Department of National Defence. I do not think they have any complaint against—I think they have no direct complaint against the officers of the Department of National Defence.

Mr. MAYBANK: Is it fair to say they appear to be bound by some understanding or convention?

Mr. VAUGHAN: I think that is a fair statement.

Mr. MAYBANK: Well, now, who are the persons in the Department of National Defence to whom your traffic officers have to go to get a share of the traffic?

Mr. VAUGHAN: I could not say offhand the various officers of the department with whom our traffic men are in contact from day to day.

Mr. MAYBANK: Can we get that information as to who are those persons who have what I believe is, or what ought to be, a misconception; who are they? We want to know who these people are in each department. Mr. Fraser, I have no doubt will say, but how can we get that information so we will know whom to subpoena here?

Mr. VAUGHAN: It seems to me, if I may say so, that if this committee could get the information from the Department of National Defence as to what their ideas are of dividing business, it would probably accomplish what you have in mind.

Mr. MAYBANK: I fancy it would or it might, but this other way would too, or it might. I just happen to have chosen this other method.

Mr. EMMERSON: May I ask Mr. Vaughan who is the Movement Control officer for the Department of National Defence?

Mr. VAUGHAN: I do not know offhand who the particular officers are, but our traffic officers are in touch with them. We have traffic officers up here constantly. We have some located here permanently and others come up constantly, and are almost in daily touch with the Department of National Defence, with various officers of the Department of National Defence, and I think they have a satisfactory relationship with the officers. I think if you brought the officers here it would be putting them on the spot the same as you are putting us on the spot. I think there is only one way that the matter could be settled, and that is by an expression from the head of the Department of National Defence as to what instructions, if any, have been issued in respect to the division of this business.

Mr. MAYBANK: I will come back to that, Mr. Vaughan. But, digressing from that for just a moment, I want to ask this question. You did not write to Mr. Ralston after the conversation you have described?

Mr. VAUGHAN: I do not remember whether I did or not, Mr. Maybank.

Mr. MAYBANK: Could that be looked up, to see whether you did or not—of course, on this point. Could that be looked up?

Mr. VAUGHAN: That could be looked up.

Mr. MAYBANK: You mentioned awhile ago that there had been representations in writing. To whom?

Mr. VAUGHAN: The Minister of Transport.

Mr. MAYBANK: To anybody else?

Mr. VAUGHAN: I think we had it up with Mr. Howe as well. I am sure we did.

Mr. MAYBANK: In writing?

Mr. VAUGHAN: Yes.

Mr. MAYBANK: Mr. Chairman, I should like to ask that that correspondence be brought here. If there are any objections to that, we might try to settle them now. I realize that Mr. Vaughan feels that they would be private and confidential, but that is the very point with which I do not agree.

Mr. DONNELLY: Mr. Vaughan, you said you wanted 65 per cent of the business, as I understood you?

Mr. VAUGHAN: At least that percentage of the competitive business.

Mr. DONNELLY: On what did you base your figures?

Mr. VAUGHAN: What we really asked Mr. Donnelly, was that, if there were any instructions issued to any departments in regard to dividing that business on a fifty-fifty basis, they be withdrawn. We preferred to have no instructions at all rather than instructions of that kind issued, because we felt we would rather take our chance on getting our share of the business if such instructions were withdrawn. I do not know that such instructions are out, but it is the opinion of our traffic people that there are such instructions in existence.

Mr. GRAY: Mr. Vaughan, that is my very reason for suggesting that it be cleared up in the various departments through which the railroads are doing business. Personally I think you can go out and compete very well with your competitors, but I myself would not be at all surprised if such instructions were

in existence, because we have run into that before. I remember not so many years ago when a certain branch of one of the departments of this government instructed their employees to stay at the Lord Nelson hotel at Halifax. Those instructions were given to the various employees. I want to give that as an instance. I think, now that we have got this far, the heads or ministers of the departments should make a statement to the committee. I know if Mr. Howe were here, he would quite willingly make a statement with respect to the Department of Munitions and Supply, and Mr. Cardin would do the same with respect to Transport. I think we should have the heads of these departments, or the ministers, make a statement to the committee with respect to such orders, if they do exist; and I would so move, Mr. Chairman.

Mr. DONNELLY: Mr. Chairman, I would move that the Chairman, Mr. Maybank and Mr. Gray be a committee of three—

Mr. JACKMAN: I would object to that.

The CHAIRMAN: What is that?

Mr. JACKMAN: One must take exception to that, because they represent one party.

Mr. GRAY: Put Mr. Jackman on in my place, if you like.

Mr. DONNELLY: I move that there be a committee of three to interview the Minister of National Defence and other ministers, to see what people we should call or whom we should call before the committee, and that they be called.

The CHAIRMAN: Gentlemen, I have two rather indefinite motions. I have one from Mr. Gray that the heads of three departments of government be asked to appear at this committee to give information.

Mr. DONNELLY: Which they may know nothing about.

Mr. HANSON: They could be here—

The CHAIRMAN: Just a minute.

Mr. HANSON: I second that motion of Mr. Gray, Mr. Chairman, because I think if this committee is going to function at all—

The CHAIRMAN: I am sorry to interrupt, but I could not hear that.

Mr. HANSON: I say that I second the motion of Mr. Gray, because I feel that if this committee is going to be of any use at all, they should know whether the government has refused to accept the recommendation that this committee made last year, and on what grounds; and if instructions have been issued contrary to that recommendation, they should know it.

The CHAIRMAN: Have you any proof that the government did refuse to accept the recommendation?

Mr. HANSON: We have the statement of the President that the recommendation which this committee made last year for increased business based on mileage, employees and fixed charges, has not been acted on.

The CHAIRMAN: You must remember that by the time that recommendation got to the committee it was pretty badly disfigured.

Mr. MAYBANK: You made reference to a couple of indefinite motions, Mr. Chairman.

The CHAIRMAN: I did not get a chance to finish with it. I was interrupted while I was still talking.

Mr. MAYBANK: I am sorry.

The CHAIRMAN: I think I outlined the motion of Mr. Gray correctly. He did not get a seconder, although probably he easily could have done so.

Mr. HANSON: I did second it.

The CHAIRMAN: Well, his motion precedes Dr. Donnelly's motion, and will have to be voted on by the committee.

Mr. HAZEN: What is his motion again?

The CHAIRMAN: His motion is that the heads of the three mentioned departments of government, namely, transport, national defence and munitions and supply, be requested to appear at this committee to give testimony with regard to this matter.

Mr. BERCOVITCH: Is it necessary to have a motion to that effect?

The CHAIRMAN: But we have the motion.

Mr. BERCOVITCH: Yes.

The CHAIRMAN: I do not think the motion is out of order and I am going to put it as a matter of expedition.

Mr. BERCOVITCH: If we have the gentlemen here of their own accord, it would serve the same purpose. These gentlemen might appear of their own accord and they could tell us in a few words whether they had any parleys or whether there was any discussion about that at all.

The CHAIRMAN: The motion is merely requesting them to appear.

Mr. GRAY: I am trying to bring it to a head, Mr. Chairman.

Mr. MAYBANK: I am not speaking in opposition to either of these motions, whether definite, indefinite, out of order or otherwise. But I hope you will not lose sight of the fact that there is a motion preceding them both, which is that the correspondence to which I have referred should be tabled here.

The CHAIRMAN: I do not think it was in the way of a motion. I think it was a request and it is so recorded. It is recorded as a request.

Mr. MAYBANK: Well, I can, of course, come back to it in a few minutes. I want to make absolutely certain that it will be observed.

The CHAIRMAN: Do you wish to make a motion?

Mr. MAYBANK: Of course, I suppose, if it is not recorded as a motion I will have to wait until you get this other debris out of the road. But I want to make it perfectly clear to all and sundry that I am coming back to it.

The CHAIRMAN: We have track of it here. All in favour of the motion before the committee please signify.

Mr. LOCKHART: Before the motion is put, would Mr. Vaughan suggest that there might be any head of any other department who might be included who could bring full information?

Mr. VAUGHAN: Well, the principal departments concerned, so far as the railway traffic is concerned, are the Departments of Munitions and Supply, National Defence and the Post Office Department.

Mr. LOCKHART: The latter has not been mentioned so far. I would move in amendment that the Post Office Department be added to the others.

Mr. GRAY: In order to save time, I will include that in the motion.

The CHAIRMAN: And public works while you are at it.

Mr. GRAY: All right, sir.

The CHAIRMAN: Now you have got it fairly complete. All in favour of this motion kindly signify. Against? I declare the motion is carried.

Motion agreed to. Yeas, 14; Nays, 1.

Mr. JACKMAN: Mr. Chairman, it cannot be overlooked that the report of this committee did not receive the confirmation of the House last year. I do not know whether that makes any difference to the instructions on which the government should act. However, I should like to address a question to Mr. Vaughan and it is this. Does he agree with his vice-president, Mr. Fraser, who last year stated he could see no reason why the government, inasmuch as it owned this railway, should not give 100 per cent of the traffic which arises from government business to the C.N.R.?

Mr. VAUGHAN: My opinion is that the C.P.R. is entitled to some of the traffic of these departments.

Mr. DONNELLY: Do you think it should be divided on the basis of the main line mileage?

Mr. VAUGHAN: There are several factors which have to be taken into account in connection with the division of this business. We have much more mileage to maintain in outlying districts, and these lines are unprofitable to operate. We have nearly twice the fixed charges of the Canadian Pacific Railway. The Dominion Government has a tremendous investment in the Canadian National Railways. Before these railroads were brought together in 1918 the C.P.R. had many competitors, such as the Canadian Northern, the Intercolonial and the Grand Trunk. They had several competitors. Now they only have one competitor. If all those competitors were still in existence, they could hardly expect fifty per cent of the business.

Mr. McCULLOCH: Under what department does the C.N. Telegraphs come?

Mr. VAUGHAN: We have several telegraph departments under Mr. Galloway—commercial telegraphs.

Mr. McCULLOCH: Do you not think they they should be added on to that motion, because there is where a lot of the trouble starts. Telegrams are going out through the country—

The CHAIRMAN: There is no department of telegraphs in the government.

Mr. McCULLOCH: There are telegrams going out from departments in Ottawa that are going out by C.P.R.

Mr. VAUGHAN: That would have to be included, I think, in whatever questions might be asked of the various departments, because both railways have got telegraph systems, express systems and railway systems.

Mr. MAYBANK: Mr. Chairman, as I said a little while ago, I want to make completely certain with reference to that correspondence. I see that it is noted as a request. I should now like to know at this stage whether it will be necessary to make that motion. I would, therefore, like to know whether there is any objection to that request. Will the papers be tabled?

The CHAIRMAN: Well, Mr. Maybank, probably to make sure of your ground you had better make a motion. We have the request here and we cannot tell whether the papers will be tabled on a request or not.

Mr. MAYBANK: Very well. I so move.

Mr. VAUGHAN: I know that these letters have been marked private and confidential. Whether you could get them here, I do not know.

The CHAIRMAN: Will you state your motion, Mr. Maybank?

Mr. MAYBANK: Yes. I move that all correspondence between the C.N.R. management and ministers and officials of the government relating to this matter we are now discussing shall be brought down by the management of the C.N.R. and tabled in this committee.

Mr. GRAY: I will second that.

Mr. BERCOVITCH: Mr. Chairman, surely we have power to send for correspondence.

The CHAIRMAN: What is that?

Mr. BERCOVITCH: We have power to-day to ask for correspondence of all kinds. I do not think a motion is necessary at all.

Mr. GRAY: I do not, either, Mr. Bercovitch; but the Chairman suggested it.

The CHAIRMAN: No. We had a request, but the man who made the request preferred a motion, and we have the motion. Now I have the motion

and I am going to put the motion to the committee. You have heard the motion of Mr. Maybank and Mr. Gray. I ask all those in favour to raise their right hands, 14. Those against, 1. I declare the motion is carried. Now what about doing a little more work?

Mr. LOCKHART: Is that work?

Mr. MAYBANK: Just a minute. I want a record of all these other interviews just exactly the same as the Ralston interview. Even though we are going to request these ministers to come and make a statement, I nevertheless want to know what has been done. I spoke to Mr. Vaughan about the Department of Defence. Before leaving that, I do want to know the people in the Department of Defence who appear to have the belief that they cannot divide traffic otherwise than fifty-fifty. You said, Mr. Vaughan, I think, that you could not yourself answer that question?

Mr. VAUGHAN: That is right.

Mr. MAYBANK: But that Mr. Fraser or some person from his department could. When could we get that?

Mr. VAUGHAN: I think they could answer that. I am sure they could answer it, Mr. Maybank, but it might put them in a rather embarrassing position.

Mr. MAYBANK: They might answer it—some person like yourself—and you might give the answer; your shoulders being so much broader.

Mr. VAUGHAN: We would not like to create the impression that we have any complaint against the officers of the Department of National Defence.

Mr. MAYBANK: I quite understand that, and I think we have made that very clear that it is not a position of complaining about some of these officers with whom you deal. By the very question asked we realize the position you are in and you are not complaining about these officers. I still want to know who are the people from whom the traffic business had to be got in the Department of National Defence.

Mr. VAUGHAN: That could be obtained. I still think that an expression of opinion from the heads of the departments as to how they have divided the business and what their policy is in regard to the division would answer the purpose.

Mr. MAYBANK: All right. In deference to your opinion we can at least let the matter rest for a little while and if it turns out to be necessary we can come back to it.

Now, then, would you tell what representations were made to any other department? I would like to get the story with relation to the Transport Department.

Mr. VAUGHAN: Our officers are making representations daily to nearly every department of the government in their ordinary contact in the solicitation of business.

Mr. MAYBANK: Perhaps I did not make my point clear. I was not referring to your officers, but I was referring to the representations made by the railway similar to those which you yourself made to Mr. Ralston. What transpired between yourself or any other official of the railway and the Transport Department all along the line?

Mr. VAUGHAN: I know that our executive officers and our freight traffic officers and passenger traffic officers, telegraph and express officers are constantly soliciting business from all the departments of the government and urging that we be given a larger share of business.

Mr. MAYBANK: Apparently I am not making myself clear. I am not getting the answer to the real point. I did not deal with the solicitation of

business bit by bit but I was dealing with representations which may have been made by you and I understand were made by you to the Minister of Transport. Did you have any dealings with him on that question?

Mr. VAUGHAN: Yes, I have had.

Mr. MAYBANK: Were those similar to what transpired between you and Mr. Ralston?

Mr. VAUGHAN: Yes.

Mr. MAYBANK: Were any representations then made by you in writing?

Mr. VAUGHAN: Representations have been made by me in writing, yes.

Mr. MAYBANK: And can you give me an idea when?

Mr. VAUGHAN: At various times, some recently.

Mr. MAYBANK: I am really dealing chiefly with representations in writing since the time of the last Railways and Shipping Committee. Have there been representations made in writing in that period?

Mr. VAUGHAN: Oh, yes.

Mr. MAYBANK: Do you have any recollection of how much correspondence there was?

Mr. VAUGHAN: There has not been a great deal of correspondence because when we communicate once or twice with cabinet ministers we do not like to keep on pestering them.

Mr. MAYBANK: That would be included in the motion. Did you have conversations with them on this?

Mr. VAUGHAN: Yes.

Mr. MAYBANK: What did you represent in your conversations; what did you say?

Mr. VAUGHAN: The replies I got were that the matter would be taken up at an appropriate time.

Mr. MAYBANK: With whom?

Mr. VAUGHAN: I presume with the cabinet.

Mr. MAYBANK: Substantially the same answer as to Mr. Ralston?

Mr. VAUGHAN: Yes.

Mr. MAYBANK: Did you make any representations to any other cabinet ministers?

Mr. VAUGHAN: No, I have not.

Mr. MAYBANK: Just the two—just Mr. Ralston and the Minister of Transport?

Mr. VAUGHAN: And Mr. Cardin.

Mr. MAYBANK: The three of them?

Mr. VAUGHAN: Mr. Howe, Mr. Cardin, and Col. Ralston.

Mr. MAYBANK: Would the correspondence which you have just been describing, the last one on the record, be the conversation with Mr. Howe and Mr. Cardin?

Mr. VAUGHAN: The last communication I had on the subject was with the Minister of Transport.

Mr. MAYBANK: But the conversation which you have last been describing in answer to my question, which was the last one told about on the record here to-day, was that conversation with Mr. Howe or Mr. Cardin?

Mr. VAUGHAN: I do not recall, Mr. Maybank; I have had many conversations with so many people on this business that I do not recall them.

The CHAIRMAN: Mr. Howe was Minister of Transport for a while.

Mr. MAYBANK: Yes, I know. I want to make the point clear. Would it be fair to say that the conversations you have described with Mr. Ralston could likewise be taken as a report of your dealings with Mr. Cardin, substantially?

Mr. VAUGHAN: Substantially, yes. All the cabinet ministers I have spoken to have been sympathetic, and I believe have intended to take the matter up at an appropriate time. What they have done I do not know.

Mr. MAYBANK: Would you say then it is substantially also the report of what transpired between you and Mr. Howe—the same thing?

Mr. VAUGHAN: Yes.

The CHAIRMAN: Is there any further discussion; if not let us proceed.

Mr. JACKMAN: Before the subject is closed, I would like to ask the president whether or not the C.N.R. is in a position to handle more traffic at the present time. If we are to believe the publicity which appears in the newspapers, and particularly that issued from the Department of National War Services, the tendency is to discourage traffic which is not directly war traffic at the present time because the demands for moving troops and people on war business and war trade are so great that the various railroad lines in the country are all booked to capacity; so I rather fail to understand just what the contention is about at the present time. Would the president say whether or not his railway in particular is in a position to handle a substantially increased volume of traffic in 1942?

Mr. VAUGHAN: I believe that both railways can still handle more traffic—both railways are still actively soliciting traffic, both freight and passenger from the public and from the government. We have not come to the point yet where we have to decline any traffic, nor has there been any congestion in the movement of traffic. Traffic solicitation is still a very active subject on the part of both railways.

Mr. MAYBANK: What is the number of men, say, in the running trades in western Canada you have out of work at the present time?

Mr. VAUGHAN: I could not answer that, Mr. Maybank; I do not know whether Mr. Walton could.

Mr. WALTON: We had some men on western lines who were loaned to the Atlantic region during the past winter as the business fluctuated on different parts of the line. That is something that has gone on in various years and it took place again this winter. As to just how many men are actually out of work—out of work is not altogether the term—we have quite a number of men who are really seasonal employees. When they were hired it was never thought they could secure day in and day out work. You are familiar with the way in which these men are handled, I think; they start in on what is called the extra list and gravitate to regular work as the years go by. Now, there are quite a number of those spare men on the western lines and very few on the Atlantic region where the reverse was the case and men were borrowed from the western lines to fill up the requirements this past winter on the Atlantic region. It is a variable proposition.

Mr. MAYBANK: You heard what I said about men who are C.N.R. employees but who were not able to work on account of not having enough seniority going over to the C.P.R. and working there. Did you know that was so?

Mr. WALTON: I understood there were some. There has been a heavier movement of grain on the Canadian Pacific in the last few months due to the location of the crop this year. I see no objection in cases of that kind to some of our men working for the Canadian Pacific Railway or vice versa if the conditions were reversed. That is a reservoir of men—and I think it is very good business—that either road can call on them.

Mr. MAYBANK: I would not have you or anybody understand I was complaining about your men working for the C.P.R.

Mr. WALTON: No, I did not think you were.

Mr. MAYBANK: If you have a very considerable number of men unemployed and the other road has its full complement of work and is crying out for more, at first glance it would appear it is doing better than you are. That is the real situation at first glance.

Mr. WALTON: One thing you need to look at to be sure your premise is correct is the number of spare men which three years ago or at the outset of the war the two railroads had. I do not know whether we might have had a larger spare list to draw from than they had. You would need to know that to be sure.

Mr. MAYBANK: It is in order to get an explanation of that situation that I have raised the question. Did you have a larger reservoir proportionately than the C.P.R.?

Mr. WALTON: I do not know—I do not know what their position was. I do know we had quite a sizeable list of spare men; how it would compare with the other road I do not know.

Mr. MAYBANK: The men who spoke with me—and there were a large number of delegations—were men who had been on your list quite a long time and they were working with the C.P.R. men who were railroaders with about the same length of service. I questioned them for the very reason I have now mentioned.

Mr. NICHOLSON: How many passenger trains are running daily from Winnipeg on the C.N.R. and C.P.R. east?

Mr. VAUGHAN: We are running the two regular trains—numbers one, two, three and four. We are, of course, running extra trains from time to time.

Mr. NICHOLSON: Take during the last winter, have you any idea of the number of extra trains run as compared with the total number run on the C.P.R.?

Mr. WALTON: There are occasionally cases where additional sections are run; but east from Winnipeg that is not much of a factor on passenger trains. The two regular trains per day take care of most of the movement on the Canadian National.

Mr. NICHOLSON: How many are there on the C.P.R.?

Mr. WALTON: The regular service is three—two in the evening and one in the morning; we have no morning train out of Winnipeg east that compares with their morning train.

Mr. NICHOLSON: I remember the Confederation train which you ran at one time; would you have equipment to put on a similar service now?

Mr. WALTON: Yes, if it were needed; but we have the two trains—they are spread differently as to hours of the day—we have the two trains now and we had the two trains at the time you spoke of the confederation train. It is only a difference in the time of the day.

Mr. NICHOLSON: At that time there was a fast train through Regina?

Mr. WALTON: Yes, now it goes direct through Saskatoon.

Mr. NICHOLSON: It gave a better service through Regina.

Mr. WALTON: Brandon and Regina; east of Winnipeg the same number of trains are running now as when that service was on.

Mr. NICHOLSON: They both leave at the same time, do they not?

Mr. WALTON: They leave close together; one is a Toronto train and the other is a Montreal train.

Mr. NICHOLSON: Would the equipment be available to take a train out of Winnipeg in the morning, instead of the evening one?

Mr. WALTON: It would take the same amount of equipment as now if we ran it at a different time.

Mr. JACKMAN: Inasmuch as the railways can handle, perhaps, some more traffic, if there was a diversion of traffic, artificial or otherwise, from the C.P.R. to the C.N.R., I presume in the opinion of Mr. Walton that would result in the laying off of certain C.P.R. employees?

Mr. WALTON: I presume if they lost business that came to us there would be less work for the men over there, unless traffic from other sources increased enough to take up that slack.

Mr. JACKMAN: Traffic from other sources? You would have as good a chance to get that as any other railway?

Mr. WALTON: Yes.

The CHAIRMAN: Mr. President, it may be a rather ill advised question, I am afraid, but rumour has it in our part of the country, and you hear it very often that you could cut down the time of your eastern train to Winnipeg and Ottawa by a number of hours, but the schedule has to be maintained out of consideration for the C.P.R. Since there seems to be a general investigation into these matters I suppose you might as well answer that question now.

Mr. VAUGHAN: The departure and arrival of certain trains is agreed upon with the Canadian Pacific Railway. Both railways could shorten up their times if they eliminated stops. However, I think the time between Toronto and Montreal, and between Vancouver and Montreal and Toronto; and, of course, from Winnipeg to Toronto and Montreal, is fairly satisfactory to-day to all concerned; and I do not think in these times it would be wise to start shortening up the times of any of the trains.

Mr. MAYBANK: Could you shorten up the time of your trains without any increase in cost of operation?

Mr. VAUGHAN: We could, somewhat. It must be remembered that in the wintertime our trains have to run through very difficult territory, the same as the C.P.R.; we meet sometimes 60 below zero weather at Hornpayne, White River and Schreiber. At the present time, as you know, we have a satisfactory schedule. It is just 36 hours from Montreal to Winnipeg, two nights and one day; which is a good schedule.

Mr. JACKMAN: Does the same principle apply in rail transportation as in automotive transportation; that the faster you go the greater fuel consumption, that it increases geometrically, shall we say?

Mr. VAUGHAN: Not to the same extent. It is a different kind of power.

Mr. McCULLOCH: Is there any point at which the time on the C.P.R. is the same as the time on the C.N.R.?

Mr. VAUGHAN: Between Montreal and Winnipeg, and Montreal and Vancouver, it is the same—within a few minutes, practically the same.

Mr. WALTON: There is one other feature in connection with these main line trains and that is that we arrive now at convenient hours. The eastern train arrives at Ottawa at 6:20 in the morning, and I do not think anyone would want to get into Ottawa earlier than 6:20, and at 8:50 in Montreal. That is a good time. Those trains reach Winnipeg at 9 or 9:20. While there is an agreement between the roads that they will not continually try to shorten up their runs and thereby create an undesirable situation, the general object is to maintain the best running times for the convenience of the public. We plan to arrive in Winnipeg at a convenient time and our train leaves the east at such an hour as to enable it to arrive in Winnipeg the first thing in the morning; and the same thing applies at Vancouver, where we arrive first thing in the morning; with similar times at other important points. It is just about as convenient as it can be made. If any jacking up were attempted you would be arriving at unreasonable hours.

Mr. NICHOLSON: You have all your trains now getting into Winnipeg in the morning and there is a day spent in Winnipeg. Could you not eliminate that long layover at Winnipeg?

Mr. WALTON: The trains are timed to arrive in Montreal and Toronto, in the morning. There has to be an adjustment some place and the result is that you have the day in Winnipeg so that the service will enable you to arrive at the more important eastern points—or western points, as the case may be—at the most convenient hour. I might say, also, that the weight of public opinion seems to favour arrival at these eastern points in the morning, which naturally involves having a departure from Winnipeg timed to suit. The service is built up around what we have found by contact with the public to be public convenience.

Mr. GRAY: Is it understood that you are going to arrange for your vice-president in charge of traffic, to be here when the officials of the other department are before this committee?

Mr. VAUGHAN: Yes.

Mr. HANSON: This seems to be a general discussion about train services. I would like to ask, Mr. President, if there is any possibility of increasing your service on the northern lines?

Mr. VAUGHAN: That would depend entirely on the business offering. There is considerable prospective business on that line; particularly to Prince Rupert in connection with certain developments that are going on there about which we cannot say very much. If there is sufficient business to warrant an increase in the service, an increase will be made.

Mr. HANSON: There is just one passenger train a week now?

Mr. WALTON: There are 3 mixed trains a week.

Mr. HANSON: But just one passenger.

Mr. WALTON: That one passenger train was predicated on the triangle tour business, which is not going to be very substantial this year.

Mr. HANSON: But similar service would mean three mixed trains a week?

Mr. WALTON: Yes.

Mr. SHAW: I should like to have some information regarding the coal which is used by the Canadian National on its various lines, the extent to which coal is imported from the United States; and any changes which may have taken place during the past year with regard to the consumption of Canadian coal.

Mr. VAUGHAN: We will be very glad to furnish you with a statement in that connection. I may say generally that our imports of United States coal have increased because we were unable to get sufficient Canadian coal to meet our Canadian requirements. There was ample in 1939 and we were able to get Canadian coal which we used as far as Montreal and Toronto. This last year we have had to send American coal as far as Riviere du Loup and Edmundston.

The CHAIRMAN: How far west have you sent it?

Mr. VAUGHAN: We have brought western coal, Alberta coal as far east as Sioux Lookout; and in some cases as far east as Fort William.

Mr. SHAW: Am I correct in assuming from that statement that until recently you were able to get an ample supply of Canadian coal, and that the increase in the consumption of United States coal was on account of the inability to procure sufficient quantities of Canadian coal?

Mr. VAUGHAN: Yes.

Mr. SHAW: Have any difficulties been encountered in regard to getting additional coal from the United States?

Mr. VAUGHAN: No, sir. We have had no difficulty up to the present time. We are buying a lot of it at the moment. The United States authorities have advised everyone to get in as much coal as they can because of the possibility that there may be a shortage this fall.

Mr. SHAW: And further in that regard may I ask where in the United States this coal comes from?

Mr. VAUGHAN: That depends on where the coal is going to. We buy a certain amount of coal in western Kentucky, some from Pennsylvania, some from Ohio, and some from West Virginia.

Mr. SHAW: Is the Canadian National financially interested in any American mines?

Mr. VAUGHAN: Yes, sir; we own and operate the Rail and River coal mines in Ohio. But any coal that we have taken from these mines in years gone by has never been in competition with Canadian coal.

Mr. HANSON: Does the company operate that mine all the time?

Mr. VAUGHAN: Yes, it is being operated to capacity.

Mr. HANSON: What do they do with the coal that they do not take out for their own railway?

Mr. VAUGHAN: We sell it to others; or, sometimes we close the mines down.

Mr. HANSON: Then, it is not operated all the time?

Mr. VAUGHAN: It is only operated when it is economical for us to operate it. We have three mines all operated by the Rail and River coal mines, with a production of approximately 2,000,000 tons of coal.

Mr. JACKMAN: Just as a matter of interest, would you tell us what the average price of coal for 1939, 1940 and 1941 was?

Mr. VAUGHAN: You are talking about American coal?

Mr. JACKMAN: No, coal generally for the line.

Mr. VAUGHAN: The price of coal has been gradually going up. There is a minimum price in the United States, and I think a maximum price will be put on. We have only paid the minimum price in the United States. I think the average price in the United States last year was in the neighbourhood of \$1.80 a ton, whereas in Canada it would be two or three times that. That is the price at the mine.

Mr. HANSON: How long has the railway owned that mine in the United States?

Mr. VAUGHAN: I would say between 30 and 40 years. It was a property acquired by the old Grand Trunk Railway many years ago.

The CHAIRMAN: I was going to ask if the ownership of these mines was a business venture or an economic measure?

Mr. VAUGHAN: I imagine the principal consideration from their standpoint was economy. No doubt the Grand Trunk purchased these mines because they felt they could get their coal supply cheaper by owning their own mines.

The CHAIRMAN: About what percentage has coal increased in the past three years?

Mr. VAUGHAN: I would be glad to furnish you with a statement showing the average price at the mine of all coal. If this committee would like to have that we will file it.

Mr. JACKMAN: If it is not too much trouble, it is a matter of general interest. Also, with regard to ties; the rumour is that they have gone up very substantially in price. What has been your experience in buying ties during the last three years—and present contracts?

Mr. VAUGHAN: The price of ties has advanced materially. I think we are paying this year around 10 to 15 cents a tie more than we did last year for No. 1 ties. We paid more last year than we did the year before. We always keep within prices set by the Timber Controller.

Mr. JACKMAN: What is the price now for ties?

Mr. VAUGHAN: That would depend on the territory. We have different prices for different territories. I think for the No. 1 tie we are buying in eastern Canada the price is in the neighbourhood of 85 cents—yes, that is it. That is for No. 1; for No. 2, which is a smaller tie, 75 cents. For No. 3, 50 cents. That is about 10 cents a tie higher than the year before; and the year before was considerably higher than the previous year; so the price of ties has been gradually going up in the last three years.

Mr. JACKMAN: Can you get all the ties you require at the ceiling price now?

Mr. VAUGHAN: We have had difficulty in getting sufficient ties in certain districts, particularly hardwood ties for creosoting purposes. But we are getting enough to meet our requirements.

The CHAIRMAN: I think we had better proceed. You will be asking these questions all day.

Mr. JACKMAN: In the third paragraph under operating expenses it is stated: "In view of the more intensive utilization of system equipment it was thought advisable to increase the provision for depreciation. The provision made in the 1941 accounts was \$13,591,000 against \$11,262,000 in the preceding year." What is the reason for this increase? I mean, is this depreciation made more or less automatically; or, do you have a schedule, or is it simply left to the Board of Directors?

Mr. VAUGHAN: There is a regular basis for depreciation and we stepped that up last year a little.

Mr. JACKMAN: In addition to the regular basis?

Mr. VAUGHAN: Yes, sir.

The CHAIRMAN: I think we might try to get on a little further with this report.

Mr. SHAW: Reverting back for a moment to this transcontinental train service: It is generally understood that the C.N.R. roadbed throughout the west, particularly through the mountains, is far superior to that owned by the C.P.R.; and it is further the general belief that we could speed up our services, but that it is only out of consideration for the C.P.R. that we do not. Now, that is the common opinion held by people in the west. I would like to know to what extent we could step up our services, if we were for the moment at least to forget the C.P.R.

The CHAIRMAN: I would like to point out to the members of the committee that we have been over that ground just a few moments ago.

Mr. SHAW: I do not believe that that aspect of it has been pointed out.

Mr. VAUGHAN: I would not like to create the impression that we are governed by the C.P.R. in connection with the arrangements of our schedules, because that is not so. The arrangements made are to our mutual advantage; as I intimated before, I do not think it would be desirable at this particular time to speed up any of these transcontinental schedules, because very much other traffic is moving at the present time, and as Mr. Walton pointed out the schedules are arranged to arrive and depart from the larger centres at convenient times. If we were to alter these schedules we would not get into places like Edmonton, Winnipeg, and other points at convenient hours; the changes might cause our trains to arrive at times which would not be agreeable to the public generally.

Mr. SHAW: Of course, Mr. Chairman, what I had in mind particularly was not so much the desirability as the ability to speed up these services. That was what I was trying to get at. We could, I would judge, speed up our service; whether it is desirable to do so at the present time or not is apart from the main issue.

Mr. VAUGHAN: What would you say to that, Mr. Walton?

Mr. WALTON: I think some of these trains could be speeded up a little and at the same time maintain safe operation. The schedules are slower through the mountains than on the prairies, for obvious reasons; and while we have an easier grade on the line than the Canadian Pacific through the mountains, the Canadian Pacific have been operating a great many more years than we have, and that has something to do with the stability of the road. I would say that I think we could cut down the time a little but it would not make any appreciable difference in the practical time of arrival at important points.

The CHAIRMAN: Let us proceed.

Mr. JACKMAN: Before we leave the second paragraph on page 5, may I refer to the following. The paragraph begins:

The railway and its equipment have been maintained in satisfactory operating condition. System freight car serviceability throughout the year was the highest on record, the year's index registering 96·4 per cent.

I notice in the C.P.R. report their index is 98 per cent. You say, "The ratio of locomotives in serviceable condition was 79·6 per cent, the highest for several years." Whereas the C.P.R. says theirs is 92·3 per cent. To a layman it seems rather an extraordinary difference.

Mr. VAUGHAN: I think we will find there a different method of computation. Is that so, Mr. Cooper?

Mr. COOPER: Yes.

The CHAIRMAN: Would you care to explain?

Mr. VAUGHAN: Mr. Armstrong has some figures.

Mr. ARMSTRONG: For serviceability of equipment we showed 81·9 per cent, and the Canadian Pacific 92·3 per cent. In the Canadian Pacific figures they show every locomotive which is going into the main shop for repairs. We on our part count any locomotive if it is awaiting repairs in excess of twenty-four hours. There is a difference in the method of counting the locomotives, in counting unserviceability. That would account for some of the difference between the two figures. For freight cars there is a small difference. The Canadian Pacific shows 98·0 per cent, we show 97·1. Even there the difference is not great, but it is accounted for to some extent by the method of counting. The C.N.R. calculates its bad order cars by the number of unserviceable days in the period. The Canadian Pacific on their part count the number of unserviceable cars at the end of the period. There is a difference in the method and basis used.

Mr. JACKMAN: I am sure you will appreciate the difficulty the non-technical man has in trying to compare the two systems. One might take it from your remarks and those of the president, if the competitive systems were on the same basis the reports would be identical.

Mr. ARMSTRONG: Not necessarily so at all. They might be expected to be, in these times, not very far apart.

Mr. JACKMAN: Is there any way that this committee, which is charged with a duty of examining the report of its railway, can find a basis of comparison which is fair? Do you follow a standard like the I.C.C. standard, shall we say?

Mr. ARMSTRONG: Yes, we do follow the I.C.C. plan.

Mr. JACKMAN: The C.P.R. follows its own standard?

Mr. ARMSTRONG: Of course, we do not know in every detail—you could call it their own standard, because it differs from the I.C.C.

Mr. JACKMAN: Is it the standard adopted from the practice in Great Britain?

Mr. ARMSTRONG: I could not say as to that. The only possible way of finding out definitely why there is a difference would be to examine the Canadian Pacific accounts. That is the only method I know of finding out what is the difference between the two—accounting for the difference in the figures. We do know the difference in the methods, as far as I have outlined.

Mr. SANDERSON: Mr. Chairman, we are on page 5, I think.

The CHAIRMAN: Yes.

Mr. SANDERSON: In regard to the hotel operating income, I see it has improved by \$89,591. I should like to have some information in regard to the earnings of all the hotels.

Mr. VAUGHAN: We have agreed, Mr. Sanderson, to file here, as we did last year, a statement of the earnings and expenses of our hotels. That will be filed with the committee.

Mr. SANDERSON: That would be all right; I have no objection to that, but I should like to know the names of the hotels that are making money. You can give that information, of course, Mr. President?

Mr. VAUGHAN: We can. That, of course, will be shown in the statement which we file. Generally speaking I can say offhand the Halifax hotel, the Chateau Laurier hotel, and one or two of the smaller hotels like the Edmonton hotel, are doing better than breaking even on operating expenses. But this statement will give you the whole picture.

Mr. SANDERSON: That is all right. Tell me, if you will, please, about the hotel at Vancouver that is jointly owned by the C.P.R. and the C.N.R.

Mr. VAUGHAN: No, sir, it is not jointly owned, jointly operated. It is owned by the Canadian National and the Canadian National leases it to the Vancouver Hotel Company, in which both companies have a 50 per cent interest.

Mr. COOPER: The operating profit of the Hotel Vancouver in 1941 was \$100,260. In 1940 it was \$73,708.

Mr. HANSON: Is that the net profit?

Mr. COOPER: That profit is divided three-quarters to the Canadian National and one-quarter to the Canadian Pacific.

Mr. SANDERSON: Three-quarters to the Canadian National?

Mr. COOPER: Yes, sir.

Mr. HANSON: What was the total cost of the hotel up to 1940?

Mr. COOPER: The investment expenditures for the Vancouver hotel to the end of 1941 were \$11,625,000.

Mr. HANSON: How many rooms are there in the hotel?

Mr. COOPER: I think approximately the same as the Chateau Laurier.

Mr. VAUGHAN: Six hundred, or something like that.

Mr. COOPER: The Chateau Laurier has 520 rooms, the Vancouver hotel is about the same.

Mr. SANDERSON: Your hotel profits consist largely of the profit at the Chateau Laurier. The Chateau Laurier makes the largest profit?

Mr. VAUGHAN: Undoubtedly, yes.

Mr. JACKMAN: What is the basis of that lease to the operating company? How much do you get?

Mr. COOPER: The operating company is required under the lease to pay its net income as rent up to an amount of \$280,000. In the first place the entire net income goes to the Canadian National Railways as rent. Our agreement with the Canadian Pacific is we will pay to them one-quarter of the rent received. That is a consideration in respect to certain arrangements regarding their old hotel.

Mr. JACKMAN: They had a hotel there originally?

Mr. COOPER: Yes.

Mr. JACKMAN: And the basis of this arrangement concentrating the volume of business in the one hotel was that all rentals come to the C.N.R., but that after \$280,000 is allowed one-quarter of the excess goes to the Canadian Pacific Railway?

Mr. COOPER: No. The lease calls for a rent to the Canadian National of \$280,000 if earned. To the extent that it is earned that is the rent for the year. There is no carry forward and no arrears. They pay the net earnings for the year and that ends it. We pay to the Canadian Pacific one-quarter. The Canadian Pacific in 1941 would collect \$25,000 of the \$100,000 net income.

Mr. JACKMAN: You get no rental charge before they get their one-quarter?

Mr. COOPER: No; if the Vancouver hotel made \$100 net income the Canadian Pacific would get \$25.

Mr. JACKMAN: If you should by some happy stroke earn more than \$280,000, how is the division then, on the same basis?

Mr. COOPER: I am not sure about that. It is a possibility we have not contemplated.

Mr. SANDERSON: You have not reached it.

Mr. JACKMAN: I am not familiar with the situation in Vancouver. It is many years since I have been there. The Canadian Pacific had an hotel there; that is the story?

Mr. COOPER: Yes.

Mr. JACKMAN: They turned it into something else?

Mr. VAUGHAN: They had a very old hotel there which has been rented to the Department of National Defence for the use of troops.

Mr. JACKMAN: Why did they get this apparent favourable contract with the Canadian National? After all they have no capital investment in the hotel operating to-day and yet they get one-quarter of your earnings.

Mr. VAUGHAN: When the deal was negotiated our people believed it was the right thing to do because it closed the Canadian Pacific Railway hotel. Both hotels would have been competing against each other and probably both would make large losses had they continued to operate individually.

Mr. JACKMAN: So the quid pro quo was closing the Canadian Pacific hotel and concentrating all the business in the big hotel which might then operate at a profit?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: It would be like closing the King Edward Hotel in Toronto and the Royal York getting all the business.

Mr. VAUGHAN: And, of course, the Canadian National is interested to some extent in the salvage of the old Canadian Pacific hotel.

Mr. JACKMAN: To what extent? It is being rented now to the Department of Munitions and Supply?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Who gets that rental?

Mr. COOPER: The old Canadian Pacific hotel is now rented to the Defence Department. I think it is used as a sort of recruiting centre. National Defence pay \$1,000 a month and the revenue and the expenses of administering the hotel are divided 50-50 between the two railways.

Mr. JACKMAN: The Department of National Defence pays that amount to the C.N.R.?

Mr. COOPER: No. The hotel was owned by the Canadian Pacific Railway and payment is made to that Company.

Mr. JACKMAN: The Department of National Defence pays \$1,000 a month?

Mr. COOPER: \$1,000 a month.

Mr. JACKMAN: You get something out of that?

Mr. COOPER: We would get something except for taxes; the taxes are rather high and we have to assume our share.

Mr. JACKMAN: You have got a certain liability in connection with the old Canadian Pacific Railway hotel?

Mr. COOPER: At present, yes. If the Canadian Pacific hotel is sold or pulled down, under our agreement we would have a share in the proceeds.

Mr. JACKMAN: Is this agreement in regard to the new hotel on a very long-term basis, because the Canadian Pacific has not proprietary interest in it; it is all owned by the Canadian National, is it not?

Mr. COOPER: The Hotel Operating Company, the stock of which is owned 50-50 by each railway, that is the company which operates the new Vancouver hotel, has a twenty-one year lease with the option of renewal for another twenty-one years. The Canadian Pacific Railway may share in the operation of our hotel for a period of forty-two years, if they choose.

Mr. JACKMAN: In return for that they closed down the old hotel and gave you a proportion of the salvage value?

Mr. COOPER: That is right.

Mr. JACKMAN: What is the proportion?

Mr. COOPER: I could not recall exactly.

Mr. JACKMAN: All right.

Mr. SANDERSON: Does that mean that the new hotel in Vancouver is owned by the two railways in the proportion of 50 per cent each?

Mr. COOPER: No. The hotel is the property of the Canadian National Railway Company, 100 per cent. Canadian National made a lease to a company called the Vancouver Hotel Company, the stock of which is owned 50 per cent by the Canadian National and 50 per cent by the Canadian Pacific. The hotel company—that is, the operating company—is, under its lease, obligated to pay rent to the Canadian National Railway.

Mr. SANDERSON: I understand it now. Thank you.

Mr. HANSON: Mr. Chairman, yesterday there was sent to me a number of questions regarding the Vancouver hotel.

The CHAIRMAN: A little louder, Mr. Hanson. I can hardly hear you, and I know the committee are in no better position.

Mr. HANSON: There were some questions sent to me regarding the Vancouver hotel yesterday. Pretty nearly all of them have been asked, with the exception of this one. It is from a public body in Vancouver and is to the effect that many complaints from the general public have been lodged regarding the lack of attention at the telephone exchange at the Vancouver hotel. I do not know whether that has anything to do with the management, but I thought probably I should ask.

Mr. VAUGHAN: We shall be very glad to look into that and correct anything that is wrong. We have not heard about it here. It would be a matter of local management.

Mr. JACKMAN: Do you consider that, on the whole, the C.P.R. have a bigger interest in hotels than the C.N.R.?

Mr. VAUGHAN: Across Canada?

Mr. JACKMAN: Yes.

Mr. VAUGHAN: They have a much larger investment in hotels than we have.

Mr. JACKMAN: I noticed somewhere in their report that they have a very substantial increase in earnings during the year; that is, in hotel earnings. I do not see it at the moment. Also they had this paragraph, "Net earnings from hotel, communication and miscellaneous properties after provision of \$1,400,624 for depreciation on hotels." Are they following a procedure which I would consider more orthodox than the C.N.R. does in regard to hotel accounting?

Mr. COOPER: The Canadian Pacific is accruing depreciation with respect to its hotel investments and the Canadian National Railway is not.

Mr. JACKMAN: You are still following the retirement policy?

Mr. COOPER: Yes.

The CHAIRMAN: I should like to consult the members now with regard to a session of the committee this afternoon. This is Friday afternoon. We would like to get on with this work. We have had very free discussion of everything this morning and yet we have not covered much ground except by way of discussion.

Mr. GRAY: We always take a day or two with this preliminary discussion.

The CHAIRMAN: I appreciate that.

Mr. GRAY: We will have to come back next week anyway.

The CHAIRMAN: What is the wish of the committee? Shall we meet this afternoon?

Mr. JACKMAN: We have to come back next week necessarily, I suppose, Mr. Chairman?

Mr. GRAY: Yes.

Mr. JACKMAN: It is only a half day in the house.

The CHAIRMAN: I should like to say this. I would remind the committee of this point, that it is at considerable inconvenience that the railway officials come here, and that they are under particular stress just now by way of being short-handed and they have a lot of extra work under consideration. So if the committee were not very definitely decided about the matter, we might get in an hour or two this afternoon. However, that is up to the committee.

Mr. NICHOLSON: In view of the work that is piling up for the officials, I think we might meet this afternoon.

Mr. McCULLOCH: I move that we meet this afternoon at four o'clock.

Mr. DONNELLY: I will second that.

The CHAIRMAN: There is a motion that the committee meet this afternoon at four o'clock. All those in favour? 11. Against? 2.

Motion agreed to.

Mr. JACKMAN: Might we just ask the officials whether or not they would prefer to go back to Montreal on the early train this afternoon or prefer to stay over.

Mr. VAUGHAN: We would prefer to stay over.

The CHAIRMAN: I do know that the officials are very anxious to get through with this. We have had a vote on it, so we will meet this afternoon at four o'clock. But we still have a few minutes left before one o'clock.

Mr. HAZEN: Mr. Chairman, I note that in the report it says "the financial results of separately operated subsidiary companies improved to the extent of \$1,169,000." Is a list of these subsidiary companies given in this report in the back?

Mr. COOPER: Yes, you will find it on pages 22 and 23. On those pages you will find a list of all the companies that are comprised in the system and the so-called separately operated companies are all indicated by an asterisk. If you will read the footnote on page 23, you will find, "The income accounts of companies indicated with an asterisk are included in the system income account as 'separately operated properties'".

The CHAIRMAN: I think we ought to take that matter when we come to it, gentlemen, and get through this report of the president first of all, if possible. Then if we have any questions in our minds we can have them cleared up at the end.

Mr. HANSON: Let us proceed then.

Mr. JACKMAN: There is just one point on the amount of money that has been spent on the protection of the company's properties. I presume that your legal department has taken up with the government whose duty it is to protect against sabotage.

Mr. VAUGHAN: Yes, we have had that up, Mr. Jackman. It has been a matter of much discussion and correspondence. They are doing some protection and we are doing some. But it is an extra expense that we are being put to for the protection of our line for the handling of traffic during the war period.

Mr. JACKMAN: You are spending \$500,000 and I suppose employing three hundred or four hundred men on that job?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Do you feel that the government has acted fairly in view of whatever legal obligation there is on the government to afford you protection.

Mr. VAUGHAN: I am not sure that it was dealt with from a legal standpoint. But the present arrangement was one that was arrived at and I think is mutually satisfactory.

Mr. NICHOLSON: Mr. Chairman, I received a complaint this morning to the effect that the men engaged for the protection of the company's property are not receiving the cost of living bonus. Can the president make any statement regarding this situation?

Mr. WALTON: The situation in that regard was that it was understood they were not entitled to the cost of living bonus, having been granted certain increases in pay within the time referred to in the orders in council which govern the cost of living bonus. At the present time that is being looked into again to see if there is anything in their contention that they are still entitled to the cost of living bonus. But from the last stage of it that I saw a few days ago, it did not look as though they were entitled to it, in view of the wording of the various orders in council that govern the cost of living bonus.

Mr. NICHOLSON: My information is that these men are being paid forty cents an hour, for an eight hour day, seven day a week. I wonder if that is correct.

Mr. WALTON: I am not sure what their actual hours are.

Mr. NICHOLSON: What about the hourly rate.

Mr. WALTON: I think it is around forty cents an hour.

Mr. NICHOLSON: Can you find out definitely.

Mr. WALTON: We can get the rate.

Mr. VAUGHAN: We will get the rate for you.

The CHAIRMAN: Will you proceed Mr. Vaughan.

Mr. VAUGHAN: Yes.

FINANCE

No security issues fell due for retirement during the year other than the normal annual payments of principal under equipment trust, sinking fund, and serial issues, which totalled \$9,666,000. This amount was financed through loans from the Government.

The primary reason for the decrease in interest paid to the public and the increase in interest paid to the Government lies in the repatriation of the G.T.R. 4 per cent debenture stock referred to elsewhere in this report.

Cash Surplus

From the foregoing it will be noted that the gross revenue for the year was \$304,376,000. After the payment of all operating expenses the net revenue remaining was \$66,608,000. Out of this, taxes, fixed charges, etc., absorbed \$62,592,000, leaving a cash surplus of \$4,016,000, or \$21 millions better than the results reported last year. Payment will be made to the Government before the close of the fiscal year ending March 31st, 1942.

CAPITAL EXPENDITURE ACCOUNT

The net expenditures on property investment account for the year 1941 amounted to \$13,762,485, made up as follows:

Equipment purchased or built.....	\$ 6,751,629
Equipment retired.....	3,135,087
General betterments to equipment.....	345,848
Equipment conversions and transfers.....	843,930
Express and miscellaneous equipment.....	69,611
Line diversion, Holly, Mich., subdivision.....	275,000
Centralized traffic control.....	1,381,453
Track extensions at Truro, N.S.....	212,511
New engine terminal at Fairview, N.S.....	247,346
Yard extensions between Fairview and Richmond, N.S.....	189,279
Locomotive erecting shop at Moncton, N.B.....	539,994
Yard extensions at Moncton, N.B.....	313,123
Track extensions at Napadogan, N.B.....	84,433
Track extensions at Estcourt, Que.....	34,698
Yard extension at Joffre, Que.....	124,486
Yard extension at Turcot, Que.....	485,011
Yard extension at Point St. Charles, Que.....	99,762
Locomotive shed at Point St. Charles, Que.....	50,768
Track extension at Pickering, Ont.....	133,131
Montreal Terminal Development.....	3,011,781
General additions and betterments, less retirements.....	3,391,638
	<hr/>
	\$13,762,485

The extension and rearrangement of yard terminal and track facilities above referred to were necessary for the handling of increasing wartime traffic.

The expenditures on the Montreal Terminal bring the expenditures to date to a total of \$25,436,000, of which \$16,651,000 was expended prior to 1939 and \$8,785,000 since January 1st 1939, when construction was resumed on the modified plan. The 1942 budget includes \$1,900,000 for the completion of the project.

The following equipment was acquired during the year: 9 electric locomotives, 4 diesel switching locomotives, 28 second-hand coaches, 19 colonist cars, 5 sleeping cars, 1 mail car, 300 box cars, 300 flat cars, 475 coal cars and 232 work units.

The following equipment was retired during the year: 73 locomotives, 525 freight train cars, 12 passenger train cars, 322 work units and 3 units of floating equipment. The loss has been charged to depreciation reserve.

Mr. JACKMAN: Under the Capital Expenditure Account, the second item, you have "equipment required \$3,135,087." I believe there is set up in your depreciation on your rolling stock, according to your policy inaugurated last year, \$13,391,000 in addition. So that gives us a total, if you like, of \$16,000,000 odd. Of what is that a percentage? Looking at your assets side of the balance sheet, the railway rolling stock and everything is lumped together. How much is rolling stock or equipment carried at in your books?

Mr. COOPER: \$435,000,000.

Mr. NICHOLSON: At what date?

Mr. COOPER: At the beginning of 1941, \$435,000,000. Provision for depreciation in 1941 represented 3.12 per cent of the value of the equipment which we owned. We have different rates for the different classes of equipment—locomotives, passenger train cars, freight train cars, and so on—we have different percentages for the different classes; but taking the composite rate for all our equipment the depreciation in 1941 represented 3.12 per cent of the investment. That item compares, for instance, with the Pennsylvania railway rate of 2.79%; New York Central, 2.81; Southern 2.99; B & O 2.79; Great Northern 2.8; Northern Pacific 2.83; so the Canadian National Railway's provision for depreciation in 1941 was somewhat better than that of the important roads I have referred to.

Mr. JACKMAN: Is the 3.12 per cent the combination of the \$13,591,000 plus \$3,135,000?

Mr. COOPER: No.

Mr. JACKMAN: It is just depreciation alone?

Mr. COOPER: Yes.

Mr. JACKMAN: It is not retirements?

Mr. COOPER: No.

Mr. JACKMAN: The retirements would tend to increase the depreciation rate?

Mr. COOPER: No, sir, I do not think that is an addition; I think having provided for depreciation you have fully provided for the wearing out of equipment, and the amount of equipment which is physically retired during the year is merely a charge to the depreciation reserve; it is not an addition in the operating expense of the railroad.

Mr. JACKMAN: You have got your equipment now on a pure depreciation policy, and that was only adopted last year, and there is nothing in the retirements policy in connection with equipment any longer?

Mr. COOPER: That is correct. I might add too for the information of the committee that in view of the increased traffic in 1942 we are making still further provision for depreciation over and above what we did in 1941, so there can be no thought that we are not adequately taking care of the wearing out of equipment even under the intensive use to which it is subject under war-time traffic conditions.

Mr. JACKMAN: Could you give us a representative picture, a comparison of the number of miles, average miles, the rolling stock travelled during 1941 as compared with a more normal year, say, 1939—would there be a 50 per cent increase?

Mr. COOPER: That statistical information is all given on page 27.

Mr. WALTON: Will you not have to keep in mind that those figures include the mileage on foreign cars as well as upon our own?

Mr. COOPER: I was thinking more of locomotive miles. In 1941 our train mileage was sixty-one million as compared with fifty-three million in

1940. That was an increase of 13.75 per cent—the locomotive mileage increase was 16 per cent; the car miles increased 22.0 per cent. We made a computation of the increased use of equipment in 1941 over 1940 and the increase in use would have produced an added depreciation charge of something like \$1,930,000. Actually we stepped up the depreciation charge by over \$2,000,000. The only reason for that is that in making our charges in the account the final mileage figures were not available; but in principle the idea is that the depreciation, the normal rates for depreciation, or the sum produced by the application of the normal rates will be increased proportionately to the increase in the mileage made by our equipment.

Mr. JACKMAN: This has been charged to depreciation reserve; it refers to the \$3,135,000—the last sentence in the paragraph?

Mr. COOPER: Yes.

Mr. JACKMAN: Notwithstanding the favourable comparison in the depreciation rate at 3.12 as compared with some of the class A railroads in the United States, do you believe that the typical rolling stock will last about thirty-two or thirty-three years?

Mr. COOPER: Our mechanical engineers give it a life even in excess of that.

The CHAIRMAN: I do not suppose it is worth while to proceed any further with the reading of the report because we will not have time to discuss it before adjournment. If there is no objection we will adjourn until 4 o'clock.

The committee adjourned to meet at 4 o'clock.

AFTERNOON SESSION

The committee resumed at 4 o'clock.

The CHAIRMAN: Order, gentlemen.

Mr. DONNELLY: When the Montreal terminal is completed, is it the intention of the Canadian National to keep the old Bonaventure station?

Mr. VAUGHAN: No, sir, it is not; it will be demolished.

Mr. DONNELLY: I notice here that you have acquired 28 second-hand coaches. From whom did you acquire those?

Mr. VAUGHAN: Those would be pullman coaches. These were cars we acquired from the Pullman Company. It is impossible to get coaches delivered in Canada within any reasonable period. We required those coaches for various purposes. One was to take care of a heavy movement to and from munitions plants. Take, for example, Cherrier, which is about ten miles from Montreal, where we handle over 10,000 people a day. We have some other situations like that such as between Winnipeg and Transcona and also between Quebec and Valcartier. These coaches were bought to take care of those services to a large extent.

Mr. LOCKHART: I should like to refer to another item on the capital expenditures in the paragraph below in connection with the Montreal terminal. Could the committee be furnished with the amount of priority that was granted in such items as steel and copper for the construction of this station?

Mr. VAUGHAN: Of the new station?

Mr. LOCKHART: Yes.

Mr. VAUGHAN: Well, that might be difficult to get because a good deal of the work was done by contractors.

Mr. LOCKHART: Priorities have been granted to a large extent.

Mr. VAUGHAN: Most of the material, of course, was ordered and on the way before metals got as scarce as they are to-day. The contractors arranged for their own priorities on that material.

Mr. LOCKHART: Have there been any priorities since that order went into effect?

Mr. VAUGHAN: None that I know of; there may have been.

Mr. LOCKHART: Could I have a statement as to that fact so that we will know exactly the amount of steel and copper and those other items under which priorities were given?

Mr. VAUGHAN: Yes, we will be glad to give you a memorandum on that so far as we can get it. There was very little copper used; we eliminated copper wherever possible.

Mr. LOCKHART: Not all. There will be some copper?

Mr. VAUGHAN: Some undoubtedly there will be.

Mr. LOCKHART: Thank you.

Mr. JACKMAN: In your statement I see the 1942 budget includes \$1,900,000 for the completion of the Montreal terminal. That is enough to complete it?

Mr. VAUGHAN: Yes, that is the capital amount. We think that will be sufficient to complete it.

Mr. JACKMAN: Does the modified plan of the structure change the prospective earning picture of the station greatly? I realize that the station is part of the whole system; but I presume that the way in which the building was cut down, the height of the number of storeys and so on, would materially alter the amount of revenue that you would expect from it.

Mr. VAUGHAN: Are you referring to the station itself, Mr. Jackman? Of course the whole project has been changed.

Mr. JACKMAN: I am not familiar with the comparison between the modified plans and the original plans except the modified plans require much less capital to go on with; but I presume the fact that you are not going on with the full plans, it will reduce the original contemplated earnings quite substantially. Will you have any direct earning power from the station as it will be when finished now, or is it just part of the system? I presume, from the pictures that I saw the original plans contemplated the erection of offices that you would obtain rent from.

Mr. VAUGHAN: There will be offices there, but only for some of our district officers. There will be substantial economies when the new station is in operation, substantial operating economies. Our earning power has not been cut down at all in the station as the result of the modified plans. The original plans called for more trackage such as from Dorval and Bout de L'Isle. Those parts have not been constructed.

Mr. JACKMAN: The modified plan has really more to do with construction outside the immediate area of the station—

Mr. VAUGHAN: Modified plan has to do with the construction of the station and the approaches that were necessary to the new station. Several new approaches had to be made; new bridges across the canal and things of that kind.

Mr. SANDERSON: Mr. Chairman, I should like to ask the president when they expect to use the terminal, when it will be finished.

Mr. VAUGHAN: We expect to have it open this fall, Mr. Sanderson. We cannot say what date it will open; it depends upon the progress the contractors make, but we are expecting to have it open late in the fall.

Mr. SANDERSON: Your offices now are at—

Mr. VAUGHAN: 360 McGill street.

Mr. SANDERSON: Are you still going to use the building?

Mr. VAUGHAN: Yes, we will continue to occupy the office buildings which we own on McGill street. Only the district operating offices will go to the new terminal. The original plan, of course, contemplated a new large office building there, which is not being considered at all at the present time.

Mr. JACKMAN: May I refer to the depreciation on rolling stock again? The company last year changed over from retirement accounting to depreciation accounting, and you had on your books—

Mr. COOPER: Mr. Jackman, it was changed in 1940.

Mr. JACKMAN: This is the second year.

Mr. COOPER: This is the second year.

Mr. JACKMAN: You had, however, at that time a lot of rolling stock the average life of which was very substantially less than the average life of a lot of the new rolling stock.

Mr. COOPER: Yes.

Mr. JACKMAN: That would be accepted, I think. Well, if we are now following the practice of some of the American railroads—are we doing that now?

Mr. COOPER: Yes.

Mr. JACKMAN: Other people would have had that practice of depreciation accounting in practice from the beginning and therefore when the stock was twenty or thirty years old there would have been a tremendous reserve set-up. How do you expect when you only started a reserve account for your equipment last year, with some of your equipment half worn out on the average, that you are going to have enough to replace it from time to time? May I give as an example the illustration of a taxi company that has been in business for a great many years. Say they originally started with a retirement account and would expect to replace their cars from time to time, but the third year of the existence of this company they switched over to depreciation accounting. Then by shall I say exaggerating or falsifying their current earning position—

Mr. COOPER: Falsifying?

Mr. JACKMAN: Perhaps I should not use that word.

Mr. COOPER: You are not affecting the current earning position at all.

Mr. JACKMAN: Just let me get back to my simple example.

Mr. COOPER: In this matter we are not in any way different from United States railways which are subject to the accounting instructions with respect to depreciation issued by the Inter-state Commerce Commission. There was a date even when the American railways changed over retirement accounting to depreciation accounting.

Mr. JACKMAN: When they changed it over they did not find it necessary to set up a depreciation reserve which might have been accumulated had depreciation accounting been in existence from the acquisition of the rolling stock.

Mr. COOPER: They were not required to set up past accrued depreciation.

Mr. JACKMAN: They were not required to, but have they found it not necessary?

Mr. COOPER: I would say they have not done it, and they have not found it necessary.

Mr. JACKMAN: How many years is it since the American lines changed over?

Mr. COOPER: The Commission made depreciation accounting mandatory in 1907 or 1908, but they did not fix the rates. The railways were allowed to take up any percentage that they chose. Some of the railways, for instance,

took up one-half of one per cent. In 1914, however, the Inter-state Commerce Commission stipulated that the rates should be equitable in the light of the carrier's experience. In 1935 the Commission required the railways to furnish estimated service lives and estimated salvage values, and determine to the best of their judgment what the depreciation rates should be. Those rates were then submitted to the commission. They were reviewed by the commission experts and approved or modified to meet the requirements of the commission. But the commission at no time has insisted on the past accrued depreciation being set up. There is no requirement for the carriers to set up past accrued depreciation. At the end of 1941 we have a reserve of \$27,000,000. I have no doubt that for some time to come there will be a substantial annual increase in that reserve. In 1942, for example, we are setting up approximately \$15,500,000 of depreciation to the credit of our reserve. The actual charges to the reserve will be in the neighbourhood of \$2,000,000 to \$3,000,000. There will be an accretion to the reserve therefore in 1942 of some \$12,000,000 or \$13,000,000; which will give us approximately \$40,000,000 at the end of 1942; and that process will go on for some time. Under continuous normal conditions I think you will find that the reserve would stabilize at approximately 50 per cent of the ledger value of the equipment.

Mr. JACKMAN: Am I correct in understanding that the ledger value was about \$135,000,000?

Mr. COOPER: No, \$435,000,000.

Mr. JACKMAN: Reasoning from the abstract I fail to understand how the accounts can work out fairly. If you had started this writing off of a large percentage of your depreciation at the time you acquired your equipment, at the end of 30 years you would have a fund built up which would veritably replace all your equipment. Now you have a policy of principle of retirement depreciation and for a good many years in the life of your equipment your retirements must be practically negligible. None of the equipment wears out inside of 10 years, and as for the life that you stated this morning, in excess of 30 years would be more like it. Well, you suddenly switch over from this retirement depreciation policy for your equipment which over the average must have half of its life spent, to a policy of depreciation accounting allowing so much per year, which is not an excessive rate. I do not see how the policy can really work out fairly to the operating account and the capital account of the company. Supposing you had gone on until your equipment was practically all fit for retirement and then you suddenly switched over; how could you accumulate enough at the ordinary rate of depreciation of say 3 per cent to look after that? You have just told me that the experience of the American railroads seems to bear out the suggestion that you have no worries ahead; but I cannot understand how it does work out that way when it seems from the standpoint of theory at least to be quite unsound. Do I make my difficulty clear to you?

The CHAIRMAN: Might I ask the hon. member just what point he is endeavouring to pursue; because I am afraid it is over the heads of many of the rest of us; and we are using up a lot of time.

Mr. McCULLOCH: I think you had better take him as an assistant, Mr. Cooper; he would train you in how to do it.

Mr. COOPER: You may assume that if in the future the railway were to go out of business we would be confronted with the retirement of all our equipment, in that event you would be correct in assuming we would not have a reserve sufficient to meet the loss which would have to be met at that time. But that is not a reasonable assumption, it is not going to happen. Well then, we are now taking up sufficient annual amounts, and assuming the retirements in the future will not

be abnormal, my belief is that the net additions to the reserve over the years ahead will build up a reserve which will never be used so long as the railways remain as a going concern.

Mr. JACKMAN: But 3 per cent is an ample rate now to look after current depreciation. What in your opinion would have been an adequate rate for a railway setting out new with brand new equipment?

Mr. COOPER: I would say that it would be less than 3 per cent.

Mr. JACKMAN: I still have my difficulty in understanding how it works out.

Mr. COOPER: Well, let me say this; taking modern equipment and beginning with a brand new railway; I am satisfied that taking the estimated life expectancy and the estimated salvage value and computing the depreciation rate that would meet the acceptance of the Inter-state Commerce Commission, a rate of less than 3 per cent would suffice.

The CHAIRMAN: I think perhaps you had better proceed.

Mr. JACKMAN: One more question, Mr. Chairman; how is the railway getting on with that when they have retired 73 locomotives during the year and only acquired 4 diesels and 9 electric locomotives?

Mr. VAUGHAN: These locomotives which we retired were old engines which did not have the carrying capacity or tractive effort of our modern power, and they had reached a stage where a substantial sum of money would have had to have been spent to put them back into service; so the most economical thing for us to do was to retire them.

Mr. JACKMAN: But there are only 13 acquisitions against 73 retirements.

Mr. VAUGHAN: I cannot say off-hand what the total tractive effort of the 13 would be. Of course, it would not be equal to the 73. But the 13 engines would probably do nearly as much work as the 73 old engines—

Mr. WALTON: Some of the locomotives were 42 years old, and they were actually out of commission anyway. They were useless. They might as well be fully retired and get the scrap from them as to have them standing around in a perfectly useless condition.

Mr. JACKMAN: Where do you use the electric locomotives?

Mr. VAUGHAN: They will be used in Montreal, in the new terminal, also we use electric locomotives in the St. Clair tunnel between Port Huron and Sarnia.

Mr. JACKMAN: They are just used on short hauls, there are no electrified lines of any distance?

Mr. VAUGHAN: We have an electrified line from Montreal to St. Eustache.

Mr. JACKMAN: How far is that?

Mr. VAUGHAN: We run several electric lines. We have the Montreal and Southern County line which runs from Montreal to Granby; we have the Oshawa electric railway; and we own the Niagara-St. Catharines-Toronto railway which serves the Niagara district.

Mr. JACKMAN: What I particularly have in mind is the electrification of former steam lines, real railroads.

Mr. VAUGHAN: The only steam line which we have electrified is the one to St. Eustache.

Mr. JACKMAN: How many miles is that?

Mr. VAUGHAN: About 20.

Mr. JACKMAN: Do you think there is a real development to come in the way of electrification of railroads throughout Canada, making use of the great electric power reserves that we have?

Mr. VAUGHAN: I think it is a long way in the future. It might come some day. I do not think it is a thing to which we need give very serious consideration at the present time.

Mr. JACKMAN: Do you have to have a very high traffic density to make possible the use of electrification?

Mr. VAUGHAN: Yes, you have to have traffic density in order to justify the expense of a change-over to electrical equipment which involves not only the use of overhead wires but other electrical installations as well.

The CHAIRMAN: These engines you are purchasing are for the purpose of manipulating in the tunnel, in order to do away with smoke and gases and so on?

Mr. VAUGHAN: Yes, for running in and out of the station in Montreal.

The CHAIRMAN: All right, Mr. Vaughan.

Mr. VAUGHAN: We now come to finance.

FINANCE

No security issues fell due for retirement during the year other than the normal annual payments of principal under equipment trust, sinking fund, and serial issues, which totalled \$9,666,000. This amount was financed through loans from the Government.

Arrangements were made to issue under the Grand Trunk Western Railroad Equipment Trust of 1941 \$5,692,000 2½ per cent equipment trust certificates dated June 1, 1941, maturing serially in 20 half-yearly instalments. The issue is being taken by The Reconstruction Finance Corporation at par plus accrued interest. To December 31 only \$2,000,000 of the certificates had actually been issued due to delay in the delivery of the equipment.

Reference was made in the 1940 report to the arrangement for the redemption of the 4 per cent perpetual debenture stock issued by the former Grand Trunk Railway Company of Canada. The total par value of stock redeemed to December 31, 1941, under the vesting order of His Majesty's Treasury of the United Kingdom, amounted to £22,760,000 or £260,000 in excess of the estimated amount provided for in the 1940 accounts. Stock redeemed in 1941 under the offer made by the company to residents of Canada amounted to £139,890. The cost of redeeming the £22,899,890, amounting to \$105,843,357, has been financed through loans from the Government. These arrangements have resulted in a reduction in the debt of the railway of \$5,602,774, of which \$5,503,500 was accounted for in 1940 and \$99,274 in 1941.

Since the close of the year further vesting orders have been made by His Majesty's Treasury transferring to the Treasury railway securities owned by residents in the United Kingdom to a very substantial amount, upon the condition that the railway company will purchase the vested securities from the Treasury at the vesting price.

Mr. JACKMAN: Might I ask a question on finance? This stock I presume is carried on the books of the company at the dollar par value, if you like; based on the par value of exchange, \$4.86 2/3 to the pound?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: And this acquired stock, this debenture stock, has been redeemed at that rate and that would amount to about \$5,601,000 of a book profit; was that transferred directly to your surplus account? What happens to the difference between the par value and the cost of the acquisition?

Mr. VAUGHAN: The capital account was credited and the difference went to the proprietor's equity account. Of course, there will be a further substantial capital readjustment in connection with the vesting order that has been issued during the current year.

Mr. JACKMAN: I do not suppose any question arises as to why you did the financing through the R.F.C. in the States instead of here? It was profitable to do that.

Mr. VAUGHAN: I did not catch that.

Mr. JACKMAN: I do not suppose there is an question which arises as to why you did the financing through the R.F.C.?

Mr. VAUGHAN: Because it was to our advantage to do it. We got our money very much cheaper from the R.F.C. than we could have floated an issue elsewhere.

Mr. COOPER: We financed it on a 2½ per cent basis.

Mr. VAUGHAN: On a 2½ per cent basis. We got our money cheaper there than we could have from the Canadian government.

Mr. JACKMAN: You raised plenty of money in the States through your American business.

The CHAIRMAN: Will you proceed with the next section, Mr. Vaughan.

Mr. VAUGHAN: Yes.

Line Abandonments

The Board of Transport Commissioners during the year granted permission to abandon the following lines of railway in co-operation with the Canadian Pacific Railway:

From	To	Province	Railway	Mileage
Oakland.	Delta.	Manitoba.	Can. Nat.	5.4
Langdon.	Irricana.	Alberta.	Can. Pac.	22.6
Irricana.	Beiseker.	Alberta.	Can. Nat.	10.0
				38.0

The Board refused permission to abandon the following lines in co-operation with the Canadian Pacific Railway:

From	To	Province	Railway	Mileage
Cataract.	Fergus.	Ontario.	Can. Pac.	24.7
West Tower.	Oakland.	Manitoba.	Can. Nat.	9.1
Oakland.	Cawdor.	Manitoba.	Can. Nat.	11.6
Muir.	Gladstone.	Manitoba.	Can. Nat.	10.3
Hamiota.	Miniota.	Manitoba.	Can. Pac.	19.8
MacGregor.	Varcoe.	Manitoba.	Can. Pac.	54.4
Hallboro.	Beulah.	Manitoba.	Can. Nat.	75.2
Reston.	Wolseley.	Man. & Sask.	Can. Pac.	122.4
				327.5

Mr. LOCKHART: In that first one, why was it refused? Could you give any reason?

Mr. VAUGHAN: Which is that?

Mr. LOCKHART: No. 1, Cateract to Fergus. Why was that refused?

Mr. ARMSTRONG: The Board of Transport Commissioners decided that, in their judgment, public convenience would suffer more than the advantage to the two railways.

Mr. HANSON: Was there duplication of lines?

Mr. ARMSTRONG: No. This was in connection with a power development. There was a dam put up across this particular section of the country, the Grand River, and this would flood part of the Canadian Pacific and they would have to re-locate the line. Rather than re-locate it, we offered them a co-operative arrangement to run on our line but the board turned it down.

Mr. VAUGHAN: These have all been up before the board.

The CHAIRMAN: The board has decided it.

Mr. VAUGHAN: These are all decided by the Board of Transport Commissioners.

The CHAIRMAN: If the board has decided, I do not suppose there is very much that can be done about it.

Mr. LOCKHART: It still will not take care of the deficit that will accrue.

The CHAIRMAN: No. If you do not want those lines read, gentlemen, we will proceed.

Mr. HANSON: Put it in the record.

The CHAIRMAN: All right. Will you proceed, Mr. Vaughan?

Mr. VAUGHAN: Yes.

During the year application was made to the Board, jointly by the Canadian National and Canadian Pacific, for permission to abandon 6.5 miles of the Canadian National and 53.4 miles of the Canadian Pacific between Forth (near Red Deer) and Ullin, Alberta, and decision is pending. The Board rescinded the order approving the abandonment of 37.9 miles of the Canadian National line between Arnprior and Eganville, Ontario, and a rehearing is pending.

The joint application of the Canadian National and Northern Alberta Railways requesting permission to abandon 12.2 miles of the Canadian National between Trelle Junction and Morinville, and 29.8 miles of the Northern Alberta Railways between Carbondale and Egremont, in the Province of Alberta, was granted as regards the Canadian National line but refused as regards the Northern Alberta Railways line.

In addition to the above mentioned co-operative abandonment projects, the Board of Transport Commissioners during the year granted permission to the Canadian National to abandon the following unprofitable light traffic branch lines:

From	To	Province	Mileage
Parisville	Deschaillons	Quebec	3.5
Port Hope	Millbrook	Ontario	16.2
Whitby	Port Perry	Ontario	17.5
Tweed	Yarker	Ontario	33.9
Napanee	Deseronto	Ontario	6.3
Clinton	Wingham	Ontario	22.9
			<hr/>
			100.3

Mr. NICHOLSON: Has the steel been lifted in all these cases?

Mr. VAUGHAN: It may not be in all cases. We are getting around to that as fast as we can. In most cases the steel has been taken out.

Mr. SHAW: Mr. Chairman, I should like to refer to paragraph 3 which states that during the year application was made to the board jointly and so forth with respect to this line of rail west of Red Deer in the province of Alberta. I wish to make several observations, especially since the Board of Transport Commissioners have, on division, granted an application to abandon that line of rail. I wish to protest very vigorously against that action in the light of all the evidence submitted by the various boards of trade and so forth in that area. I do not know when this policy of making application for abandonment was first started or when or where it is likely to end. Those familiar with this line, which we regard as one of the Red Deer to Rocky Mountain House lines, will know that it serves a very important agricultural, mixed farming area. Not only that, but it is one of the lines leading up to Rocky Mountain House and serving Brazeau Collieries at Nordag which produces steam coal, Alexo and Saunders' mines which produce domestic coal. Not only that but there is a large lumbering industry carried on there in the production of fence posts, railway ties and so forth. By abandoning that section of rail, several towns which were built up on the section are going to be without rail service. In many cases they are going to find themselves approximately four miles from the operating line of rail, with the most difficult area lying between, a very low marshy area where roads are almost impassable during the greater part of the year. No provision

is being made to assist any of the businesses in those towns—I have in mind the lumbering areas, for example—while special consideration is being given to the grain companies, even to the extent of moving their elevators to new sites on the line of rail that is to operate. I wish to charge that I believe the railroads are breaking faith with the farmers and the business people of that country. Much of the land was sold by the railways to the farmers. The railway necessarily enhanced the value of a lot of that land. To-day the farmers of those areas affected are going to have to resort to the use of trucks to move their produce out, and that at the very time when the government tells us that the conservation of gasoline and the conservation of rubber is most essential. I say for that reason, if for no other, the application for the abandonment of that line of rail should not have been granted until after the cessation of hostilities.

Now, Mr. Chairman, I expressed, at the beginning, the observation that the Board of Transport Commissioners did not vote unanimously to grant that abandonment. I feel that the committee should support me in a motion to ask that the Board of Transport Commissioners be called before this committee—not only some of them but the dissenting ones also. I wish to move, Mr. Chairman, that the Board of Transport Commissioners be called before this committee to be interrogated regarding their position in connection with granting that application for abandonment.

The CHAIRMAN: I am inclined to think, Mr. Shaw, that this committee has no jurisdiction over the Board of Transport Commissioners whatever.

Mr. SHAW: Mr. Chairman, may I point out that it was a joint application of the C.N.R. and the C.P.R. I feel that, since it is included in this report and since it was a joint application, we have every right to request that the Board of Transport Commissioners be brought before this committee.

Mr. DONNELLY: I understand from this that the decision is pending, that it has not been given.

Mr. VAUGHAN: It has been given recently.

Mr. SHAW: The decision was given about ten days ago.

Mr. VAUGHAN: That is right.

The CHAIRMAN: From the chair I probably have no right to express an opinion, but I do not believe we have jurisdiction. However, if you make a motion, I will put it.

Mr. SHAW: I have so moved.

Mr. NICHOLSON: I second the motion.

Mr. MAYBANK: Mr. Chairman, I knew that the motion was going to be made. Mr. Shaw spoke to me about it. I thought there was the right to call these men, but on thinking it over—

The CHAIRMAN: I am sorry, but I cannot hear you.

Mr. MAYBANK: On thinking it over, I am wondering if they are not in the position of judges. I was at first inclined to think it proper for the Board of Transport Commissioners to be called. I spoke with Mr. Shaw earlier, and that is what I thought at first. But as I have been turning it over in my mind, it strikes me that these gentlemen are to be looked upon as one looks upon the judiciary. They perform only judicial functions, at any rate; and, therefore, I wonder if we can call them. I am not saying that I believe Mr. Shaw's argument is out of line, but just this particular motion. I wonder if we have power to call judicial officers to support their judgment.

Mr. GRAY: Following along the lines of Mr. Maybank's remarks, I was wondering if Mr. Shaw would be agreeable to have you look into our powers, Mr. Chairman, and give us a ruling. Would you be agreeable to that, Mr. Shaw?

Mr. SHAW: What is that?

Mr. GRAY: I was wondering if the Chairman, over the weekend, would look into our power. I am inclined to be sympathetic, but I am like Mr. Maybank. I very much doubt our power to summon them here. If the Chairman could look into that and give us the ruling, it might be well. There is no use of our passing a motion that is outside of our jurisdiction. The Chairman could report back to us at the next meeting.

Mr. SHAW: Mr. Chairman, in that regard may I point out that when I questioned the Minister of Munitions and Supply in the house—he was speaking for the Minister of Transport last spring—he said they were a judicial body and as he saw it, responsible to no one. But when I questioned the Hon. Mr. Cardin in this committee last year, he stated most definitely they are responsible to the government and that an appeal could be lodged with the government against any action of theirs. That was my reason for taking this course of action at this time.

Mr. GRAY: I think it rests entirely with the minister as to appeal. I think there is an appeal from the Board of Transport Commissioners, but I think that appeal lies to the responsible minister. I think that is entirely different from summoning that body or members of the board here. I would much prefer it, Mr. Shaw if you would not request it until you get a ruling.

Mr. SHAW: Mr. Chairman, I am perfectly willing to leave it with you to examine into it. But I would not like the opportunity to pass. In other words, I feel that the matter should be re-opened at the next sitting of the committee; and on that understanding I would say that I am absolutely willing to agree with Mr. Gray.

The CHAIRMAN: You are making a protest now and asking the chair to obtain a ruling as to the power of this committee?

Mr. SHAW: With respect to calling the Board of Transport Commissioners.

Mr. VAUGHAN: So far as the railways are concerned, we appeal to the judicial body constituted for that purpose; and, of course, we abide by their decision whether it is yes or no.

Mr. ROSS: How is the picture on that section? Is it pretty blank?

Mr. VAUGHAN: It is a matter entirely of economy. It is one of co-operation between the two railways, to effect economies, as we were directed to do under the Canadian National-Canadian Pacific Act.

Mr. DONNELLY: As a member of this committee, I do not feel that I am in any position to pass judgment on the advisability or otherwise of the abandonment of this line, or to condemn the Board of Transport Commissioners, unless I get more evidence.

The CHAIRMAN: I think the position, so far as the committee is concerned, is that a federal representative from that district feels that this action is not only unwise but unfair and wishes to follow it up. He has made a motion before the committee which will be accepted if we have power to act thereon. The matter has been left in the hands of the chair. In the meantime we will proceed to something else.

Mr. SHAW: It is just given two days' hoist.

The CHAIRMAN: The motion will stand.

Mr. NICHOLSON: Before you proceed to the next section, I have a question to ask. You said you were proceeding with lifting the steel on some of these abandoned lines. I might say that I was over this line from Clinton to Wingham on Monday of this week. There was a man there hauling express who was using a car with 30,000 miles on it. They are busy tearing down the station along there. It seemed to me, in view of the very serious shortage of rubber, that if you have not pulled up the steel on these lines, it might be well to consider halting operations until we know how soon rubber is going to be available for vehicles to carry the express and freight that may be handled on these lines.

Mr. VAUGHAN: That was all gone into before that decision was made; and in a good many cases there is another railway not very far off. In some cases, of course, the highway would have to be used.

Mr. NICHOLSON: The rubber situation has changed considerably since the order was made that those lines should be abandoned.

Mr. VAUGHAN: That is true, but I do not think the rubber situation is much worse than the steel situation.

Mr. DONNELLY: Is there a shortage of steel?

Mr. VAUGHAN: Decidedly.

Mr. DONNELLY: We were told in the house yesterday that there was not.

Mr. VAUGHAN: Well, we would like to get some of it if it is available.

General

On June 18 the car ferry *Charlottetown* was lost offshore from Port Mouton, N.S., while proceeding to Saint John for annual drydocking. The vessel was the property of the Dominion, built in 1931, the funds for its construction having been provided by Parliamentary appropriations. The vessel was abandoned to the underwriters and the proceeds of insurance have been collected and remitted to the Receiver General. The service between Cape Tormentine and Borden is now being performed by the car ferry *Prince Edward Island*.

Last year's report referred to the keen desire of the company and its employees to serve the war effort in any direction. The report also indicated some of the special activities which had been undertaken. These activities have been enlarged and are being energetically prosecuted. The company has undertaken the construction of a number of freight vessels. National Railways Munitions Limited is already making deliveries from the new munitions shop at Point St. Charles.

The Canada Atlantic Transit Company, a system subsidiary operating freight vessels between Depot Harbour, Milwaukee and Chicago, transferred the steamers *Dalwarnic* and *Canatco* to the Canadian National West Indies service to replace vessels in the West Indies service transferred to service elsewhere.

The Chicago, New York & Boston Refrigerator Company, a system subsidiary operating a refrigerator car service for dairy products moving from the middle west, discontinued its separate operation at the end of the year. Its activities, cars and other property have been merged with those of the Grand Trunk Western Railroad.

Unemployment insurance came into effect in Canada on July 1, 1941. Under its provisions approximately 60,000 Canadian National employees are insured. The cost to the railway in 1942 will be approximately \$955,000 on the basis of the present act.

During the year orders in council were issued by the Government for the stabilization of wages and salaries, with provision for a cost-of-living bonus adjusted to the cost-of-living index. The bonus has been paid to railway employees in Canada effective from June 1 commencing (on a monthly basis) at the rate of \$8.36 per month, increased September 1 to \$13.87 per month, and again increased November 15 to \$15.82 per month. The cost to the railway in 1942 will be approximately \$15,750,000 on the basis of the 1941 number of employees and the bonus rate in effect at the close of that year.

Increased rates of pay were granted to United States railway employees effective September 1 by virtue of the United States railway labour media-

tion agreement. The employees in general received an increase of 9 cents per hour or \$18.36 per month, which was increased to 10 cents per hour or \$20.40 per month effective December 1. The cost to the railway in 1942 will be approximately \$2,570,000.

The CHAIRMAN: What is the significance of the reference to the Chicago, New York and Boston Refrigerator Company?

Mr. VAUGHAN: That was a separately operated company owned by the Grand Trunk Western Railway.

The CHAIRMAN: It is part of the system?

Mr. VAUGHAN: Yes, it is part of the system, but it was found to be more economical to wind the company up and merge it with the Grand Trunk Western Railway. In that way taxes and other expenses were saved.

Mr. NICHOLSON: I enquired regarding the policy of the railway with regard to the men in the protective service. Are we going to get any information this afternoon?

Mr. WALTON: I expect to have that information next week.

Mr. HAZEN: With regard to the car ferry *Charlottetown*, was it built by the government or by the railway company?

Mr. VAUGHAN: It was built with government funds.

Mr. HAZEN: It was operated—

Mr. VAUGHAN: It was operated by the railway, for the account of the government.

Mr. HAZEN: What has been the cost of operating it for the year?

Mr. VAUGHAN: I do not know whether we have any figures or not.

Mr. COOPER: In 1941 the deficit in the operation of this service was \$423,000.

Mr. HAZEN: In 1940—have you figures for the previous year?

Mr. COOPER: In 1940 it was \$460,000.

Mr. HAZEN: Is that the *Charlottetown* or the two boats?

Mr. COOPER: It is the two boats.

Mr. HAZEN: You have not a breakdown for the *Charlottetown*?

Mr. COOPER: No, —

Mr. HAZEN: For how many months in the year does the ferry operate?

Mr. VAUGHAN: It operates all the year round, every day.

Mr. HAZEN: Has a ferry been obtained to take the place of the *Charlottetown*?

Mr. VAUGHAN: No, there is a substitute boat, the *Prince Edward*. She is being used. She is a very good vessel and is doing the work satisfactorily. When she goes into drydock there is another vessel which we have in use in the Strait of Canso, which will perform the service.

Mr. HAZEN: Have any avenues been explored to obtain a new ferry to take its place?

Mr. VAUGHAN: Yes, many avenues have been explored but we have not been able to find any boat of a satisfactory kind that could be obtained.

Mr. HAZEN: Up to the present time you have no boat in view to take its place?

Mr. VAUGHAN: No, sir.

Mr. GRAY: How much was received from the underwriters for the *Charlottetown*?

Mr. COOPER: A million dollars less \$5,000 commission, net \$995,000.

Mr. HAZEN: What was the revenue in 1940 and 1941 for these two ferries?

Mr. COOPER: In 1941 the revenue was \$145,000.

Mr. HAZEN: That is for both boats?

Mr. COOPER: That is on the service.

Mr. HAZEN: The cost of the service.

Mr. COOPER: That was the revenue from the service; the previous year it was \$132,000.

Mr. JACKMAN: When you operate this service to P.E.I. the government pays you the total deficit?

Mr. COOPER: Yes, they meet the deficit.

Mr. JACKMAN: Do you get a management fee?

Mr. COOPER: We do not get anything.

Mr. JACKMAN: Do you operate it for them?

Mr. COOPER: We operate it with our organization as an agent for the government.

Mr. JACKMAN: In the summer time there is a tremendous jam to get onto Prince Edward Island during the peak of the season and to get from the island to the mainland, and people have to park all night to get in line so they will be sure to get across the next day. Of course, the traffic is exceptionally heavy at that particular time, but it should be borne in mind that it is impossible to get funds now to go to some of the eastern states in the summer time and there are many Canadians who may want to go to Prince Edward Island for their vacation, and if it is possible to get even temporary conveyances, such as barges which would be seaworthy, during the summer months, that might help a good deal.

Mr. VAUGHAN: We have looked into that thoroughly. The *Prince Edward* will be in use, and if the service warrants, one of the *Scotias* will be put in service. The automobile carrying capacity, of the *Prince Edward*, is being enlarged to a considerable extent.

Mr. LOCKHART: I see the cost of living bonus is \$15.82, is that not higher than in some of the departments of the government service?

Mr. VAUGHAN: No, it is simply in accordance with the rulings given by the Department of Labour at Ottawa.

Mr. LOCKHART: I have not seen any other as high as that.

Mr. VAUGHAN: This is strictly in accordance with the orders of the Department of Labour. The same applies to the Canadian Pacific Railway; they pay exactly the same as we do.

Outlook for 1942

The outlook for 1942 is for a further substantial increase in traffic. The directors expect the railway will again earn a moderate surplus over and above its fixed charges. It is difficult to estimate how much that surplus will be. The outlook must be viewed in the light of war conditions and with the realization that abrupt and far-reaching disturbances occur with startling rapidity.

Both management and employees realize fully the need for economy, and every effort will be made to secure the most favourable financial results consistent with the primary duty of furnishing prompt and efficient transportation service in the national war effort.

There is some shortage of labour, more particularly among the shop crafts. Shortages of material are bound to occur as the normal supplies are cut off or the available supplies are diverted to the fabrication of the munitions of war, but these difficulties should not be insurmountable. The relations between management and the employees are excellent and the railway and its equipment have been well maintained. When the need for efficient transportation

reached new high levels during 1941 the national railway system was found capable and competent to meet all demands. The demands in 1942 will be still more challenging but with the co-operation of shippers, passengers and government agencies, they will be met.

On July 23rd Mr. S. J. Hungerford resigned as President of the Canadian National Railways and as of July 24th Mr. R. C. Vaughan was appointed President and Chief Executive Officer. Mr. Hungerford remained a member of the Board of Directors and Chairman of the Board.

The directors take pleasure in recording their appreciation of the outstanding services rendered by the officers and employees during the eventful year under review.

For the Board of Directors,

Mr. HAZEN: May I ask if the cost of living bonus is applicable to all classes of employees?

Mr. VAUGHAN: No, it is only applicable to employees getting up to \$340 a month, up to the rank of foremen or under.

Mr. HAZEN: Does that include salaried employees and executives?

Mr. VAUGHAN: No, sir, our salaries are controlled at Ottawa.

Mr. HAZEN: It includes men who belong to the running trades.

Mr. VAUGHAN: Yes, men who belong to the running trades—yes, it includes all of them.

Mr. HAZEN: And does it include others as well?

Mr. VAUGHAN: Clerical staff, telegraph operators and men of that kind.

Mr. EMMERSON: It does not include certain classes of labour such as temporary labourers and extra gang labour, does it?

Mr. VAUGHAN: On that particular question there are some negotiations going on now in respect to the cost of living bonus for extra gang labourers, but they have not been brought to a conclusion.

Mr. HANSON: That would include section labourers?

Mr. VAUGHAN: Yes.

Mr. SISSONS: Mr. Chairman, there is one matter I would like to take up with the president. I communicated with him on the matter some time ago. It relates to the Northern Alberta Railway and the Alaska highway. The Northern Alberta Railways are owned jointly by the C.P.R. and the C.N.R.

Mr. VAUGHAN: Right.

Mr. SISSONS: Personally I am not very much enamoured of the joint ownership as I feel the company is geographically Canadian National territory and they should be the sole owner. There is one line leading into the Peace river country; that line is divided; and one portion runs south of the Peace river and the other portion runs north. The Alaska highway commences at a point north of the Peace river at Fort St. John. There is no connection between Fort St. John and the railway line north of the Peace river. Now, any traffic for the Alaska highway goes along the line south of the Peace river to Dawson Trail and then is transported fifty-five miles by road and across the Peace river by ferry to Fort St. John. I wrote both Mr. Vaughan and Sir Edward Beatty in March urging that the line from Hines creek should be extended to Fort St. John, a distance of some eighty-six miles, and Mr. Vaughan's reply was to this effect: There were three points; one, the scarcity of steel would prohibit the railway getting a priority rating for that steel which is required; second, they would not be able to construct it in time to be of assistance in the construction of the Alaska highway; and third, he thought they could render the best service by maintaining the present railway line in proper shape in order to handle the traffic. Now, with regard to the last point, I want to pay a compliment to the manner in which the C.N.R. and the C.P.R. have handled

that traffic in connection with the Alaska highway to date, and I think there is a story there which is just as impressive a story as was communicated yesterday to the committee by Mr. Ross.

I am not so persuaded by the argument that steel cannot be procured or that the road extension could not be completed in time to be of service. I have a lot of confidence that the Canadian National Railways engineers could put that road through in such a time that it would be of immense service not only in the operation of the Alaska highway, but in the construction of the highway; and I have reason to believe that while the American engineers who are on the job would not be prepared to urge any representation along those lines to the Canadian authorities or to the railway, they recognize that such an extension would be of immense benefit to them. Such an extension also would be of immense benefit after the war between Fort St. John and Hines Creek. One of the largest areas of arable land which exists in this Peace River country is there. Such a line was contemplated when the Northern Alberta Railways was incorporated in 1929. This is one of the extensions that the company was empowered to build. Nothing has been done since except all these surveys have been made, the detailed surveys have been completed. So it is not an extension whose use would cease with the war, and it has a very definite war use. Therefore I think the matter should not be allowed to drop and that the railway should at least communicate with the American sources and find out what service they think such an extension would be.

If I am assured by the President that the American authorities are not interested in this extension, well and good. At the present time all that I have in contemplation is the serving of the Alaska highway, to improve the job when the highway is completed from Edmonton to Fort St. John. It would mean the construction of new bridges across. Certainly it could be at least an alternative road whereby Fort St. John could be reached from the end of steel on the north part of the Peace River. For that reason I am putting it forward. I should like the Canadian National authorities to ascertain the feeling of the American authorities in connection with such an extension at this time.

Mr. VAUGHAN: We shall be glad to do that. I might say our engineers are in touch almost daily with the engineering officers of the American army in connection with various projects. So far as I know they have never approached us in regard to the construction of the line referred to. I would doubt if we could get authority from the government to build it. I would question very much if the Steel Controller would give us the steel. However, in reply to your question we shall be glad to pursue it. I do not know whether the U.S. authorities would build it or not or provide the steel.

Mr. Sissons: I just wish to have that matter referred to because there is a very strong feeling with regard to it in that section of the country. Just this morning I received a resolution from the Associated Boards of Trade, north of the Peace River. The prayer of the resolution is this:—

Whereas, as a wartime measure, a highway known as the Alaska Highway is now under construction and difficulties exist between the present end of steel at Dawson Creek and its southern terminus at Fort St. John, due to ice and other adverse conditions which may isolate the road as long as three months in the year and:

Whereas an alternative route, without these drawbacks, is available from the end of steel at Hines Creek, which, if constructed, would be of great assistance to the American Engineers and ensure vital connection at all times:

Therefore this meeting urges the Dominion Government to take such action as would ensure the immediate extension of the Railway from Hines Creek, which has now become necessary from the standpoint of national security.

Anyone knowing the geography, as I believe the President does, certainly as Mr. Hungerford does, knows that the Alaska highway would be better served if there were certain extensions, and I think at the present time that is the whole governing factor. The whole governing factor at the present time is to see that the Alaska highway be made most effective.

Mr. VAUGHAN: We will ascertain the view of the United States government army officers. They have not approached us up to the present time on a proposition of that kind, so far as I know.

The CHAIRMAN: Shall we go on to page 10?

Mr. JACKMAN: May I ask a question in regard to the unemployment insurance fund? About how many employees have taken advantage of their right under that since the inauguration?

Mr. VAUGHAN: Is it mentioned in the report?

Mr. JACKMAN: It takes thirty weeks to qualify?

Mr. COOPER: I would not think many railway employees have become in need of unemployment benefits. I think they have all been fairly well continued in employment.

Mr. JACKMAN: Has the setting up of the fund, the inauguration of it by the government, had any effect at all on any other employee funds that you have in your system?

Mr. VAUGHAN: No, sir.

Mr. COOPER: They are entirely separate.

Mr. JACKMAN: They are entirely separate and have not reduced the obligation to pay into any other fund at all?

Mr. COOPER: No, sir.

Mr. JACKMAN: I notice you also say the cost-of-living bonus will cost you \$15,750,000, and that you expect that there would be a moderate surplus after all charges have been met, again next year. I presume the first four months result of this year indicates that you will be able to absorb the cost-of-living bonus and at least equal the profit of last year.

Mr. VAUGHAN: Yes, that is what we expect to do. You will note that between unemployment insurance and the cost-of-living bonus and the increased wages in the United States the additional expense involved is about \$20 million. That is the amount we will have to take care of this year. We believe we can do that and still show a moderate surplus.

Mr. JACKMAN: The first quarter indicates that?

Mr. VAUGHAN: I think I have the first quarter figures here. "To the end of March, operating revenues show an increase of \$14,900,000 over 1941, an increase of 23 per cent. The operating expenses show an increase of \$10,400,000, an increase of 19 per cent. Our net revenue therefor is \$4,500,000 better than it was in the first quarter of 1941. This increase in net revenue is after making still further provision for depreciation on equipment in view of the more intensive use. We are also doubling the provision for the amortization of war project expenditures."

Mr. EMMERSON: I notice you have 60,000 employees who are eligible for unemployment insurance. Does that mean there are 60,000 who are getting less than \$2,000 a year?

Mr. VAUGHAN: Yes, that figure was changed.

Mr. COOPER: It is still \$2,000.

Mr. VAUGHAN: There was an effort to increase the amount to \$2,500.

Mr. COOPER: Employees who normally receive less than \$2,000 a year, but who are presently receiving in excess of \$2,000, are deemed to be covered.

Mr. DONNELLY: That means you have about 29,000 who are getting more than \$2,000 a year.

Mr. COOPER: Including the United States, yes.

Mr. DONNELLY: Twenty-nine thousand five hundred.

Mr. COOPER: You have to deduct the U.S. employees in making that comparison.

Mr. DONNELLY: How many are they?

Mr. VAUGHAN: Under existing conditions, many men in the running trades, shopmen, are getting more than \$2,000 a year.

Mr. COOPER: Employees whose normal wage is less than \$2,000 are covered, even though presently they may be earning in excess of \$2,000. The government unemployment scheme does not apply generally to people receiving in excess of \$2,000.

The CHAIRMAN: Let us go on with the balance sheet.

Mr. VAUGHAN: Do you desire all this read, Mr. Chairman? Much of it has been covered already.

The CHAIRMAN: That is up to the committee. If it is read it will take up a month, and we have not a month to spare. I do not want to keep the committee from any indulgence in these figures. We can read these headings and allow part time for the consideration of them.

Mr. HANSON: As long as they are in the report I do not see the necessity of reading them.

The CHAIRMAN: We will read the headings.

Mr. ARMSTRONG:

CONSOLIDATED BALANCE SHEET

		ASSETS		
<i>Investments:</i>				
Road and Equipment Property...	\$1,872,761,878	21		
Improvements on Leased Property	4,410,972	78		
Miscellaneous Physical Property..	67,114,631	73	\$1,944,287,482	72
<hr/>				
<i>Sinking Funds:</i>				
System Securities at par.....	\$ 428,378	60		
Other Assets at cost.....	283,117	79	711,496	39
<hr/>				
<i>Deposits in lieu of Mortgaged Property Sold:</i>				
System Securities at par.....	\$ 1,966,500	00		
Other Assets at cost.....	2,448,581	72	4,455,081	72
<hr/>				
Investments in Affiliated Companies.....			37,652,262	62
<i>Other Investments:</i>				
System Securities at par.....	\$ 211,000	00		
Other Assets at cost.....	565,670	05	776,670	05
<hr/>				
				\$1,987,882,993
<hr/>				
<i>Current Assets:</i>				
Cash	\$	13,962,022	55	
Special deposits.....		8,066,947	57	
Bills Receivable.....		100,000	00	
Net Balances Receivable from Agents and Conductors.		11,336,107	83	
Miscellaneous Accounts Receivable.....		13,948,571	66	
Materials and Supplies.....		42,588,116	25	
Interest and Dividends Receivable.....		263,389	78	
Rent Receivable.....		141,649	25	
Other Current Assets.....		2,529,497	70	92,936,302
<hr/>				
<i>Deferred Assets:</i>				
Working Fund Advances.....	\$	180,132	66	
<i>C.N.R. Insurance Fund:</i>				
System Securities at par.....	\$ 11,157,749	92		
Other Assets at cost.....	923,719	77	12,081,469	69
<hr/>				
Other Funds.....		554,723	25	
Other Deferred Assets.....		4,348,031	70	17,164,357
<hr/>				
<i>Unadjusted Debits:</i>				
Rents and Insurance Premiums paid in advance.....	\$	176,935	24	
Discount on Capital Stock.....		189,500	00	
Discount on Funded Debt.....		10,095,536	28	
Other Unadjusted Debits.....		3,707,332	89	14,169,304
<hr/>				
				<u>\$2,112,152,957</u>
				<u>80</u>

AT 31st DECEMBER, 1941

LIABILITIES

Stocks:

Capital Stocks of Subsidiary Companies owned by Public		\$ 4,564,600 00
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Long Term Debt:

Funded Debt Unmatured.....		1,134,394,303 29
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Dominion of Canada (Accounts treated as assets in Public Accounts of Canada):

Loans	\$195,345,883 53	
Canadian Government Railways—Working Capital..	16,771,980 54	212,117,864 70

Current Liabilities:

Traffic and Car-Service Balances—Credit.....	\$ 3,960,219 99	
Audited Accounts and Wages Payable.....	12,948,958 73	
Miscellaneous Accounts Payable.....	4,060,914 39	
Interest Matured Unpaid.....	8,479,529 77	
Unmatured Interest Accrued.....	9,219,053 87	
Unmatured Rents Acrued.....	380,440 56	
Accrued Tax Liability.....	1,924,863 32	
Other Current Liabilities.....	2,526,350 16	43,500,330 79

Deferred Liabilities.....

8,678,572 28

Unadjusted Credits and Reserves:

C.N.R. Insurance Reserve.....	\$ 12,081,469 69	
Accrued Depreciation.....	27,119,714 39	
Other Unadjusted Credits and Reserves.....	6,519,740 39	45,720,924 47

Dominion Government—Proprietor's Equity—(See Note)

Represented by:—

1,000,000 shares of no par value capital stock of Canadian National Railway Company issued in exchange for the residual value of Canadian Northern Capital stock.....	\$ 18,000,000 00	
5,000,000 shares of no par value capital stock issued by The Canadian National Railways Securities Trust to the Government in consideration for the transfer of securities, advances, claims for unpaid interest and collateral securities	267,283,019 32	
Dominion Government Capital Expenditures for Canadian Government Railways.....	377,893,343 58	663,176,362 90

Contingent Liabilities:

For major contingent liabilities, including pension plans, see page 21.

\$2,112,152,957 80

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

T. H. COOPER,
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the companies comprising the Canadian National Railway System for the year ended the 31st December, 1941, and subject to our report to Parliament, we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the System as at the 31st December, 1941, and that the relative Income and Profit and Loss Accounts for the year ended the 31st December, 1941, are correctly stated.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

10th March, 1942.

The CHAIRMAN: Any discussion?

Mr. ARMSTRONG: Then, page 12:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER, 1941

Credit Balance transferred from Income.....		\$ 5,438,960 78
Loss from Retired Road and Equipment— Debit.....		1,712,057 73
Miscellaneous—Credit.....		289,423 69
CASH SURPLUS.....		\$ 4,016,326 74
Capital Loss on line abandonments (Details on page 18).....	\$2,539,187 21	
Capital Gain on redemption of G.T.R. 4% Perpetual Debenture Stock.....	99,274 17	
		<u>2,439,913 04</u>
Net Gain credited to Proprietor's Equity..		<u>\$ 1,576,413 70</u>

DOMINION GOVERNMENT—PROPRIETOR'S EQUITY

	Balance at 31st Dec., 1940	Change during year	Balance at 31st Dec., 1941
Canadian National Rail- way Company, Capital Stock.....	\$ 18,000,000 00		\$ 18,000,000 00
The Canadian National Railways Securities Trust, Capital Stock..	265,706,605 62	\$1,576,413 70	267,283,019 32
Dominion Government Capital Expenditures for Canadian Govern- ment Railways.....	385,752,583 69	7,859,240 11	377,893,343 58
	<u>\$669,459,189 31</u>	<u>\$6,282,826 41</u>	<u>\$663,176,362 90</u>

The CHAIRMAN: What does the change with regard to the proprietor's equity signify, Mr. Armstrong?

Mr. COOPER: Well, in so far as the Canadian National Railways Securities Trust is concerned, details of the change of \$1,576,000 are indicated above.

The CHAIRMAN: That is a gain.

Mr. COOPER: A surplus for the year, yes. It is an improvement in the proprietor's equity. It is comprised of the cash surplus of \$4,016,000. From that was deducted certain capital losses and line abandonments which are detailed on page 18, amounting to \$2,539,000; capital gain on redemption of the Grand Trunk 4 per cent debenture stock of \$99,000. These altogether make up the amount of \$1,576,000, added to proprietor's equity in respect of the C.N. Securities Trust. And in respect of the Dominion Government's capital expenditures a number of adjustments were made. The details of them, are shown on page 18. They amount to \$7,859,000.

Mr. ARMSTRONG: Then we come to page 13 which is headed:

CONSOLIDATED INCOME ACCOUNT

	Year 1941	Year 1940
Railway Operating Revenues.....	\$304,376,778 12	\$247,527,224 81
Railway Operating Expenses.....	237,768,437 13	202,519,812 88
Net Revenue from Railway Operations	\$ 66,608,340 99	\$ 45,007,411 93
Railway Tax Accruals.....	6,926,512 63	6,245,955 70
Railway Operating Income.....	\$ 59,681,828 36	\$ 38,761,456 23
Rent from Locomotives.....	114,457 21	99,470 71
Rent from Passenger-Train Cars.....	222,056 70	241,229 85
Rent from Floating Equipment.....	466 31	1,235 99
Rent from Work Equipment.....	168,327 51	152,469 06
Joint Facility Rent Income.....	1,677,688 15	1,634,640 82
Hire of Freight Cars—Debit Balance....	3,460,502 17	2,210,844 87
Rent for Locomotives.....	32,450 19	32,819 76
Rent for Passenger-Train Cars.....	392,130 23	355,611 58
Rent for Floating Equipment.....	68,283 58	68,189 53
Rent for Work Equipment.....	21,623 27	26,864 86
Joint Facility Rents—Debit.....	2,263,257 44	2,231,764 12
Net Railway Operating Income.....	\$ 55,626,577 36	\$ 35,964,407 94
Revenues from Hotel Operations.....	4,467,078 53	3,936,313 26
Expenses of Hotel Operations.....	3,733,762 27	3,304,806 91
Taxes on Hotel Property.....	141,815 55	129,320 28
Net Hotel Operating Income.....	\$ 591,500 71	\$ 502,186 07
Income from Lease of Road and Equipment	70,903 32	74,144 94
Miscellaneous Rent Income.....	792,089 48	905,144 90
Miscellaneous Non-Transportation Property —Credit.....	292,654 63	108,837 91
Dividend Income.....	550,072 00	549,037 65
Income from Funded Securities.....	1,944,841 41	1,858,535 52
Income from Unfunded Securities and Accounts.....	232,495 73	429,756 89
Income from Sinking and Other Reserve Funds.....	156,311 39	155,753 63
Miscellaneous Income.....	1,293,854 96	1,588,663 71
Miscellaneous Rents—Debit.....	557,368 63	552,935 01
Miscellaneous Tax Accruals.....	90,068 01	86,299 16
Separately Operated Properties—Loss....	360,935 35	1,529,406 12
Miscellaneous Income Charges and Appropria- tions.....	1,941,613 79	2,047,110 98
Income Available for Fixed Charges..	\$ 58,601,315 21	\$ 37,920,717 89
Rent for Leased Roads and Equipment....	1,499,376 48	1,467,326 76
Interest on Funded Debt—Public.....	44,698,226 88	48,701,523 73
Interest on Government Loans.....	5,646,762 24	1,737,963 50
Interest on Unfunded Debt.....	145,202 57	297,390 31
Amortization of Discount on Funded Debt.	1,172,786 26	1,101,083 25
Total Fixed Charges.....	\$ 53,162,354 43	\$ 53,305,287 55
Income Balance transferred to Profit and Loss.....	\$ 5,438,960 78	\$ 15,384,569 66

Mr. JACKMAN: Might I just ask what is the accounting implication of the words "unadjusted credit in reserve", on the liability side of the balance sheet? You mean you have not set them up against specific items. It is the fourth heading down—or the fifth, or the sixth—"unadjusted credits". What is the significance of that word "unadjusted"?

Mr. COOPER: Well, reserves or suspense accounts which are awaiting some event.

Mr. JACKMAN: Not contingencies, but you have not set them off against specific items to which they referred.

Mr. COOPER: Well, take the first item there, Canadian National Insurance reserve, \$12,000,000; that speaks for itself. Then you have, accrued depreciation, \$27,000,000; that speaks for itself. Then you have certain unadjusted credits and reserves. I would be very pleased to read out to you the different items if you wish.

Mr. JACKMAN: The word "unadjusted" is not given its ordinary connotation; the amounts are not final, as far as the books are concerned now.

Mr. COOPER: Let us take an example; suppose we have a contract with a drawback, an amount held back on the contractor.

Mr. JACKMAN: Yes.

Mr. COOPER: Such an item would be carried in that account.

Mr. JACKMAN: The contractor's drawback is a contingency; would that be a contingent account rather than an unadjusted account?

Mr. COOPER: Well, I have four pages of these items.

Mr. JACKMAN: I don't think you need to read them all.

Mr. COOPER: I will just give you one of them; accounts payable suspense—that would represent charges which have been set up in our expense or investment account, as the case may be, for which invoices have not been received. Then there is capital expenditures, expense, operating accruals; revenue accruals; revenue suspense items; sales tax suspense—and so on.

Mr. JACKMAN: What is unadjusted about an accrued depreciation of \$27,000,000?

Mr. COOPER: The word itself, of course, is taken from the Inter-state Commerce Commission Regulations for balance sheet accounting. I think none of these accounts is in the final stage; they still have to be disposed of. I think in that sense they are awaiting adjustment; therefore, they are unadjusted.

Mr. JACKMAN: I do not want to open up the subject again, but I do want to find out about accrued depreciation; which I presume is off rolling stock, \$27,119,714; I would like to find out how that compares with the rolling stock depreciation reserve on the books of the C.P.R. which amount to \$72,422,242. I am not asking for any comment, I just want to see it; that is the only reason I have for asking that it be put on the record.

Mr. COOPER: Since you raised it I think I might comment on it. The Canadian Pacific did not commence depreciation accounting any sooner than we did. They commenced depreciation accounting in 1940 the same as we did. Now, in the earlier years the Canadian Pacific had made improvements to their rolling stock which had been charged to operating expenses.

Mr. JACKMAN: Yes.

Mr. COOPER: I think it was in the year 1940 they took a large amount into their depreciation reserve, if I remember it correctly, at a figure of some \$48,000,000. They charged that amount to their investment account and credited it to their depreciation reserve. That is why their reserve is as high as it is to-day.

Mr. JACKMAN: It might be a help to us in understanding these accounts if they had a uniform accounting system for both railways. It seems to me most difficult for the ordinary citizen to be able to compare the two statements when you both follow your own line of accounting practice; and there seems to be a divergence between their system and that used by the I.C.C. in many respects. Your practice seems to follow that laid down by the I.C.C.

Mr. COOPER: The Canadian National accounts are set up in accordance with the Inter-state Commerce Commission accounting regulations.

Mr. JACKMAN: The C.P.R. follows its own procedure in most cases, does it?

MR. COOPER: I prefer not to say what the Canadian Pacific do, because I have no direct personal knowledge of it; but I do know this, that when we proposed that there be a uniform accounting on the Canadian railways our proposal was that the railways accept in principle the Inter-state Commerce Commission regulations so that we would have comparability between our lines and between the lines operating in the United States. The Canadian Pacific would not go along with the proposal.

MR. ROSS: When was the proposal made?

MR. COOPER: Two or three years ago.

MR. ROSS: Three years ago?

MR. COOPER: The matter was brought up when Mr. Howe was Minister of Transport. He convened a committee to investigate the possibility of uniform accounting regulations for Canadian railways, but the committee could not bring in a unanimous recommendation, and the matter was dropped.

MR. ROSS: And it has not been taken up again since?

MR. COOPER: No, and I hope it won't be taken up during the war. We spent about 12 months and did a tremendous amount of work and with a large measure of agreement between us; but on the basic principle that the Canadian railways follow the I.C.C. accounting regulations the Canadian Pacific refused to go along.

MR. ARMSTRONG: Then we come to page 14 which shows:

OPERATING REVENUES

	Year 1941	Year 1940
Freight	\$236,519,309 12	\$191,433,308 13
Maritime Rates Reduction.....	3,072,978 27	3,128,900 71
Passenger	31,893,884 97	21,702,046 30
Baggage	101,808 06	71,067 56
Sleeping Car.....	1,952,632 39	1,315,664 53
Parlour and Chair Car.....	189,417 11	148,618 43
Mail	3,822,499 58	3,584,159 20
Railway Express Agency.....	334,084 04	504,320 48
Express	11,391,137 28	13,602,893 29
Other Passenger-Train.....	15,749 17	40,574 61
Milk	306,386 71	283,245 17
Switching	2,901,404 95	2,468,369 60
Water Transfers.....	156,087 81	193,154 03
Dining and Buffet.....	2,146,514 73	1,141,737 39
Restaurants	20,910 50	16,102 30
Station, Train and Boat Privileges.....	180,287 26	110,281 66
Parcel Room.....	56,810 44	38,232 49
Storage—Freight	164,632 67	139,220 48
Storage—Baggage	25,106 27	16,762 43
Demurrage	965,294 04	427,462 85
Telegraph and Telephone.....	11,449 17	10,345 23
Telegraph—Commercial	5,147,064 97	4,427,843 91
Grain Elevator	494,572 15	286,611 44
Rents of Buildings and Other Property....	496,128 28	449,968 29
Miscellaneous	1,641,698 42	1,660,500 72
Joint Facility—Credit.....	466,851 53	409,006 51
Joint Facility—Debit.....	97,920 87	83,172 93
	<u>\$304,376,778 12</u>	<u>\$247,527,224 81</u>

SUMMARY OF OPERATING EXPENSES

Maintenance of Way and Structures.....	\$ 47,072,687 81	\$ 40,002,420 65
Maintenance of Equipment.....	55,148,687 84	48,126,387 67
Traffic	5,306,329 32	5,148,990 90
Transportation	118,081,059 98	98,660,172 14
Miscellaneous Operations.....	2,706,792 26	1,646,918 99
General	9,859,802 21	9,317,273 07
Transportation for Investment—Credit...	406,922 29	382,350 54
	<u>\$237,768,437 13</u>	<u>\$202,519,812 88</u>

Mr. NICHOLSON: Just in connection with this item of operating revenues I have a matter which I would like to bring up. It is in connection with a man who at present is suffering from cancer and who probably will not be able to return to work. He was employed by the Canadian National Railways in the capacity of an express employee for some 36 years and the amount of allowance he is receiving at the present time is \$25; although I am given to understand that under the regulations he is entitled to the benefit of a gratuitous or compassionate consideration which would bring that amount up to \$28.50. I would like to have some information from the railway officials as to what could be done for this man.

Mr. JACKMAN: Mr. Chairman, I rise to a point of order: I think a matter of that kind does not concern the general administration of the railway. Surely there is another place and time where it might be brought up without occupying the time of the whole committee.

The CHAIRMAN: I am inclined to think that is a matter which should be taken up and discussed by the member with the management.

Mr. VAUGHAN: If the member would desire to give us the particulars we will be glad to get all the information we may have on the case for him. We have a great many of these cases brought to our attention and we usually find there is no cause for complaint.

Mr. MAYBANK: I have a similar matter which I intend to take up with Mr. Walton and I may say that if Mr. Walton and I can't get it cleared up then at the appropriate time it is my purpose to bring it to the attention of the committee. As it relates to a question of policy I think the same observation would apply in this case. However, I feel pretty sure that when I lay the particulars before the officers of the railway they will be able to deal with the matter satisfactorily.

Mr. NICHOLSON: Apparently this man has been trying for some time to get an adjustment.

Mr. VAUGHAN: If you give us his name we will be very glad to look up the case and to give you personally a full report on the whole situation.

Mr. DONNELLY: I have some questions that I wanted to ask in regard to these grain elevators, but I have handed in the questions and it will be all right to let this item stand and we can refer back to it again on Monday. That will be satisfactory to me.

Mr. NICHOLSON: Under the heading of telegraphs I have another point in connection with cablegrams coming from men overseas over C.P.R. lines and being mailed from Regina, to points that are served by the Canadian National Railways. I have taken the matter up with the Canadian National here in the city and they say they have not been able to get any understanding to have cables filed in the old country post offices by the Canadian National; have you any statement as to that?

Mr. VAUGHAN: We have had some considerable discussion of the matter with the Canadian Pacific Railway, and I think the understanding we arrived at will dispose of the matter.

Mr. NICHOLSON: These are still being sent by mail to Regina.

Mr. VAUGHAN: I do not know the particulars about that, but I will be glad to get a statement for you on the whole situation.

Mr. NICHOLSON: Could we have it next week?

Mr. VAUGHAN: I will try to have it for you next week, yes.

The CHAIRMAN: I think we have page 15 now.

Mr. HAZEN: With regard to page 14, operating revenues, if there is any statement under operating expenses through which you can trace specific revenues, take, for instance, mail; or dining car and buffet, or let us say chair cars—these different items—there is nothing to show just what the expenses were on the dining cars, or for the carrying of the mail.

Mr. VAUGHAN: Mr. Cooper, have we separate accounts for those?

Mr. COOPER: No, we do not break down our costs. We have no costing system by services in railway accounting.

The CHAIRMAN: Any further discussion? Let us go on to page 16.

Mr. ARMSTRONG: Page 15 shows:

MAINTENANCE OF WAY AND STRUCTURES EXPENSES

	Year 1941	Year 1940
Superintendence	\$ 3,133,583 29	\$ 2,934,493 91
Roadway Maintenance.....	5,689,751 33	4,899,508 56
Tunnels and Subways.....	169,863 42	200,345 60
Bridges, Trestles and Culverts.....	1,878,062 78	1,581,466 28
Ties	4,813,150 98	4,576,869 90
Rails	2,749,468 36	2,075,036 71
Other Track Material.....	2,321,715 90	2,031,066 18
Ballast	995,211 33	878,764 90
Track Laying and Surfacing.....	12,326,465 99	10,463,337 61
Fences, Snowsheds and Signs.....	524,558 77	511,858 48
Station and Office Buildings.....	2,472,627 47	1,625,982 53
Roadway Buildings.....	214,790 03	212,616 30
Water Stations	497,285 22	470,191 78
Fuel Stations	251,986 19	175,871 71
Shops and Enginehouses.....	1,683,645 30	1,347,936 33
Grain Elevators.....	39,368 80	34,103 47
Storage Warehouses.....		44 66
Wharves and Docks.....	169,264 50	210,925 06
Coal and Ore Wharves.....	3,265 42	25 03
Telegraph and Telephone Lines.....	874,563 28	836,058 51
Telegraph—Commercial	890,137 14	876,743 54
Signals and Interlockers.....	794,063 03	633,419 24
Power Plants.....	10,447 46	7,621 91
Power Transmission Systems.....	119,214 78	104,063 82
Miscellaneous Structures.....	2,242 06	1,424 22
Roadway Machines.....	410,168 02	369,342 76
Small Tools and Supplies.....	668,056 19	599,642 30
Removing Snow, Ice and Sand.....	1,884,642 87	1,784,900 12
Public Improvements—Maintenance.....	285,200 57	266,821 69
Injuries to Persons.....	388,428 58	321,720 48
Insurance	21,208 10	21,827 09
Stationery and Printing.....	65,002 72	58,968 11
Other Expenses.....	24,703 66	29,275 89
Maintaining Joint Tracks, Yards and Other Facilities—Debit	792,881 62	446,900 65
Maintaining Joint Tracks, Yards and Other Facilities—Credit	1,212,378 08	1,128,504 41
Right of Way Expenses.....	39,506 75	39,930 93
Depreciation—U.S. Lines only.....	27,537 24	30,128 74
Protective Services.....	552,996 74	471,690 06
Amortization of War Projects.....	500,000 00	—
	<u>\$47,072,687 81</u>	<u>\$40,002,420 65</u>

MAINTENANCE OF EQUIPMENT EXPENSES

Superintendence	\$ 1,416,631 31	\$ 1,343,147 15
Shop Machinery.....	1,479,727 38	1,486,210 62
Power Plant Machinery.....	200,477 75	139,258 69
Steam Locomotives—Repairs.....	17,195,264 23	15,119,280 72
Other Locomotives—Repairs.....	83,508 30	77,025 33
Freight-Train Cars—Repairs.....	12,854,974 92	10,418,520 23
Passenger-Train Cars—Repairs.....	6,082,296 16	6,045,326 37
Floating Equipment—Repairs.....	126,725 88	199,541 50
Work Equipment—Repairs.....	1,377,955 76	1,274,483 30
Miscellaneous Equipment—Repairs and Retirements	277,277 14	293,065 18
Equipment Retirements (Demolition Cost)	87,321 25	132,267 89
Equipment—Depreciation	13,591,187 71	11,262,523 64
Injuries to Persons.....	284,635 05	217,356 23
Insurance	17,846 77	12,194 42
Stationery and Printing.....	53,613 50	47,203 47
Other Expenses	2,029 68	3,290 25
Maintaining Joint Equipment—Debit.....	180,779 82	202,808 63
Maintaining Joint Equipment—Credit.....	163,564 77	147,115 95
	<u>\$ 55,148,687 84</u>	<u>\$ 48,126,387 67</u>

STANDING COMMITTEE

TRAFFIC EXPENSES

	Year 1941	Year 1940
Superintendence.....	\$ 1,760,810 53	\$ 1,668,406 62
Outside Agencies.....	2,341,010 02	2,249,590 18
Advertising.....	555,327 47	629,367 02
Traffic Associations.....	101,419 10	90,598 20
Stationery and Printing.....	292,139 84	267,109 68
Other Expenses.....	964 40	1,110 53
Industrial Bureau.....	83,830 06	74,289 85
Colonization, Agriculture and Natural Resources.....	172,756 70	168,518 82
	<u>\$ 5,306,329 32</u>	<u>\$ 5,148,990 90</u>

TRANSPORTATION EXPENSES

Superintendence.....	\$ 3,191,034 94	\$ 2,893,181 33
Dispatching Trains.....	1,511,893 05	1,306,324 85
Station Employees.....	16,846,813 50	14,671,603 66
Weighing, Inspection and Demurrage Bureaus.....	80,923 25	74,576 63
Station Supplies and Expenses.....	1,291,513 61	1,215,724 54
Yardmasters and Yard Clerks.....	2,915,588 97	2,438,661 37
Yard Conductors and Brakemen.....	6,180,904 23	4,898,263 28
Yard Switch and Signal Tenders.....	572,516 38	508,231 65
Yard Enginemen.....	4,312,579 58	3,446,456 84
Yard Motormen.....	90,644 53	82,218 87
Yard Switching Fuel.....	4,219,156 05	3,252,464 28
Yard Switching Power Produced.....	9,941 00	10,186 35
Yard Switching Power Purchased.....	70,109 73	61,058 87
Water for Yard Locomotives.....	190,280 12	168,080 18
Lubricants for Yard Locomotives.....	56,871 08	42,681 54
Other Supplies for Yard Locomotives.....	39,446 72	30,113 88
Enginehouse Expenses—Yard.....	1,269,319 52	1,108,105 37
Yard Supplies and Expenses.....	142,379 35	125,408 82
Operating Joint Yards and Terminals— Debit.....	1,098,949 95	1,028,211 30
Operating Joint Yards and Terminals— Credit.....	1,515,609 34	1,303,939 84
Train Enginemen.....	11,672,320 18	9,660,547 54
Train Motormen.....	107,367 27	109,278 78
Train Fuel.....	21,618,816 11	17,211,615 93
Train Power Produced.....	11,667 11	10,111 47
Train Power Purchased.....	36,374 39	33,599 00
Water for Train Locomotives.....	1,091,892 42	965,496 11
Lubricants for Train Locomotives.....	416,321 37	343,823 71
Other Supplies for Train Locomotives.....	209,736 58	162,474 10
Enginehouse Expenses—Train.....	3,705,103 92	3,176,712 10
Trainmen.....	12,922,247 57	10,740,417 17
Train Supplies and Expenses.....	6,738,507 21	5,554,315 65
Operating Sleeping Cars.....	1,123,946 48	851,127 50
Signal and Interlocker Operation.....	424,623 11	411,155 10
Crossing Protection.....	636,082 15	574,426 76
Drawbridge Operation.....	105,818 96	96,715 58
Telegraph and Telephone Operation.....	307,926 56	266,915 84
Telegraph—Commercial.....	3,983,495 16	3,480,061 54
Operating Floating Equipment.....	790,564 10	693,564 89
Express.....	5,818,426 24	5,262,063 93
Stationery and Printing.....	570,832 15	499,322 77
Other Expenses.....	911,016 42	592,503 68
Operating Joint Tracks and Facilities— Debit.....	683,697 36	638,069 13
Operating Joint Tracks and Facilities— Credit.....	423,642 77	373,893 54
Insurance.....	11,209 52	12,714 93
Clearing Wrecks.....	285,103 85	212,581 70
Damage to Property.....	35,204 05	35,502 24
Damage to Live Stock on Right-of-Way...	41,474 68	36,709 46
Loss and Damage—Freight.....	745,929 02	587,417 23
Loss and Damage—Baggage.....	2,928 01	2,068 57
Injuries to Persons.....	920,814 58	755,139 50
	<u>\$118,081,059 98</u>	<u>\$ 98,660,172 14</u>

Mr. HAZEN: Might I refer to this just a moment more: do you mean by that that you cannot take any one of these items here—dining car—buffet—do you know whether or not you make a profit or a loss on your dining car service?

Mr. VAUGHAN: We know we make very substantial losses on them.

Mr. HAZEN: You know that, but you cannot say how much. Your system of bookkeeping does not show that?

Mr. VAUGHAN: That might probably be broken down but it would be a difficult thing to do because it is almost impossible to separate the cost of maintenance of equipment; the cost of hauling cars and items of that kind.

Mr. WALTON: There is an over-lapping of expenses to different parts of the service. You cannot just allocate expenses to dining cars. Diners and sleepers and certain other services are dove-tailed in. You cannot just pick them out and say that much money is applicable to that particular thing. That is not possible because they do necessarily over-lap.

Mr. HAZEN: Take parlor and chair cars. You have the revenue for that. Is that operated at a loss?

Mr. VAUGHAN: Probably it would be operated at a loss if we took into account certain expenses—the cost of the cars, depreciation of equipment, repairs to equipment and everything of that kind.

Mr. HAZEN: What would you say as to sleeping cars? Are they operated at a loss or a profit?

Mr. VAUGHAN: Sleeping cars, so far as revenue taken in and expenses going out are concerned, exclusive of interest and depreciation, do not lose money.

The CHAIRMAN: Not even considering the haulage?

Mr. VAUGHAN: On some lines they would lose money. But taking them in the balance, if we do not take into account interest and depreciation, sleeping cars about break even.

Mr. JACKMAN: Have you made any application for an increase in rates such as the American railroads have?

Mr. VAUGHAN: We have not made application for a general increase in rates such as the American railroads did. Before they got their increase in rates. Average rate per ton mile was already lower than theirs. They have had a recent increase of about 6 per cent in their freight rates and about 10 per cent in their passenger rates. We made an application for an adjustment on export rates so that our rates would conform with the export rates in the United States.

Mr. JACKMAN: Of course, your American lines get the American increase.

Mr. VAUGHAN: They get the proportion they are entitled to.

Mr. JACKMAN: Do the same reasons which they used to get their increase not apply with equal force in Canada? Or does the price ceiling hold you down?

Mr. VAUGHAN: The price ceiling will not permit any increase in rates, notwithstanding the increase in expenses.

Mr. JACKMAN: But even before November, when the price ceiling came in, you had not thought it necessary to make application to get higher rates?

Mr. VAUGHAN: We had not done it. Of course, if our expenses keep on increasing, we may have to take that matter into consideration; but we have not given it any thought as yet.

Mr. NICHOLSON: How do your rates for chair car accommodation compare with the American rates?

Mr. VAUGHAN: They are approximately on the same basis, except that with the increase they have recently obtained it will probably make their rates higher than ours.

Mr. JACKMAN: Notwithstanding the fact that the hotels showed a net operating income of \$591,500, there is no reasonable expectation that in ordinary times, when war business does not obtain, the hotels will show even an operating surplus, or is there?

Mr. VAUGHAN: Before the war we were, I think doing a little better than breaking even in the operation of our hotels. The Chateau Laurier was making better than operating expenses before the war. One or two of our other hotels were also doing that. We do not expect we will ever make any substantial sum of money on our hotels.

Mr. JACKMAN: I might say that some of the patrons of the Chateau Laurier have told me that the prices of many things there have increased since the ceiling went in. I do not make it an issue at all. That was their impression. Whether that is so or not, I do not know.

Mr. VAUGHAN: The cost of services is controlled by the price control board.

Mr. ROSS: What items did they refer to, Mr. Jackman?

Mr. JACKMAN: Food; the grill and other places.

Mr. MAYBANK: Have you ever made an enquiry into a complete change of a dining car system? Have you considered putting in a lunch counter service and cutting out the diner altogether?

Mr. VAUGHAN: That matter has been considered many times, Mr. Maybank. At the present time we are reconstructing some cars in our shops and making them into restaurant cars which will be an innovation here. That will provide a cheaper form of service, and we will know better, after we have those cars in service some time, how they will go.

Mr. MAYBANK: You are building some few or several now?

Mr. VAUGHAN: I think seven or eight.

Mr. WALTON: Eight. They are not being built new.

Mr. VAUGHAN: They are not being built new. They are some cars that are being remodelled.

Mr. MAYBANK: What is your intention as to the place you are going to use them?

Mr. WALTON: We have not definitely decided what lines they will be used on. Some may be used on the Scotian between Montreal and Halifax, and possibly on the second train in the west. We have not made a final allocation yet.

Mr. MAYBANK: I suppose you will switch them from place to place.

Mr. VAUGHAN: Yes, to try them out and see what the reaction to them will be.

Mr. MAYBANK: When they go on, what do you intend to do? I suppose where you have a diner or buffet on those now you will cut them out and substitute these, will you?

Mr. WALTON: Yes; unless on certain trains, of which we have had a few in the last year or so, where more than one car is needed, in which case we might have one of the conventional diners and one of the new ones and give a choice.

Mr. MAYBANK: How long will it be before you will be doing that?

Mr. VAUGHAN: In the next few weeks we will have the first of these cars out.

The CHAIRMAN: Page 16. Page 17.

TRAFFIC EXPENSES

	Year 1941	Year 1940
Superintendence	\$ 1,760,810 53	\$ 1,668,406 62
Outside Agencies.....	2,341,010 02	2,249,590 18
Advertising	555,327 47	629,367 02
Traffic Associations	101,419 10	90,598 20
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Colonization, Agriculture and Natural Resources	172,756 70	168,518 82
	<u>\$ 5,306,329 32</u>	<u>\$ 5,148,990 90</u>

TRANSPORTATION EXPENSES

Superintendence	\$ 3,191,034 94	\$ 2,893,181 33
Dispatching Trains.....	1,511,893 05	1,306,324 85
Station Employees	16,846,813 50	14,671,603 66
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Station Supplies and Expenses.....	1,291,513 61	1,215,724 54
Yardmasters and Yard Clerks.....	2,915,588 97	2,438,661 37
Yard Conductors and Brakemen.....	6,180,904 23	4,898,263 28
Yard Switch and Signal Tenders.....	572,516 38	508,231 65
Yard Enginemen	4,312,579 58	3,446,456 84
Yard Motormen	90,644 53	82,218 87
Yard Switching Fuel	4,219,156 05	3,252,464 28
Yard Switching Power Produced.....	9,941 00	10,186 35
Yard Switching Power Purchased	70,109 73	61,058 87
Water for Yard Locomotives.....	190,280 12	168,080 18
Lubricants for Yard Locomotives.....	56,871 08	42,681 54
Other Supplies for Yard Locomotives....	39,446 72	30,113 88
Enginehouse Expenses—Yard.....	1,269,319 52	1,108,105 37
Yard Supplies and Expenses.....	142,379 35	125,408 82
Operating Joint Yards and Terminals—Debit	1,098,949 95	1,028,211 30
Operating Joint Yards and Terminals—Credit	1,515,609 34	1,303,939 84
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Water for Train Locomotives.....	1,091,892 42	965,496 11
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Other Supplies for Train Locomotives....	209,736 58	162,474 10
Enginehouse Expenses—Train	3,705,103 92	3,176,712 10
Trainmen	12,922,247 57	10,740,417 17
Train Supplies and Expenses.....	6,738,507 21	5,554,315 65
Operating Sleeping Cars.....	1,123,946 48	851,127 50
Signal and Interlocker Operation.....	424,623 11	411,155 10
Crossing Protection.....	636,082 15	574,426 76
Drawbridge Operation.....	105,818 96	96,715 58
Telegraph and Telephone Operation.....	307,926 56	266,915 84
Telegraph—Commercial	3,983,495 16	3,480,061 54
Operating Floating Equipment.....	790,564 10	693,564 89
Express	5,818,426 24	5,262,063 93
Stationery and Printing.....	570,832 15	499,322 77
Other Expenses.....	911,016 42	592,503 68
Operating Joint Tracks and Facilities—Debit	683,697 36	638,069 13
Operating Joint Tracks and Facilities—Credit	423,642 77	373,893 54
Insurance	11,209 52	12,714 93
Clearing Wrecks	285,103 85	212,581 70
Damage to Property.....	35,204 05	35,502 24
Damage to Live Stock on Right-of-Way..	41,474 68	36,709 46
Loss and Damage—Freight.....	745,929 02	587,417 23
Loss and Damage—Baggage	2,928 01	2,068 57
Injuries to Persons.....	920,814 58	755,139 50
	<u>\$118,081,059 98</u>	<u>\$ 98,660,172 14</u>

MISCELLANEOUS OPERATING EXPENSES

	Year 1941	Year 1940
Dining and Buffet Service.....	\$2,499,013 24	\$1,490,013 44
Restaurants.....	20,045 54	13,934 21
Grain Elevators.....	148,252 84	105,844 65
Other Miscellaneous Operations.....	39,480 64	37,126 69
	<u>\$2,706,792 26</u>	<u>\$1,646,918 99</u>

GENERAL EXPENSES

Salaries and Expenses of General Officers.....	\$ 432,387 95	\$ 414,767 33
Salaries and Expenses of Clerks and Attendants	3,651,359 32	3,420,456 76
General Office Supplies and Expenses.....	225,828 74	209,021 70
Law Expenses.....	345,948 67	368,738 54
Relief Department Expenses.....	27,500 00	27,500 00
Pensions.....	4,731,910 67	4,468,736 66
Stationery and Printing.....	164,584 22	152,323 10
Valuation Expenses.....	11,310 38	11,134 01
Other Expenses.....	288,168 13	254,718 21
General Joint Facilities—Debit.....	38,996 02	32,214 01
General Joint Facilities—Credit.....	58,191 89	42,337 25
	<u>\$9,859,802 21</u>	<u>\$9,317,273 07</u>

Mr. ARMSTRONG: Page 18 is the property investment account.

Mr. JACKMAN: Not too fast, please.

PROPERTY INVESTMENT ACCOUNT

Balance at 1st January, 1941.....		\$1,940,923,424 91
<i>Expenditures, Year 1941:</i>		
Road:		
Line Diversions.....	\$ 270,289 44	
Montreal Terminal Development, Chapter 12, 1929....	3,011,780 94	
Salvage from Line Abandonments, etc.....	749,551 26	
Rails and Fastenings.....	601,364 78	
Tie Plates and Rail Anchors.....	1,101,565 03	
Ties—Cost of Treating.....	1,177,305 56	
Ballast.....	199,150 82	
Widening Cuts and Fills and Scaling Rock Cuts.....	39,003 74	
Ditching, Drainage and Sewers.....	111,042 90	
Large Freight Terminals.....	502,005 48	
Large Passenger Terminals.....	31,068 30	
Yard Tracks and Sidings.....	1,750,106 35	
Roadway Machines.....	134,218 12	
Bridges, Trestles and Culverts.....	625,743 93	
Crossing Protection, Including Subways.....	120,565 58	
Stations and Station Facilities.....	37,558 20	
Shops, Enginehouses and Machinery.....	1,154,378 89	
Docks and Wharves.....	55,563 44	
Signals and Interlockers.....	1,404,816 43	
Telegraphs—Railway.....	88,758 01	
Telegraphs—Commercial.....	344,895 96	
Stores Department, Building and Equipment.....	39,104 60	
Assessments for Public Improvements.....	70,003 63	
Land.....	374,566 11	
General Additions and Betterments.....	713,346 50	
Total.....	<u>\$12,273,275 98</u>	
Equipment:		
Equipment Purchased or Built.....	\$ 6,751,629 21	
Equipment Retired.....	3,135,087 17	
General Betterments to Equipment.....	345,847 93	
Equipment Conversions and Transfers.....	843,930 34	
Express and Miscellaneous Equipment.....	69,611 05	
Total.....	<u>\$ 3,188,070 68</u>	
Hotels.....	\$ 110,097 10	
Separately Operated Properties.....	<u>\$ 1,808,958 63</u>	
Net Additions and Betterments.....		13,762,485 13
Transfers Affecting Proprietor's Equity.....		10,398,427 32
Balance at 31st December, 1941.....		<u>\$1,944,287,482 72</u>

TRANSFERS DURING YEAR 1941 AFFECTING PROPRIETOR'S EQUITY

Line abandonment between mileages 13.12 and 16.66 Deschailions Subdivision	\$	61,234 71
Line abandonment between mileage 0.00 and 33.94 Tweed Subdivision.....		607,145 87
Line abandonment between mileages 3.33 and 9.52 Marmora Branch.....		76,534 35
Line abandonment between mileages 2.11 and 19.61 Port Perry Subdivision..		191,563 27
Line abandonment City of Niagara Falls.....		329,214 79
Line abandonment between mileage 45.57 and 68.50 Exeter Subdivision....		430,773 37
Line abandonment between mileages 0.67 and 5.76 Red Deer Subdivision....		367,377 55
Line abandonment between mileages 0.23 and 27.48 Sorel Subdivision.....		38,083 64
Line abandonment Bay City Terminal, Mich.....		379,984 90
Retirement of telegraph line on Quebec Central Railway.....		57,274 76
	\$	2,539,187 21
Transfers of Canadian Government Railways property to Government Departmentments	\$	451,869 07
Adjustment of investment account in respect of Prince Edward Island Car Ferries and Facilities.....		7,407,371 04
	\$	7,859,240 11
	\$	10,398,427 32

Mr. ARMSTRONG: This shows the changes during the year. Beneath that table of transfers during the year 1941 affecting proprietor's equity. Mr. Cooper referred to this a few moments ago. Pages 19 and 20 show a statement of funded debt, principal and interest—principal at the end of the year and interest accrued during 1941.

FUNDED DEBT—PRINCIPAL AND INTEREST

NAME OF SECURITY	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1941	Interest Accrued 1941
GUARANTEED BY DOMINION GOVERNMENT:					
5% Perpetual Debenture Stock.....	G.T.R.	1875 to 1883	Perpetual	\$ 20,782,491.67	\$ 1,039,124.58
5% G.W. Perp. Debr. Stock and Bonds.....	G.T.R.	1858 to 1876	Perpetual	13,252,322.67	662,616.12
4% Perpetual Debenture Stock	G.T.R.	1883 to 1913	Perpetual	8,392,883.00	330,427.13
4% Nor. Rly. Perpetual Debr. Stock.....	G.T.R.	July 31, 1884	Perpetual	1,449,979.67	59,999.18
4% Perpetual Guaranteed Stock.....	G.T.R.	1884 to 1909	Perpetual	60,833,333.33	2,433,333.33
3% 1st Mortgage Bonds.....	G.T.P.	July 1, 1905	Jan. 1, 1962	34,992,000.00	1,049,760.00
4% Sterling Bonds.....	G.T.P.	July 1, 1914	Jan. 1, 1962	8,440,848.00	337,633.92
3% 1st Mortgage Debenture Sotck.....	Can. Nor.	July 29, 1903	July 10, 1953	9,359,996.72	280,799.86
3% 1st Mortgage Debenture Stock.....	Can. Nor.	Mar. 1910	July 20, 1958	7,896,541.81	276,378.96
6% Sinking Fund Debenture Bonds.....	Can. Nor.	July 1, 1921	July 1, 1946	23,897,000.00	1,553,305.00
3% 1st Mortgage Debenture Stock.....	C.N.A.	Mar. 22, 1911	May 4, 1960	3,149,998.66	110,249.94
3% 1st Mortgage Debenture Stock.....	C.N.O.	Dec. 8, 1911	May 19, 1961	34,229,996.87	1,198,049.84
5% 30 Year Guaranteed Bonds.....	Can. Nat.	Feb. 1, 1924	Feb. 1, 1954	50,000,000.00	2,500,000.00
2% 1927 Guaranteed Debenture Stock.....	Can. Nat.	July 1, 1926	By Drawings	19,443,676.53	398,757.93
4% 30 Year Guaranteed Gold Bonds.....	Can. Nat.	July 1, 1927	July 1, 1957	65,000,000.00	2,925,000.00
5% 40 Year Guaranteed Gold Bonds.....	Can. Nat.	July 1, 1929	July 1, 1969	60,000,000.00	3,000,000.00
5% 40 Year Guaranteed Gold Bonds.....	Can. Nat.	Oct. 1, 1929	Oct. 1, 1969	60,000,000.00	3,000,000.00
5% 40 Year Guaranteed Gold Bonds.....	Can. Nat.	Feb. 1, 1930	Feb. 1, 1970	18,000,000.00	900,000.00
4% 25 Year Guaranteed Gold Bonds.....	Can. Nat.	June 15, 1930	June 15, 1955	50,000,000.00	2,375,000.00
4% 25 Year Guaranteed Gold Bonds.....	Can. Nat.	Feb. 1, 1931	Feb. 1, 1956	70,000,000.00	3,150,000.00
4% 20 Year Guaranteed Gold Bonds.....	Can. Nat.	Sept. 1, 1931	Sept. 1, 1951	50,000,000.00	2,250,000.00
3% 16 Year Guaranteed Bonds.....	Can. Nat.	Dec. 15, 1934	Dec. 15, 1950	20,500,000.00	615,000.00
3% 9 Year Guaranteed Bonds.....	Can. Nat.	May 1, 1935	May 1, 1944	35,000,000.00	1,050,000.00
2% 7 Year Guaranteed Bonds.....	Can. Nat.	Feb. 15, 1936	Feb. 15, 1943	55,000,000.00	1,100,000.00
3% 17 Year Guaranteed Bonds.....	Can. Nat.	Feb. 15, 1936	Feb. 15, 1953	25,000,000.00	750,000.00
2% 7 Year Guaranteed Bonds.....	Can. Nat.	Feb. 1, 1937	Feb. 1, 1944	15,500,000.00	348,750.00
3% 15 Year Guaranteed Bonds.....	Can. Nat.	Feb. 1, 1937	Feb. 1, 1952	20,000,000.00	600,000.00
3% 13 Year Guaranteed Bonds.....	Can. Nat.	Dec. 15, 1937	Dec. 15, 1950	30,000,000.00	900,000.00
2% 4 Year Guaranteed Bonds.....	Can. Nat.	Jan. 15, 1938	Jan. 15, 1942	20,000,000.00	400,000.00
2% 7 Year Guaranteed Bonds.....	Can. Nat.	Jan. 15, 1939	Jan. 15, 1946	15,000,000.00	337,500.00
3% 20 Year Guaranteed Bonds.....	Can. Nat.	Jan. 15, 1939	Jan. 15, 1959	35,000,000.00	1,050,000.00
Total Issues Guaranteed by Dominion Government.....				\$940,171,068.93	\$36,981,685.79
GUARANTEED BY THE PROVINCE OF NEW BRUNSWICK:					
4% 1st Mortgage Debenture Stock.....	St. J. & Q.	May 14, 1912	June 1, 1962	\$ 2,727,977.40	\$ 109,119.10
GUARANTEED BY PROVINCE OF ALBERTA:					
4% 1st Mortgage Bonds.....	G.T.P.B.L.	May 1, 1912	Feb. 15, 1942	1,153,764 00	46,150 56
4% 1st Mtge. Debr. Stock and Bonds.....	C.N.W.	Mar. 1914	Oct. 22, 1943	2,799,997 73	125,999 90
4% 1st Mtge. Debr. Stock and Bonds.....	C.N.W.	Feb. 1914	Feb. 16, 1942	6,424,000 00	289,080 00

FUNDED DEBT—PRINCIPAL AND INTEREST (Continued)

NAME OF SECURITY	Issuing Company	Date of Issue	Date of Maturity	Principal Outstanding at Dec. 31, 1941	Interest Accrued 1941
GUARANTEED BY PROVINCE OF BRITISH COLUMBIA:					
4% 1st Mortgage Debenture Sotck.....	C.N.P.	Nov. 16, 1911	Apr. 2, 1950	16,412,001.13	656,480.07
4% Terminal Debenture Stock.....	C.N.P.	1913 and 1914	Apr. 2, 1950	8,614,000.00	387,630.00
Total Issues Guaranteed by Provincial Governments.....				\$ 38,131,740.26	\$ 1,614,459.63
EQUIPMENT TRUST ISSUES:					
4 1/2% Series "J".....	Can. Nat.	May 1, 1927	Ser. 1, 5, '42	1,000,000.00	60,000.00
5% " " "K".....	Can. Nat.	May 1, 1929	Ser. 1, 5, '44	3,600,000.00	200,000.00
5% " " "G.T.W.".....	G.T.W.	Dec. 14, 1929	Ser. 14, 12, '44	842,000.00	55,581.80
5% " " "C.V.R.".....	G.T.W.	Dec. 14, 1929	Ser. 14, 12, '44	133,000.00	8,841.39
5% " " "C.V.R.".....	C.V.R.	Dec. 14, 1929	Ser. 14, 12, '44	228,000.00	15,126.67
4 1/2% " " "L".....	Can. Nat.	June 1, 1930	Ser. 1, 6, '45	4,200,000.00	208,687.50
2 1/2% " " "O".....	Can. Nat.	Aug. 1, 1937	Ser. 1, 8, '47	8,580,000.00	235,354.17
2 1/2% " " "P".....	Can. Nat.	Sept. 15, 1938	Ser. 15, 9, '53	6,100,000.00	177,489.58
2 1/2% " " "Q".....	Can. Nat.	July 1, 1939	Ser. 1, 7, '49	5,200,000.00	138,125.00
2 1/2% " " "G.T.W.".....	G.T.W.	June 1, 1941	Ser. 1, 6, '51	1,715,000.00	7,670.14
Total Equipment Trust Issues.....				\$ 31,598,000.00	\$ 1,106,876.25
OTHER ISSUES:					
4% Canada Atlantic 1st Mtge. Bonds.....	G.T.R.	Jan. 1, 1905	Jan. 1, 1955	\$ 16,000,092.00	\$ 640,003.68
7% Wellington Grey & Bruce Bonds.....	G.T.R.	July 1, 1869	By Drawings	35,526.67	17,171.96
6% Northern Railway 3rd Pref. Bonds.....	G.T.R.	1868	Perpetual	70,566.66	4,234.00
3 1/2% 1st Mortgage Bonds.....	N.E. Elev.	July 1, 1901	Ser. 1, 7, '41	—	187.50
4% 1st Mortgage Bonds.....	Pem. Sou.	Sept. 1, 1906	Sept. 1, 1956	150,000.00	6,000.00
4% 2nd Mtge. Bonds, Prairie "A".....	G.T.P.	Apr. 1, 1905	Apr. 1, 1955	10,206,000.00	408,240.00
4% 2nd Mtge. Bonds, Mountain "B".....	G.T.P.	Apr. 1, 1905	Apr. 1, 1955	9,963,000.00	398,520.00
4% 1st Mtge. Bonds, "Lake Superior".....	G.T.P.	Apr. 1, 1905	Apr. 1, 1955	7,533,000.00	301,320.00
4% Perpetual Cons. Debenture Stock.....	Can. Nor.	1903 to 1912	Perpetual	44,943,019.40	1,797,720.74
4% Perpetual Cons. Debenture Stock.....	C.N.O.	June 21, 1909	Perpetual	8,724,113.20	348,964.50
4% Perpetual Cons. Debenture Stock.....	C.N.Q.	Oct. 1906	Perpetual	5,250,369.26	210,014.76
4% 1st Mtge. Perp. Debenture Stock.....	Q. & L.St.J.	June 1, 1912	Perpetual	10,252,503.06	170,100.14
4% 1st Mortgage Bonds.....	G.T.W.	Nov. 30, 1900	July 1, 1950	10,964,416.00	439,413.86
4 1/2% 1st Mortgage Series "A" Bonds.....	G.T.W.	Jan. 1, 1930	Jan. 1, 1980	400,000.00	18,000.00
4% Indebtedness of S.S. & C. Co.....	C.V.R.	Aug. 27, 1858	Optional	155,865.25	6,234.61
4% 1st Mortgage Gold Bonds.....	M. & P.L.	Oct. 1, 1900	Oct. 1, 1950	200,000.00	8,000.00
3 1/2% 1st Mortgage Guar. Debtr. Bonds.....	H. & S.W.	Oct. 1, 1912	Sept. 30, 1942	4,447,000.00	155,645.00
5% Indebtedness to Province of N.B.....	Can. Nat.	Sept. 3, 1929	Various	1,198,022.60	65,434.46
Total Other Issues.....				\$ 124,493,494.10	\$ 4,995,205.21
Total Debt held by Public (including therein \$13,763,628.52 par value held in Special Funds and Accounts) as per Balance Sheet.....				\$1,134,394,303.29	\$44,698,226.88

NOTE.—These obligations are stated in Canadian Currency. Sterling and United States currencies are converted at the par of exchange.

DOMINION OF CANADA—LOANS
(Treated as Assets in Public Accounts of Canada)

	Principal Outstanding at Dec. 31, 1941	Interest Accrued 1941
3 1/2% Advances, Financing and Guarantee Act, 1938.....	\$ 1,717,008.90	\$ 60,095.32
3 1/2% Advances, Financing and Guarantee Act, 1939.....	12,442,522.40	435,488.28
3 1/2% Advances, Financing and Guarantee Act, 1940.....	7,572,579.77	264,236.04
3 1/2% Advances, Financing and Guarantee Act, 1941.....	11,943,000.29	315,608.92
3 1/2% Advances, Branch Line Construction Act, 1936.....	638,908.55	22,361.80
3 1/2% Advances, Trans-Canada Air Lines Act, 1937.....	550,000.00	19,250.00
2% Advances, Refunding Act, 1938.....	24,689,392.53	493,787.86
3 1/2% Advances, G.T.R. Deb. Stock.....	105,843,357.19	3,395,434.55
3 1/2% Temporary Loan for Working Capital.....	11,406,999.71	—
3% Purchase of Railway Equipment, 1936 (Repayable 1938-1950).....	4,654,557.73	144,162.00
3 1/2% Purchase of Railway Equipment, 1940 (Repayable 1941-1955).....	13,887,556.46	496,337.47
\$ 195,345,883.53		\$ 5,646,762.24

Mr. HANSON: I see you still have some of these 5 per cent perpetual bonds. Are these bonds outstanding yet? What has been done to them this last year? That has always been a bone of contention every year.

Mr. COOPER: Yes, Mr. Hanson. Under the recent resting order by the U.K. treasury, those bonds, to the extent that they are held by residents of the U.K., have been vested in the U.K. treasury and will be transferred over here.

Mr. DONNELLY: How many do you think we will get?

Mr. COOPER: Somewhere around 95 per cent or possibly more. Practically all the sterling securities on that list have been vested. As a matter of fact, some \$300,000,000 of these securities are subject to the vesting orders and will be retired in so far as the railway company is concerned.

Mr. HANSON: Speaking of these perpetual bonds, are there any held in Canada by Canadians?

Mr. COOPER: There may be a few of them held by Canadian citizens and an offer will be made to the Canadian citizens to turn in their bonds on terms equal with those offered by the U.K. treasury to residents of the U.K.

Mr. DONNELLY: You are referring to the first five on the list, the perpetual bonds?

Mr. COOPER: The vesting order goes much further than that.

Mr. MAYBANK: Mr. Chairman, would you permit me to make a remark on something remote from this for just a moment, or to just digress for a moment? I am sorry that we adopted the T.C.A. report when we did, because some information has since come to me that I should have liked to make some inquiry upon. However, anything related to the T.C.A. is, I take it, germane in this committee since Canadian National Railways is the owner of T.C.A. I want, when we resume, to ask some further questions with reference to air lines; that being the case, I feel sure you will agree that it is germane to the work of this committee, since we have the owner of the airlines here. I was going to suggest that, if it were possible, Mr. Symington might be informed in case it would be possible for him to be here again. I did not get the information that leads to these questions until after the time of the adoption of the report.

The CHAIRMAN: I understand that we have to consider the estimates after these reports. Probably Mr. Symington could be asked to appear again, but the officers generally of the T.C.A. have gone west to their homes.

Mr. MAYBANK: Yes. I do not think it would need the officers generally at all; and as a matter of fact, it might not even need Mr. Symington. It would seem to me that, if I were to introduce anything with reference to that to the ownership committee here, they would probably want the president of the subsidiary here.

The CHAIRMAN: I do not know just when we will get to the estimates, but I imagine there would be no reason why you could not ask your questions then.

Mr. MAYBANK: It does not make any difference to me when, but since it was in my mind I thought I would give advance notice.

The CHAIRMAN: You will have a clear road to make your inquiry at that time.

Mr. JACKMAN: I think we did take up pensions in a former year. There is no fund from which pensions are paid. You charge that to operating expenses?

Mr. VAUGHAN: To operating expenses.

Mr. JACKMAN: Is that common to the railroads in the United States?

Mr. COOPER: We have a fund which is building up. Our present pension fund—and I am speaking now of the Canadian National Railway Company

because there are two other funds, the Grand Trunk superannuation fund and the Intercolonial fund—is now on a contributory basis, and the employees are contributing and have been contributing since January 1st, 1935. There is a fund with respect to that. But it is not an asset of the railway and it does not appear in the assets shown in the balance sheet.

Mr. JACKMAN: It is entirely separate. You merely make your contribution, which is charged to the current operating expenses.

Mr. COOPER: We withdraw from the pension fund the portion of the pension which has been purchased by contributions from employees. The balance of the pension payable at the expense of the company, is charged to operating expenses currently.

Mr. JACKMAN: Yes.

Mr. COOPER: There is no fund with respect to that.

Mr. JACKMAN: Is that fund run by a joint committee of representatives of the employees and the railway?

Mr. COOPER: Yes. There is a pension board of seven, four of whom are railway officers and three of whom are representatives of labour organizations.

Mr. JACKMAN: About what proportion is contributed by the employees?

Mr. COOPER: The present plan is contributory. The contribution is optional. The employee is not compelled to contribute if he does not wish to. He may contribute any percentage of his wages up to 10 per cent. The railway undertakes to match his contribution up to the extent of 5 per cent. In addition to the pension which is purchasable out of that fund, as I have described it, the railway provides, at its own expense, with respect to new employees, a basic pension of \$25 per month. With respect to old employees there is what we call a service pension computed on service to December 31, 1934, and that service pension is arrived at by crediting to the account of each member 1 per cent for each year of service by the employees based upon their best ten years average wages.

Mr. JACKMAN: If the employee does not wish to contribute or refuses to contribute at all to the new pension plan, then he does not come under it?

Mr. COOPER: In that case he gets a pension of \$25 a month; provided of course, that he meets the service requirements.

Mr. JACKMAN: At what age would he draw the basic pension?

Mr. COOPER: Sixty-five is the retiring age in our fund.

Mr. JACKMAN: In other words, if the old age pension law were reduced by five years, it would do away with that entirely. By law a man would be just as well off if you did not have the fund. At seventy a person gets \$20 a month, I think, from the old age pension now. If he draws your pension, he cannot draw the old age pension from the government. That is so?

Mr. COOPER: Yes, that is so.

Mr. McCULLOCH: I notice some bonds guaranteed by the provinces of Alberta, New Brunswick and British Columbia. Has the interest been paid by the different provinces?

Mr. COOPER: No, sir.

Mr. VAUGHAN: No, they have never paid any interest on those bonds of ours.

Mr. JACKMAN: The cost last year of your contribution to the pension fund was \$4,731,000.

Mr. COOPER: The total cost of pensions payable at the expense of the railway was \$4,900,000.

Mr. JACKMAN: Payable at the expense of the railway alone?

Mr. COOPER: Yes.

Mr. JACKMAN: On top of that you had your contribution to the fund also?

Mr. COOPER: Contributions to the fund were made by the employees.

Mr. NICHOLSON: To what extent?

Mr. COOPER: I am afraid we have not got this thing very straight, have we?

Mr. JACKMAN: You have some pensions you are paying directly; other pensions you pay from a fund which you refer to sometimes as "us", whereas it is something distinct and does not enter into your consolidated picture at all. What I am asking is, does the \$4,731,000 represent the total cost of pensions to the railway last year?

Mr. COOPER: The cost to the railway? Yes.

Mr. JACKMAN: And there is no contribution on top of that under this separate fund charged to operating expenses?

Mr. COOPER: No.

Mr. JACKMAN: Is this pension scheme pretty much in line with what the American railroads are doing?

Mr. COOPER: No. There is a government pension scheme; it is compulsory for all railway employees. They are required to contribute 3 per cent of their earnings up to \$300—the first \$300 of their earnings—and the railway is required to contribute 3 per cent also. Those amounts are transferred to Washington and go into what is called the United States Railroad Retirement Fund, and it is out of that fund railway employees in the United States receive their pensions.

Mr. JACKMAN: Your system is willing to do better than that inasmuch as it will contribute 5 per cent if the employee contributes 5 per cent?

Mr. COOPER: Yes.

Mr. HANSON: Have you a board comprised of the management and employees, and how many members are there on this board?

Mr. COOPER: There are seven members of the board, four of whom are appointed by the railway and three are representatives of labour organizations.

Mr. SANDERSON: How many employees who have been retired are drawing pension at the present time?

Mr. COOPER: At the present time?

Mr. SANDERSON: Yes.

Mr. COOPER: 6,397.

The CHAIRMAN: We were last discussing the funded debt on page 20.

Mr. ARMSTRONG: The total of Dominion Government Loans is at the bottom of page 20, "Principal outstanding at December 31, 1941, \$195,345,883; interest accrued 1941 totals \$5,646,762."

Mr. JACKMAN: I should like to revert to the pension account. Who looks after the investing of those assets and what do you put them into—government bonds or your own system of security?

Mr. COOPER: The railway company is trustee of the fund. The financial officers of the railway see to the investing of the fund, but under the regulations of the fund the assets can be invested only in dominion securities or securities guaranteed by the dominion.

Mr. JACKMAN: Then you are earning better than 3 per cent on them now?

Mr. COOPER: I believe the present rate would be about $3\frac{1}{2}$ per cent.

Mr. JACKMAN: Was consideration given to taking out annuities with the Dominion government where the rate is 4 per cent in the annuity department?

Mr. COOPER: Of course the amount which you can take out under government annuities is limited, is it not?

Mr. JACKMAN: Twelve hundred a year.

Mr. COOPER: It may have been considered; it certainly was not adopted.

Mr. JACKMAN: Do you think the report of that pension committee should be tabled before this committee?

Mr. COOPER: The Pension Board does not make a report. The minutes of the meetings of the board are prepared in great detail; they are submitted to the board of directors of the railway company for approval. When they are approved they are made effective by the proper officers of the railway.

Mr. JACKMAN: How much do the total funds amount to now?

Mr. COOPER: \$11,718,000.

Mr. JACKMAN: It has been in operation how many years?

Mr. COOPER: Since January 1, 1935.

Mr. HANSON: Approximately, how much is paid out in the year 1941 for the 6,000 pensioners?

Mr. COOPER: I am afraid I made a mistake when I gave a figure of 6,397. I was speaking of the Canadian National Railway pensions plan. That is the one we have been discussing. But I mentioned there were two other plans—the Intercolonial-Prince Edward Island Provident fund which related to the government railways and which was closed out to new members in 1929, and there is also what is called the Grand Trunk Superannuation fund which is a carry-over from the Grand Trunk prior to consolidation. Taking the three funds together the total payments made in the year 1941 were \$5,365,000 of which \$4,901,000 was paid by the railway, and including these other two funds the total pensioners at the end of 1941 in the three funds numbered 8,634.

Mr. SANDERSON: You gave me 6,000.

Mr. COOPER: The 6,397 was limited to the Canadian National Railway fund which we were discussing at the time.

Mr. EMMERSON: Before we close may I go back to one question on page 13: Income from lease of road and equipment; is that the portion of the road leased to the D.A.R.?

Mr. VAUGHAN: You mean that \$70,000 item?

Mr. EMMERSON: Yes.

Mr. VAUGHAN: No, I do not think that is it, but Mr. Cooper will have it.

Mr. HAZEN: Was the letter from the master of the *Lady Hawkins* filed?

Mr. VAUGHAN: There was no such letter.

Mr. COOPER: In answer to your question I may say that the item of \$70,000 includes \$22,500 for the rent paid by the Dominion Atlantic Railway for the line from Windsor to Windsor Junction.

The CHAIRMAN: Gentlemen, before we adjourn I may say that we expect to have the ministers on hand on Monday morning.

The committee adjourned to meet Monday, May 4, at 11 o'clock a.m.

SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

MONDAY, MAY 4, 1942.

WITNESSES:

- Hon. P. J. A. Cardin, K.C., M.P., Minister of Transport and Public Works.
- Hon. C. D. Howe, M.P., Minister of Munitions and Supply.
- Hon. J. L. Ralston, K.C., M.P., Minister of National Defence (Army).
- Hon. W. P. Mulock, K.C., M.P., Postmaster General.
- Hon. A. L. Macdonald, K.C., M.P., Minister of National Defence (Navy).
- Mr. H. J. Symington, President, Trans-Canada Air Lines.
- Mr. R. C. Vaughan, President, Canadian National Railway.
- Mr. Alistair Fraser, Vice President of Traffic, Canadian National Railway.
- Mr. N. B. Walton, Vice-President, Operations, Canadian National Railway.

MINUTES OF PROCEEDINGS

Room 277,

Monday, 4th May, 1942.

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

Members present: Messrs. Bradette, Donnelly, Dubuc, Emmerson, Gray, Hanson (*Skeena*), Hazen, Howden, Howe, Jackman, Lockhart, McCulloch, Maybank, Nicholson, Pouliot, Sanderson, Shaw, Sissons.

In attendance: Hon. J. P. A. Cardin, K.C., M.P., Minister of Transport and Public Works; Hon. J. L. Ralston, K.C., M.P., Minister of National Defence (Army); Hon. W. P. Mulock, K.C., M.P., Postmaster General; Mr. S. J. Hungerford, Chairman of the Board of Directors of the Canadian National Railway System and the following officers: Mr. R. C. Vaughan, President; Mr. N. B. Walton, Vice-President of Operations; Mr. Alistair Fraser, Vice-President of Traffic; Mr. T. H. Cooper, Comptroller; Mr. W. S. Thompson, Director of Public Relations; Mr. W. M. Armstrong, Assistant Chief of Research and Development; Mr. H. J. Symington, K.C., President and Director of Trans-Canada Air Lines; Mr. O. A. Matthews, representing George A. Touche & Co., auditors; Mr. C. P. Edwards, Deputy Minister of Transport, also Mr. F. M. MacLennan, Chief Treasury Officer and Mr. J. A. Wilson, Director of Air Services; Mr. P. T. Coolican, Assistant Deputy Postmaster General; Mr. Geo. Herring, Superintendent Air and Land Services; Mr. R. H. MacNabb, Chief Superintendent of Railway Mail Service; Colonel H. O. Lawson, Director of Supplies & Transport (Army); Mr. F. K. Hollyman, Traffic Manager, R.C.A.F.

In opening the proceedings, the Chairman read to the Committee a telegram he had just received from Mr. H. R. Moore, Chairman of Committees of the C.N.R. Brotherhoods of Locomotive Firemen and Brotherhood of Locomotive Engineers, requesting a hearing before the Committee to present their case on Western working conditions. The telegram was dated from Winnipeg on May 3, 1942.

Some discussion followed as to whether such representations came within the province of the Committee.

On motion of Mr. Hanson, seconded by Mr. Nicholson, it was

Resolved: That the request of the Brotherhood of Locomotive Firemen and Locomotive Engineers be granted.

And the Chairman instructed the Clerk to notify Mr. H. R. Moore, Winnipeg, accordingly.

The Chairman then informed the members that Mr. H. J. Symington, K.C., was present and the latter was recalled to the witness stand. However, the examination of this witness was suspended in order to hear some of the Ministers who had just arrived.

Hon. P. J. A. Cardin, Minister of Transport and Public Works was called first and volunteered a statement in respect to the division of business in his departments between the C.N.R. and C.P.R.

Objection was taken by some members of the Committee to the fact that the correspondence requested by a resolution adopted on Friday, 1st May, was not being tabled. A lengthy discussion followed as to whether the Ministers should be heard before such correspondence had been tabled.

After considerable debate on this question, Mr. Nicholson, seconded by Mr. Donnelly, moved as follows:

That the debate on the question as to whether or not the correspondence be filed be adjourned and that the Committee proceed with the examination of the Ministers of the Government now present.

In amendment thereto Mr. Maybank, moved, seconded by Mr. Pouliot:

That all the words after the second "that" in the main motion be struck out and the following words be substituted therefor: "the ministers of the Government be not now examined."

And the question being put on the said amendment it was resolved in the negative as follows: Yes, 3; Nays, 13.

And the question being put on the said main motion it was adopted on division.

The Chairman thereupon invited Mr. Cardin to proceed with his statement. The minister was questioned by the members.

Hon. C. D. Howe, Minister of Munitions and Supply was afterwards invited to address the Committee. The minister outlined his views on the subject of division of business between the C.N.R. and the C.P.R. and he answered a number of questions from the members. During Mr. Howe's submission, Mr. Alistair Fraser, Vice-President of Traffic of the Canadian National Railway replied to a few incidental questions.

Hon. J. L. Ralston, Minister of National Defence followed. He filed with the Committee a memorandum covering the "reasons for Travelling and Shipping via C.N.R.", prepared by Mr. Vaughan and this document appears as Appendix "B" at the conclusion of the report of evidence heard this day. Mr. Ralston was assisted in some of his replies by Colonel H. O. Lawson. During the minister's submission, Mr. Vaughan and Mr. Alistair Fraser answered a few incidental questions.

At 1 o'clock p.m., the Committee adjourned to meet again at 4 o'clock p.m. this day.

AFTERNOON SITTING

The Committee met at 4 o'clock p.m., Mr. J. P. Howden, the Chairman, presiding.

Members present: Messrs. Bradette, Donnelly, Dubuc, Emmerson, Gray, Hanson (*Skeena*), Hazen, Howden, Jackman, Lockhart, McCulloch, Nicholson, Sanderson, Shaw, Sissons.

In attendance: Hon. P. J. A. Cardin, Hon. W. P. Mulock, Hon. Angus L. Macdonald, K.C., M.P., Minister of National Defence (Navy), Mr. Symington, Mr. Hungerford, Mr. Vaughan and the other officials of the Canadian National Railway named in the morning list of attendance, also the officials of the Transport Department, the Post Office Department, and the National Defence (Army) headquarters.

Mr. H. J. Symington, K.C., was recalled and questioned further in connection with matters pertaining to the Trans-Canada Air Lines. The witness was assisted by Mr. T. H. Cooper, Comptroller.

The Chairman thanked the witness for his courtesy in re-appearing before the Committee and he was permitted to retire.

Hon. W. P. Mulock, K.C., M.P., Postmaster General was afterwards called. The minister read a statement indicating the division of business of mail between the C.P.R. and the C.N.R. He was assisted by Messrs. Coolican, Herring and MacNabb, Assistant Deputy Minister and officials respectively of the Post Office Department. After replying to a number of questions by the members Mr. Mulock was excused.

Mr. Alistair Fraser, Vice-President of Traffic of the Canadian National Railway System, was then called. The witness was questioned at length on the subject of division of business between the two railways. His evidence was suspended and it was agreed he would be recalled after the Ministers of National Defence for Navy and Air had been heard.

The Chairman informed the members that the Minister of National Defence for the Navy had returned to the House but had left word he would return as soon as the Committee was prepared to hear him. Only fifteen minutes remaining before the dinner recess the Committee agreed to call Hon. A. L. Macdonald for the next sitting.

The Committee then resumed the adjourned study of the Annual Report of the Canadian National Railway System. Mr. Vaughan, president, was recalled and was assisted by Messrs. Walton, Armstrong and Cooper. At the request of the Committee the witness filed a statement of Coal Purchases 1940-41 and this document appears as appendix "C" following the minutes of evidence taken this day. Also a breakdown of operations of Hotels (Appendix "D") and a statement of Taxes paid in 1941 (Appendix "E").

At 6 o'clock p.m., on motion of Mr. Hanson (*Skeena*), the Committee adjourned to meet again at 8.30 o'clock in the evening.

EVENING SITTING

The Committee met again at 8.30 o'clock p.m., Mr. J. P. Howden in the Chair.

Members present: Messrs. Donnelly, Emmerson, Ferland, Gray, Hanson (*Skeena*), Hazen, Howden, Jackman, Lockhart, McCulloch, Maybank, Nicholson, Pouliot, Sanderson, Shaw, Sissons.

In attendance: Hon. P. J. A. Cardin, K.C., M.P., Minister of Transport; Hon. A. L. Macdonald, K.C., M.P., Minister of National Defence (Navy); Mr. R. C. Vaughan, Mr. Alistair Fraser, Mr. N. B. Walton, Mr. T. H. Cooper, Mr. W. S. Thompson, Mr. W. M. Armstrong, of the Canadian National Railway System; Mr. C. P. Edwards and Mr. F. M. Maclellan, Deputy Minister and Chief Treasury Officer respectively of the Department of Transport; Colonel H. O. Lawson, Director of Supplies and Transport (Army); Mr. F. K. Hollyman, Traffic Manager, R.C.A.F.; Mr. O. A. Matthews, representing A. Touche & Co., auditors.

The Chairman informed the members that Major the Honourable C. G. Power, Minister of National Defence for Air, will be prepared to appear before the Committee at the next sitting. Also that the delegation from the Brotherhoods of Locomotive Firemen and Locomotive Engineers, from Winnipeg, would appear on Wednesday morning.

Before proceeding with the taking of evidence, the Committee resumed debate on the motion of Mr. Shaw, of May 1, viz:—

That the members of the Board of Transport Commissioners who had sat on the Board at the hearing of the case of the abandonment of 53·4 miles between Forth (near Red Deer) and Ullin, Alberta, and whose decision had been rendered in recent days, both assenting and dissenting members, be called to appear before the Committee on Railways and Shipping, in order to question them in connection with that decision.

The said debate was again adjourned in order to hear Hon. A. L. Macdonald. Hon. A. L. Macdonald, K.C., M.P., Minister of National Defence for Naval Services, was called. The minister gave an outline of the instructions in force in the Naval Department regarding the division of business in transport between the C.N.R. and the C.P.R. After replying to many questions from the members Mr. Macdonald undertook to supply the Committee with further data in this connection at the next meeting of the Committee and he was permitted to retire.

The Committee then reverted to the debate on the motion of Mr. Shaw which had been suspended earlier. Mr. Shaw presented a lengthy brief in support of his motion and after some remarks in answer by Hon. P. J. A. Cardin, he was allowed to withdraw his motion to the effect of calling the Board of Transport Commissioners to appear before the Committee.

Mr. Shaw then moved:—

That the C.N.R. members of the Joint Committee of the Canadian National Railway System and the Canadian Pacific Railway System, who had occupied on behalf of the Joint Committee before the Board of Transport Commissioners, be called before the Committee for examination.

Mr. Shaw made a submission in support of his motion and again was answered by Hon. P. J. A. Cardin. After some debate on the motion Mr. Shaw with the leave of the Committee withdrew his motion.

Mr. Gray, thereupon moved:—

That the Committee do now adjourn.

And the question on the motion being put, it was agreed to on the following division: Yeas, 8; Nays, 5.

At 10 o'clock p.m. the Committee adjourned to meet again on Tuesday, May 5, at 4 o'clock p.m.

ANTOINE CHASSE,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 277,

May 4, 1942.

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

The CHAIRMAN: Order. Gentlemen, I have a communication by way of a telegram, which I shall ask the clerk to read to you.

The CLERK:

Winnipeg, Man., May 4, 1942.

J. P. Howden, M.D., M.P.,
Chairman, C.N.R. Committee,
House of Commons,
Ottawa, Ont.

Dear Sir, C.N.R. Brotherhoods of Locomotive Firemen and Brotherhood of Locomotive Engineers request hearing before C.N.R. Committee to present case on western working conditions. Yours respectfully

H. R. MOORE,
Chairman for Committees.

The CHAIRMAN: What is your wish in connection with this communication?

Mr. GRAY: Is there any further indication of what they desire?

The CHAIRMAN: I have no idea. I just got this telegram early this morning.

Mr. HANSON: Where is it from?

The CHAIRMAN: From Winnipeg. Obviously it will delay the committee, but if this group of men have the right to expect to be heard you will have to give them consideration, I presume.

Mr. MAYBANK: I apprehend that these are two brotherhoods in Winnipeg who wish to present to this committee statements respecting employment and unemployment on the Canadian National and by implication that the Canadian National out that way is not getting a fair share of business, the same business we have been discussing here, and in my view they may have something that it would be worth while the committee knowing about. There is no reason why this brotherhood should not be heard; and on the contrary there is every reason why they should be heard.

The CHAIRMAN: What is your suggestion? Will somebody make a motion to the committee? Will somebody move that the committee express its willingness to hear them at such and such a time on such and such a date?

Mr. SANDERSON: Would you read that telegram again, please?

The CHAIRMAN: "C.N.R. Brotherhoods of Locomotive Firemen and Brotherhood of Locomotive Engineers request hearing before C.N.R. Committee to present case on western working conditions."

Mr. SANDERSON: Might that include the C.N.R. and the C.P.R.?

The CHAIRMAN: It just says C.N.R.

Mr. DONNELLY: It is the brotherhood.

Mr. HANSON: Are there two separate brotherhoods, does anybody know?

The CHAIRMAN: I shall read the telegram again. "C.N.R. Brotherhoods of Locomotive Firemen and Brotherhood of Locomotive Engineers request hearing before C.N.R. Committee to present case on western working conditions."

Mr. HANSON: May I ask Mr. Maybank if there are two brotherhoods, one for the C.P.R. and one for the C.N.R.?

Mr. MAYBANK: There are not two brotherhoods. They are organized generally into locals, one of which will comprise only those on one railroad and the other will comprise only those on another railroad. I presume that in this case it refers only to the lodge or local or division, whatever they call it, that comprises the C.N.R. men. I do not know whether the Brotherhood of Locomotive Engineers is still organized separately, I think it is. This, in my opinion, would be the lodges of those brotherhoods which comprise the C.N.R. men, although they all belong to the same parent body.

The CHAIRMAN: Gentlemen, I think it is a matter you ought to be able to decide very quickly. You ought to be able to decide whether these men are entitled to be heard or whether they are not entitled to be heard. Would someone make a motion to that effect?

Mr. HANSON: I move, if they are entitled to be heard, that we allow them a hearing.

The CHAIRMAN: I think they are entitled to a hearing.

Mr. SISSONS: What has been the practice in the past?

The CHAIRMAN: I do not know that a matter of this kind has ever come up before the committee in my experience.

Mr. HANSON: We had representation here three years ago.

Mr. NICHOLSON: I should be glad to second the motion.

The CHAIRMAN: Have you any suggestion as to a date?

Mr. DONNELLY: Leave it to the Chair.

The CHAIRMAN: All right.

Mr. GRAY: I think we ought to be careful not to open the door too wide. We may get requests from other bodies and each one will have to be dealt with on its merit.

Mr. POULIOT: I know of a gentleman who has an office on Sparks street, who belongs to the International Trade Union Congress, who has appeared and submitted a brief already before this committee. I think his name starts with a "D." It is a short name.

The CHAIRMAN: You have a motion before you.

Mr. SHAW: In my humble judgment this is the committee which should hear some representations, not only of this organization, but any other organization that may have legitimate reasons for wishing to appear before the committee. Further I think that now is the proper time for that to be done, during this sitting of the committee. I can support the motion.

Mr. POULIOT: I support it for the same reason.

The CHAIRMAN: We have only one motion before us and that is all we need be concerned with at the moment. The motion is that a reply be sent to this telegram saying that this committee is prepared to hear this deputation.

Mr. HAZEN: Mr. Chairman, I have here the Standing Committee on Railways and Shipping report of last year. Now the order of reference which is given here says: "Ordered that the Standing Committee on Railways and Shipping owned, operated and controlled by the government be empowered to examine and inquire into all such matters and things as may be referred to them by the house, and to report from time to time their observations and

opinions thereon, with power to send for persons, papers and records." Whether that gives us the power or not to grant this request I do not know. I am a new member of this committee.

The CHAIRMAN: It seems we have a precedent inasmuch as we have received representation from parties already.

Mr. JACKMAN: What is the function of the Board of Transport Commissioners in this regard? Is not that the place where they might go?

The CHAIRMAN: I think undoubtedly the Board of Transport Commissioners has to hear representations.

Mr. JACKMAN: On rates only?

The CHAIRMAN: No, on anything connected with the railway. That is my conception of it.

Mr. JACKMAN: They have technical men experienced in that kind of work.

The CHAIRMAN: The point is, is this committee going to hear these gentlemen?

Mr. JACKMAN: Is there some place set up now other than this committee? That is the point I am trying to arrive at.

The CHAIRMAN: This telegram is before you and I have a motion that these men be heard. I suppose the best way is for those to vote against the motion who are not in favour of it. We will put the motion.

Mr. SHAW: There may be other bodies before which that organization might appear. They have requested permission to appear before this committee. I believe that is the light in which we should consider it.

The CHAIRMAN: The point is this: As chairman of this committee I am not going to assume the responsibility for saying yes or no to these men. Now, you have the motion.

Mr. GRAY: Question?

The CHAIRMAN: The question is, does the motion carry?

On a vote being taken the motion was declared carried.

The CHAIRMAN: Now, we have called Mr. Symington, President of the Trans-Canada Airways, who is a very busy man, to come back and give testimony before this committee. He is anxious to be delayed as little time as possible.

Mr. MAYBANK: Before proceeding with that, may I ask whether the correspondence we asked for has been tabled?

Mr. VAUGHAN: I may be wrong, but I thought it was left in abeyance. Mr. Maybank, I was of the opinion that would be held in abeyance until the Ministers arrived here. As far as I am concerned there is nothing in the correspondence that should not be filed, but inasmuch as my letters were all marked private and confidential, it would seem to me the permission of the recipient ought to be obtained before these letters are filed in this committee.

Mr. MAYBANK: Mr. Chairman, I think the motion of the committee is plain; it was that the correspondence should be filed. The objection is the confidentiality. That was raised by Mr. Vaughan at the time and in spite of that the motion was passed that the correspondence should be tabled. It is my view that correspondence should be here before we go any further into the question with anybody else. You see what it means; it only means that the correspondence be not tabled until we go into this question with other ministers, and get it afterwards.

The CHAIRMAN: The motion was put and carried. Apparently the letters are not on hand.

Mr. MAYBANK: Is the correspondence in the house, in Ottawa?

Mr. VAUGHAN: The correspondence is here, yes sir.

The CHAIRMAN: I think the correspondence ought to be tabled.

Mr. MAYBANK: Since the correspondence is in Ottawa and in the chamber there is no reason why it should not be tabled now.

Mr. DONNELLY: I do not agree with that. I do not think we should ask this man to table correspondence marked "Private and Confidential." I do not think we have any right to do that. I think he has to get the permission of the recipient of that correspondence before he should do it. I do not think any man should be asked to do that sort of thing; I do not think it is fair.

Mr. MAYBANK: That is the motion already passed.

The CHAIRMAN: Exactly. The motion was submitted to this committee and passed. I do not know whether you were in the committee at the time but it certainly was passed, and accepted by the committee. It was evidently considered that we had the power to request this correspondence be tabled.

Mr. DONNELLY: I do not think it is right. I do not think we should do that to any body of men.

Mr. POULIOT: Now, Mr. Chairman, speaking to that it is important to examine the words "private and confidential" on correspondence. By putting the words "private and confidential" on letters do you make them "private and confidential" when they relate to public business? That is one point. Then there is another point which has also been discussed in the house not only by my humble self but also by the leaders of all parties; that was eleven years ago, in 1931. It was relating to correspondence regarding Riviere du Loup station. Mr. King, Mr. Lapointe and Mr. Bennett took part in the discussions, and the matter being discussed was this: is it possible to mark as private, correspondence that was not marked so, and to mark it private after it has been asked for—it is on record in *Hansard* and covers two or three pages—and finally the Speaker decided that the correspondence should be tabled.

Mr. Chairman, if you will permit me further, I may say that the point is that it is a most delicate matter, I admit; but when a letter is on public matters, is it possible for one of the parties to prevent people from knowing about it simply by marking the word "private," "personal" or "confidential" in the corner of the letter?

Mr. MAYBANK: Mr. Chairman; in the very nature of this correspondence there is nothing private or confidential about it, no matter how it was marked. When Mr. Vaughan was spoken to first about it, he said he supposed that that correspondence was marked "private and confidential". I presumed that he was speaking from memory at the time, and indeed it is not until now that it is definitely stated that it was so marked; but enough was said, at any rate, about the correspondence to indicate that it was not, in its nature, private and confidential. This committee is here for the purpose of inquiring how the agent of the Canadian people, the Canadian National Railways, does its business, or how well it has done its business. Last year this committee made inquiries as to what share the Canadian National Railways was getting of government business. The feeling of this committee at that time was that the government business was not being distributed in the way it ought to be distributed. Following up that this year, we turned to the directors and the officers of the C.N.R. and said to them, "Look here, have you done anything about this in the meantime? Have you tried to get any more business?" Mr. Vaughan says, "Oh, yes, we have." We say, "Well, what have you done?" So he tells us what he has done and what he has tried to do and says it is shown in certain correspondence. That is all there is to this correspondence—simply that there is a statement in there as to what they think ought to obtain with reference to the amount of government business to be allocated to them. Surely there is not anything confidential about that. We want to see whether the Canadian National Railway has been on its toes with regard to getting this business. They say

they have. They say that statement is to be supported by correspondence. Let us see the correspondence. That is all. We are here to examine the accounts and the way they do business. There is nothing confidential about that sort of thing.

Mr. GRAY: Mr. Chairman, I rather agree with Dr. Donnelly, although I do feel that it is public business and, therefore, should be produced. But the recipients are here and I imagine would, in a minute, if Mr. Vaughan would say to whom he had written these letters, release them. He mentioned Mr. Ralston, I know, and I think perhaps the Minister of Transport. They would say in a minute, "Release them" and let us get on and find out where we are. If Mr. Vaughan would say to whom these letters are written, I think they would be released at once and we would not get into all this debate.

Mr. DONNELLY: Mr. Chairman, in spite of all that has been said as to whether these are confidential or not, I would submit that this committee is governed by the rules of the house, and we have to conform to the rules of the house. The house will not permit, as we know, correspondence that is marked "private and confidential" to be given to the house or to be exposed in the house; I would advise that you go to the speaker of the house and get a ruling on this as to whether you are permitted to do this or not; because I do not think we are permitted to have this private correspondence made public.

Mr. POULIOT: Mr. Chairman, if you will permit it, I should like to say that you are the boss here, and it is up to you to decide. There can be nothing private regarding the expenditure of money. If a letter is written to anyone regarding the expenditure of money, that letter cannot be private because the people have a right to know where the money goes. Therefore, it is not a basis for privacy. No one can make a letter private by writing the words, "Private, confidential, personal", or anything they like on the corner of a letter before or after it is received. That does not make it private at all.

The CHAIRMAN: Gentlemen, the point is this. Just let us get down to brass tacks. We have a lot of very busy men here to-day, very important men to the nation. We have Mr. Symington and the heads of departments here waiting on this committee to be heard. I am not going to pursue this thing to the speaker or to anybody else; not at all.

We have a motion before this committee and it was accepted by this committee. If there was any demur at any time with regard to it, I do not remember it to any great extent. It seems to me there may have been a slight misunderstanding between ourselves and the president of the Canadian National Railways, and that is probably the reason the papers are not here to-day.

Mr. MAYBANK: They are here to-day.

The CHAIRMAN: Well, if it is not due to a misunderstanding, the only thing in my estimation that can prevent those papers from being before this committee is a refusal on the part of the officials of the Canadian National Railways. I do not see why we need to waste time. If they are prepared to produce these letters and there is no opposition, then I will request them to do so, so that we can get on with the business.

Mr. GRAY: Hear, hear.

Hon. Mr. CARDIN: Mr. Chairman, if you will allow me, I should like to say a few words. As Minister of Transport, I received a number of letters written to me by the president of the C.N.R., as did other ministers I am sure. That correspondence was all marked "private and confidential" to me. I must indicate to you that I have not gone back through that correspondence and read it again—it was voluminous enough—and I do not feel free to lift the limitations placed on that correspondence by the words "personal and confidential." In the letter addressed to me, the main point now under consideration by the committee

may have been covered; but there may also be other points which due to public interests should not be divulged. What is of interest, in my humble opinion—despite what has been said and with all due respect to the opinions that have been expressed already—is this. What does the committee want to know? They want to know if something has been done by the C.N.R. officials in order to equalize the division of traffic between the two railways. The president, I understand, as well as Mr. Symington and others, has indicated that they have made representations to the different heads of the government. I am here to say that, in fact, they have made a representation to different heads of departments and to myself personally. But they have done it in letters which are marked “private and confidential” and which, to a certain extent if not entirely, may be considered as inter-departmental or inter-branch correspondence which is not allowed to be produced in the house. The main object of the inquiry of the committee is to ascertain what has been done. As I understand it, with my very limited knowledge of railway affairs, the officials of the C.N.R. could not do any more than make representations to the heads of the different departments to have a better or a different distribution of the traffic between the C.P.R. and the C.N.R. They have done that. As far as I am concerned, I confirm that. They have made representation to that effect. What does it matter whether a sentence or two sentences more have been added to that. In my humble opinion it does not matter at all. That is no real reason, in my opinion, to justify seeing the wording of the letters. The main point was to know if representation had been made. They have made representation. They have made strong representation for a better distribution of traffic between the two railways.

Mr. POULIOT: Hear, hear.

Hon. Mr. CARDIN: It is clear. I admit that. I must say, to the credit of the C.N.R., whether it was under Mr. Hungerford or under Mr. Vaughan, they have made strong representations to me, and I know they have made them to other ministers as well. But that is the main point which is of importance to the committee, in my humble opinion. The other details, I repeat, which may have been mentioned in the letters and which may appear in the letters are of secondary importance.

Knowing now that the C.N.R. has made representation to the members of the government, the next step is to see what the government has done about it. That seems to me to be the logical sequence. It is not so important to know in what language the request was or whether a letter was addressed to Mr. Howe, Mr. Ralston or Mr. Mulock. I will be frank in stating that the suggestion of the committee of last year has been presented to the government and has been considered. But as all of you know we have been passing through very difficult days, and a number of very important problems have been occupying the minds of the members of the government during the last year. I would not say that anything definite has been done to change the situation. As far as my department is concerned, the Department of Transport, I am ready to say that we have given instructions to divide the business between the two railways in a manner more favourable to the C.N.R. Of course, we have not very much to ship by rail. But this is a matter of government policy which should be given full consideration, I understand, by the government when the government has the time to go over such a complicated affair. It is not an easy thing. It may be, that, on looking over one set of figures, one may come to a certain conclusion; but if you have placed before you another set of figures and another set of circumstances, the whole picture has been changed.

There are all sorts of complications and difficulties that exist in dealing with a situation of that kind, and it was thought advisable not to interfere too much in the matter, in view of the difficult circumstances in which we have been placed. I may say, for the information of the members of the committee, that

last year after the question was raised, I was flooded with telegrams coming from all parts of Canada protesting against the government taking any attitude to interfere with the distribution of business as it had been carried on up to that time. Those telegrams were coming from associations and from individuals representing all sections of the country. I have already started receiving a number of telegrams on the same subject. I did not like it last year because, to a certain extent, I thought that it might have been engineered. It may be so. Lots of things in these difficult days we are passing through are being engineered from some source, but are just the same causing trouble and difficulty. I do not think the time is opportune for the government taking definite action and stating that the business is to be divided 60/40, or any other percentage at all; because I confess that at the present time we have not a full opportunity of going into all the details and studying all the problems; and the minds of the members of the government are busy with very important problems. Speaking for myself, and as a member of the committee, I would not like to have representations coming from any section of the country which would have the result of disturbing the disposition and balance already working out in the best interests, and to the best advantage of the country. We are going through very, very unsettled times, and what is decided to-day may be changed to-morrow, or may be changed next month, or next year, or it may be changed as soon as the war is concluded.

My humble suggestion, with all due respect to those who have expressed their views is that the government should show in that question no real or too extended preference for the one or the other; and I rather think it will meet with the approval of those who are responsible for the administration of the C.N.R. if we leave the railways, which we claim so much are independent organizations—and the C.N.R. thinks of itself as being an independent organization—if we leave them free to fight their own battles.

Some Hon. MEMBERS: Hear, hear.

Hon. Mr. CARDIN: This railway is operating as a private industry, and operating very successfully as a private organization in dealing with other private organizations in this country. Why not just leave them the same opportunity of fighting their own battles. And, if there are any restrictions which have been imposed upon their action, such as any definite percentage which has been established, as far as I am concerned I am ready to recommend to the government; whatever may have affected this question before; I am ready to recommend to the government that any restriction of that kind be removed and that the field be left open for the C.N.R. to fight their own battle against their competitors for the time being. Later on, when times will have become more quiet and more reasonable, and when we have recovered more completely our time and our liberty of action; at such a time this question might be considered in the light of all the circumstances that may be placed before us.

Let me repeat; I am ready, in my position, if it is the wish of the committee, to recommend to the members of the government, the government in council, that if there are any restrictions which are creating any difficulties to the C.N.R. to prevent them from getting what they think should be their fair share of the business, such action as will remove those restrictions. It has been established, for example, the business is to be divided 50/50 between the railways. I am ready to recommend that such restriction be abolished, and that the field be left open. I am expressing my own view. I do not speak for the government, because we have not had an opportunity of discussing fully that matter in council before this morning. However, if it is agreeable to the committee, I am ready to carry that suggestion to the government; that all kinds of restrictions be wiped out for the duration of the war, and so long as the present unsettled situation continues. After the war this question may be brought up again; and if it is, all the circumstances in connection with it can be given due consideration at that time.

Going back to the matter of the correspondence; as far as I am concerned I am ready to agree to a very large extent with the representations that have been made; that it is not always the word "personal" marked on a letter that makes it of a personal character or of a confidential nature. But we have got to keep in mind that when a man writes a letter, if he chooses to have that letter considered purely personal and confidential, some consideration should be given to his feeling in that regard. Otherwise, if a personal or confidential communication is to be exposed to the public I doubt very much if many people would make their representations in the form of letters but would prefer to make them verbally. In my opinion, the marking of a letter confidential or personal is quite proper. At times it is also a protection for the man to whom the letter is being written, as well as to the man by whom the letter is being sent. In the present circumstances I am rather hesitant to express an opinion. I may be absolutely blind on this question, but I think that the most important thing to be considered is the action of the officers of the C.N.R. following the recommendations of the committee. You already have my assurance that they have done all that they could and they have so stated here. We could not ask Mr. Vaughan, any more than we could have asked Mr. Hungerford or the directors of the C.N.R., to go any further than that. What can they do? They cannot do anything more than to make representations to me, to the Hon. Mr. Howe and to the other ministers. It would be your business; dividing it this way, and that way; are you changing the attitude; are you disregarding the percentages that have been established already—they cannot do any more than that. They cannot impose their views upon the members of the government or the ministers. They have done all that they could do in making their representations; and I am here to confirm what they have told you, that they have made those recommendations; and the obstacles—if obstacles there be, have not been removed up to the present time, that is not their fault; because they have gone the limit in making all the representations that they could reasonably be expected to make in the circumstances. If there is any responsibility for not removing the obstacles, if there were any obstacles, or changing the percentage—if there were any established—well, that is the responsibility of the government. And our excuse for not having moved along that line is these difficult times which we have been going through. How many many things of a difficult nature the government is having to decide, things which have been presented to us in that regard.

Mr. POULIOT: Will you permit me one word?

Hon. Mr. CARDIN: Yes.

Mr. POULIOT: I understand that there have been several recommendations from the C.N.R.

Hon. Mr. CARDIN: Yes.

Mr. POULIOT: What I want to tell you, sir, is that had you been alone there would have been only one representation and it would have been successful.

Hon. Mr. CARDIN: I do not know as I could say that.

Mr. MAYBANK: I want to ask the Hon. Mr. Cardin what may seem to him at the moment to be an embarrassing question, but I wish to assure him that I do not intend it to be such. The question seems to me to be solely one as to whether or not these letters are producible. We have them here in the room at the moment. Mr. Cardin says that the letters can hardly be produced after the man who sent them marked on them "private and confidential"; that a man who writes a letter and marks it that way is entitled to some consideration. I think his view in that regard is sound. I do not think any person will dissent from that. When a person writes a letter and marks it "private and confidential", he expects it to be so treated; although, there are limits as to what he can do in that regard. When you are dealing with public

business it is perfectly clear that you cannot hide business from the public by putting certain marks on the letter. But in this case that is all of no importance. We do not have to consider the nature of the letter in this case. You do not have to give Mr. Vaughan any guard, because Mr. Vaughan said, just a short time ago, this morning, that so far as he was concerned it was quite all right to produce the letter. That is on the record there this morning; and I believe it will appear in the record of our proceedings of Friday last; however, I am not sure as to that; but I do know that Mr. Vaughan here this morning stated that so far as he was concerned the letters could be produced. So that sets aside any need of protecting the Canadian National official who marked upon their letters "P. & C.", or any other symbol to indicate confidentiality. Then, Mr. Cardin has not said himself that in the nature of these letters there is anything that should be withheld from the public interest. Mr. Cardin remarked at the beginning that he has not gone over the correspondence in recent times and could not say whether there was in it something that ought to be withheld. That being the case, since no person is here to say that it is not in the public interest—I can conceive of a sentence being in these letters which might not be in the public interest, might not be in the interest of the railroad—as, for example, you can imagine a sentence occurring in the letter where there might be some statement respecting one's own business which one would not like to have made public—there could be such a sentence there which one would not desire to have made public; although, we have not any such information. The minister himself makes no statement at all that there is anything in this correspondence which it would be contrary to the public interest to disclose. Mr. Vaughan, who writes the letter, says it is quite all right to produce it.

Now then, the main part of Mr. Cardin's argument at the moment is something like this: you can take it from me that these men have made representations; you can take that from me, they made representations, and strong ones. Now, when we know that they have made representations, what does it matter? They say: well, of course, that is just a matter of opinion, a matter of feeling. One man who holds the letter in his hand says: now look, Mister, if I showed you this letter it would not do you any good. You can't blame the other man for saying; well, all right, show it to me anyway. Now, that is the position in this committee. Mr. Cardin's statement was that they have made representations; what do you care about the phraseology. Well, I appreciate his judgment in that way; but neither he nor anyone else can blame me if my judgment is the opposite; but I say that in spite of your opinion as to this letter, I would still like to see it; and I still think that the public might like to see it too. But quite independently altogether of whether or not the public might, my opinion is that we are certainly entitled to present our case with regard to it here this morning.

The balance of what was said, regarding the division or distribution of business, of course, is not germane to the discussion we are having here this morning; not yet. That is one of the matters to come up here. Perhaps all of this will lead up to it. I am not asking that there be any particular division; not at the moment. In fact, that is the position I have taken before. It seems to me that the best thing would be to give the C.N.R. and the C.P.R. a free hand and let them go ahead; no hold barred, no restrictions. Mr. Cardin indicated that he is not going—trying at any rate—to see that there be any guaranty that the C.N.R. obtain such and such a percentage of the business. That is all right as far as it goes. I may want to deal with that a little more specifically and at greater length at some convenient time.

At this moment we are dealing with the question of whether or not the public are entitled to know what the C.N.R. has done and likewise what the government has done with respect to the C.N.R., and no person has advanced

any argument here this morning as to why the letters should not be produced, excepting that there are a couple of words which are not efficacious in the first place in holding back this type of information. On first principles those words are not efficacious and in the second place if they were ordinarily efficacious, the writer of the letter says "wipe them out; we do not want that protection"; and the receiver of some of the letters does not say, "it will be against the public interest to produce them". I think those letters ought to be before us in order that we may see the case before we go further.

Hon. Mr. HOWE: What you are saying is that Mr. Vaughan, President of the Canadian National Railways, cannot write a letter to Mr. Cardin who represents the shareholders of the railway unless he is prepared to publish that letter in the paper.

Mr. MAYBANK: No, I did not say that.

Hon. Mr. HOWE: That is what it is in effect.

Mr. MAYBANK: No, I do say that Mr. Vaughan has written a letter which he says he does not care whether it is produced or not and Mr. Cardin has not said that the nature of the business is private and confidential—

Mr. VAUGHAN: I do not think I went quite that far.

Mr. MAYBANK: I admit I am interpreting your remarks.

Mr. VAUGHAN: I said providing the ministers are agreeable. There just happened to be a few things said in regard to the competitive situation as between ourselves and our competitors that I do not think it would be desirable to place on file.

Mr. POULIOT: In the mass of public correspondence—

The CHAIRMAN: Are you through, Mr. Maybank?

Mr. MAYBANK: No.

The CHAIRMAN: Well, finish with what you have to say and let us get done.

Mr. MAYBANK: I want to make it clear in the first place—and I thought every person knew it—that I was not endeavouring to quote Mr. Vaughan verbatim, and my rendering of what he stated was, of course, my interpretation, and I emphasized that fact. Now, I wish also to make clear that I can quite understand that there may be a sentence in this correspondence of the type that Mr. Vaughan has described, and I think if there is such a sentence, and if that be the point raised that that can very easily be resolved. If you say let us check this over and see if there is a particular sentence in there relating to our competitors and giving information to our competitors well, obviously that comes within that class of sentence that it is not in the public interest to disclose, and that sort of thing can easily be kept out in the production of the papers; copies could be produced and no problem will be involved there at all.

The CHAIRMAN: I am suggesting now that it is a matter that could be debated for the next three weeks and we would be no further ahead. The position of the Chair is simply this, that a resolution has been passed in this committee and accepted by the committee for the production of certain papers. The Minister of Transport has declined to produce the papers; and it seems to me that the matter before the committee is to ascertain how many are willing and how many are not willing to produce certain papers. I do not think all the debate in the world will get us any farther.

Mr. MAYBANK: That resolution in the committee was that the Canadian National shall produce those papers. The chief witness before this body, namely, the Canadian National Railways, has stated that certain things were done by it and that organization is asked to substantiate the statements by producing the correspondence. That is the position.

The CHAIRMAN: The Minister of Transport has declined respectfully to have certain letters produced to the committee. Now, if that is the position what is the use of wasting time about the matter. Let us go on with something else.

Hon. Mr. CARDIN: Mr. Chairman, if you will permit me one word. I should not like my attitude to be interpreted as making a flat refusal to a request which has been passed by the members of this committee. That is not my attitude exactly. I confess very frankly that since the resolution has been passed I have not had an opportunity of going back over that correspondence and reading all the letters that have been sent to me marked personal and confidential, and I would not feel free to give a blanket promise to produce those letters for fear there might be something in that correspondence that would create some embarrassment for the railway, the welfare of which we are working to achieve. At the moment frankly I would hesitate very very much to agree to the production of that correspondence. With regard to that correspondence and what was in it—and you need not necessarily take my word for it—nothing more could have been expressed by any president of the railway than what has been expressed by Mr. Vaughan. Suppose that instead of having written me those letters Mr. Vaughan had chosen to come to Ottawa and make his representations verbally, would you be better informed than you are by the declaration I am making to you now? If strong representations had been made by him and the officers of the railway and certain delay has marked action in that matter it is not due to Mr. Vaughan. I am always afraid that, by producing letters or documents, even if they are not of great importance, which have been marked “personal” by the sender and letting them be divulged and make public, it might not be an advantage to the officers of the government; because if those letters which are received marked personal and confidential are going to be published and if we are going to establish a rule that they are liable to be published, a lot of people are going to come to Ottawa rather than write, and they will want to make their representations verbally instead of writing the word “confidential” on their letters. We admit that there are limitations. Before I express my views, there may be limitations and I will admit those limitations; but as a general rule I do not very much like to accept that interpretation with regard to a personal letter,—even if there is practically nothing in it,—that we should refuse to recognize the principle that the sender has a right to mark that letter personal and has a right to have it kept personal. Even the person who receives the letter may be interested because the release would come from the person who receives the letter and answers it, because an answer has gone with that letter. Personally, I would not like that practice. Mr. Chairman, you will pardon me for expressing my view; it was not a positive refusal; I do not want to take that stand before the committee.

The CHAIRMAN: The position of the chair is this: the Chairman finds himself in a rather difficult position because what he has to ascertain is whether these letters are going to be produced or not, and if they are not going to be produced we should go on with something else.

Mr. NICHOLSON: With regard to the discussion which has taken place for the last half hour regarding the production of papers I would suggest that we hear the cabinet ministers and then we can discuss this matter later.

The CHAIRMAN: Yes, I wish to tell the committee that we have brought Mr. Symington here this morning.

Mr. POULIOT: Is it not according to the minister's knowledge that very often letters are marked personal just to have them brought to the personal attention of the minister?

Hon. Mr. CARDIN: Yes.

Mr. POULIOT: And those letters are not personal at all?

Hon. Mr. CARDIN: Yes, that is absolutely correct; but when they are marked “personal and confidential”, as all that correspondence is marked as far as I can remember, I do not feel free to divulge it, although I may later on if the committee insists. I will go through that correspondence at the request of members of the committee. I shall be only too glad to do that.

The CHAIRMAN: Gentlemen, there is a motion before the chair, moved by Mr. Nicholson. First I shall state the motion and you can go on talking to the motion. The motion is that the committee proceed to other business and that this matter be allowed to stand.

Mr. LOCKHART: Is that motion not open to discussion?

The CHAIRMAN: Yes.

Mr. LOCKHART: We have had this matter come before this committee in past years. Matters were raised in connection with Trans-Canada Airways and it was considered not to be in the public interest to divulge those matters; still it was considered that those matters were of interest to this committee and that the committee had a perfect right to have that information. The information was divulged to the committee. The room was cleared and only members of the committee were present, and we got along very amicably and without difficulty. It seems to me that we are possibly straining at a gnat and swallowing a camel in trying to adhere to technicalities too closely. I think the committee can get the information concerning the major portion of what we are asking for, but I do not see why we should be going on with this discussion indefinitely. I recall that these matters have come up before and we have been able to get over the difficulties by giving certain information which satisfied the members of the committee but which was kept off the record.

Mr. MAYBANK: The ministers have come here to make statements with reference to the manner in which their departments work vis a vis these two railways, and it seems to me that those statements ought to be made in the light of the representations made by the Canadian National Railways. Those statements cannot be as complete as we should like to have them until we have these other representations before us. I have no objections whatsoever to the correspondence being scanned now by Mr. Cardin or anybody else with a view to ascertaining whether there is anything in that correspondence—whether there are some sentences in that correspondence which it would not be in the public interest to disclose. However, that part of the motion which suggests asking the ministers now to make statements is wrong because we would be going at this thing piecemeal; the proper time to get a disclosure by the ministers with respect to their departments vis a vis the railways is after we have these representations before us so that we will be able to relate the one to the other; and if time is necessary to look into this correspondence to see whether it ought to be produced or not, that is all right. Then when the decision thereupon is communicated to us, and when the documents are produced, as I feel sure they would then be, that would be the time for us to ask the ministers with reference to the working of their departments, and not now.

Mr. HAZEN: The resolution we were discussing previously asked that the correspondence exchanged between the various ministers and their departmental heads with the president of the railway be produced.

Now Mr. Vaughan, it seems to me, cannot produce the letters that he wrote to the ministers and to the departmental heads. These letters are in the possession of the ministers, and if they are produced they will have to be produced by the ministers. The only letters that Mr. Vaughan can produce are the letters that he received from the ministers. He has their letters and they have Mr. Vaughan's letters.

Mr. MAYBANK: He can produce the copies.

Mr. HAZEN: We might get over that this way, if the other resolution provided that the ministers be called and examined; at the time of the examination they could be asked if they received letters from Mr. Vaughan. They could then be asked what the letters contained. They could go through the letters and the part they object to could be discussed and it could be decided

whether or not the information to which they object should be given to the committee. The letters are in the possession of the ministers and when they are called and examined they could put those letters in evidence or not, as they see fit, or they could give us evidence as to the parts of these letters that they should leave out, the parts which they consider are privileged.

Mr. GRAY: Quite apart from the motion in respect to correspondence, following out Mr. Nicholson's motion, it seems to me if at this time we had a statement from the ministers, and it is understood they would deal similarly with the matter as Mr. Cardin has done here, following the representations that had been made by the heads of the Canadian National with respect to government business, how it has been dealt with by their departments, how they look upon it, etc., if that was understood I would support Mr. Nicholson's motion to get on.

Mr. SHAW: Mr. Chairman, there is one matter that I should like to have perfectly clear. The minister stated during the course of his remarks that the C.P.R. is independent. He used that term. I understand that we are discussing the railroad owned and operated by the government. I should like to ask the minister what they are independent of and whom they are independent of. He was speaking of the competitive aspect of the business as between the two railroads.

The CHAIRMAN: Are you speaking to the motion?

Mr. CARDIN: Probably my expression was not the proper one. I meant the privately-owned organization, the public-owned and government-owned organization. That was what I meant.

The CHAIRMAN: I think we should endeavour to get rid of the business before the chair. We have a motion before the chair and I think the remarks of the committee should be pertinent to that motion. The motion is that the matter of correspondence be allowed to lie for the time being and the committee proceed with other matters and the ministers be heard. That motion was moved by Mr. Nicholson and seconded by Dr. Donnelly. I am going to put the question and I am going to ask those in favour to stand.

Mr. MAYBANK: I should like to move an amendment to that, Mr. Chairman. I should desire to move an amendment, if I can have a seconder, deleting that last clause of the original motion that the ministers be now heard. My amendment would change the motion to this effect. That the matter of the production of these papers be allowed to stand. I, of course, apprehend that Mr. Nicholson means that it be allowed to stand in order that immediate decision be made.

Mr. SHAW: It may be inquired into at a later time.

Mr. MAYBANK: The latter part I am moving should not be in. I see no use going ahead with the statement of the ministers until we have this correspondence.

The CHAIRMAN: It is moved by Mr. Maybank that the last clause in the main motion be deleted. All those in favour of the amendment please signify.

Mr. NICHOLSON: Is there a seconder?

Mr. POULIOT: I second it.

The CHAIRMAN: The amendment has been moved and seconded.

Amendment lost.

The CHAIRMAN: Those in favour of the original motion please signify.

Mr. LOCKHART: Read the motion.

The clerk reads the motion.

Mr. MAYBANK: Before that is put I would ask this question by way of clarification. I take it that it is implicit in the motion that a decision relative to the production of these papers will be given to us by Mr. Cardin or the appropriate ministers very soon. It is implicit in that, is it not?

The CHAIRMAN: Well, the matter of the production of papers is to lie on the table for the time being, while we hear the ministers of the government. That is my conception of the motion.

Mr. HAZEN: That means we cannot ask the ministers anything about the letters they received.

The CHAIRMAN: I think you can ask them anything you like.

Motion carried.

Mr. MAYBANK: Mr. Chairman, I should like to draw your attention to the fact the motion obtained a unanimous vote, at least.

The CHAIRMAN: Committees have a powerful faculty for killing time and wasting it.

Mr. GRAY: Who is first, Mr. Chairman?

Hon. Mr. CARDIN: I do not know that I can add very much to what I have said adready. I have stated that the recommendation of the committee has been placed before council and discussed. No final decision as a matter of policy has been arrived at due to the peculiar circumstances. I suppose as far as the Department of Transport is concerned it was expected that we would act more quickly than the others and probably take a greater chance. The information that has been passed to me is that in the contracts entered into by the Department of Transport it has been stated to the contractor, as far as possible—rates being equal—to route all materials and men over the Canadian National. As a matter of fact and as a result of the action the amount that has been paid to the C.N.R. is \$304,000 and the Canadian Pacific \$205,094, amounting to a division of 65 to 35 in favour of the Canadian National. Of course we do not transact very much business in the Department of Transport. But in so far as sustaining the C.N.R. is concerned that is a fair indication of the trend of the business of the Transport department. That is a concrete fact, and the result of the attitude which has been taken following the recommendations of the committee of last year.

The general impression with regard to the amount of business of the Department of Transport and myself, as it may be explained probably by other ministers who are responsible for the moving of a larger amount of traffic than the Department of Transport moves, is that there are many, many factors that could be taken into account when dealing with a matter of that kind. I can only state as Minister of Transport the government has not as such taken any definite stand and given to any department any direction as to the movement of the traffic for which they were responsible.

I understand that a certain number of years ago a statement was made that the business should be divided 50-50. I am not sure that rule has been followed exactly when you take all the factors into consideration. But once again I want to repeat, if it is the wish of the committee I am ready to make representation to council to consider when circumstances permit the wiping out of any statement or any direction that has been given as to the division of traffic 50-50 as between the two railroads, and leave the two railroads to fight their own battle with the different departments of the government. I guess that is as far as I can go. My department is not very much concerned about the great bulk of the traffic as we have not very much to move. That is the action we have taken in the Department of Transport.

The CHAIRMAN: Mr. Howe, will you say a few words to the committee? I think what the committee is after is a general outline of the considerations that obtain in the matter of the movement of traffic over the two railroads.

Hon. Mr. HOWE: I may say before the inception of the Department of Munitions and Supply I discussed the relations of the railways with both presidents. I gave it to them as my view that traffic should be allowed to move

in a natural way. I said where we were establishing new plants, new industries, we would place them on both railways if no additional expense was involved. Obviously it is an advantage to industry to be on both railways. If that was not convenient to the department we would put them on whichever railway was convenient or other circumstances dictated and that the business would naturally move over the railway on which the plant was placed. Both railways expressed themselves as satisfied with that, and as far as we are concerned we did not attempt in any way to dictate the movement of traffic. The solicitors of both railways have been free to do their work with whoever was operating the various plants. Personally I have had no objection. I do not recall that letter Mr. Vaughan wrote me. I think I got a letter from him, or perhaps two. My own special reference to the Department of Transport or as far as we are concerned was there is no hard and fast division. The business moves the most convenient way at the time for each particular shipment.

Mr. GRAY: If there are limitations in some of the departments you are quite satisfied there is none in the Department of Munitions and Supply?

Hon. Mr. HOWE: No.

Mr. DONNELLY: May I ask one question because of what has been said? Goods going from a competitive point to a competitive point, the route is decided by whom? Who decides which railroad it is to go over?

Hon. Mr. HOWE: The traffic officer of the department. As far as I am concerned, I presume it is natural in a case like that, as you can readily assume, to divide more or less 50-50 between competitive points. The traffic officer decides that to keep himself out of trouble, and by doing that the division of the business naturally divides itself in the larger proportion to the railway having the most mileage and the greater number of non-competitive points. That is inevitable, I think. I would guess that our traffic divides itself in this way. I was talking with our traffic officer, and as near as he could calculate, traffic seems to divide itself roughly 60-40, 60 for the C.N. and 40 for the C.P. That very naturally comes from the fact that the C.N. has more mileage than the C.P.R. and territories that are exclusive.

Mr. DONNELLY: It has been checked up?

Hon. Mr. HOWE: I asked for a check on Saturday when I got the advice that this committee was interesting itself in this; and while time has not permitted an accurate check, that is the view of the traffic officer as to about the way in which the business divides itself.

Mr. SANDERSON: Mr. Chairman, did I hear the minister aright to say 60 per cent to the C.N.R. and 40 per cent to the C.P.R.?

Hon. Mr. HOWE: Roughly I should think, yes. I could not say about 70 or 72 per cent. I would guess traffic moves in about that relation.

Mr. DONNELLY: That is the whole business?

Hon. Mr. HOWE: The whole business of the department.

Mr. DONNELLY: Can you give us definitely from competitive point to competitive point as to how it is supplied?

Hon. Mr. HOWE: The railway might. I do not think we could.

Mr. DONNELLY: I think that is important.

Hon. Mr. HOWE: There has to be an exhaustive breakdown.

Mr. DONNELLY: I agree that where it is from a competitive point to a non-competitive point, there is no question at all; it has to go by the road which is carrying it. But where it is going from competitive point to competitive point, that is what the committee is interested in entirely.

Hon. Mr. HOWE: Neither railroad has objected to the manner in which that business is divided. I think we can assume that over-all business is divided pretty well between the two systems in relation to their mileage.

Mr. HANSON: Mr. Chairman, the minister says that he is having this looked into. I wonder when he gets that if he would file the information.

Hon. Mr. HOWE: Frankly, I do not know that we have enough records to do it. It is very hard. We have to check each individual shipment and decide whether it is competitive or non-competitive and total them up. It runs into, I suppose, a great many million dollars; possibly over one hundred million dollars. It might be a very serious job to undertake. The railroad would be in a better position to do it than we would.

Mr. HANSON: I do not mean to get it absolutely exactly. If we got rough figures, it would give us something to go on.

Hon. Mr. HOWE: My impression is that it divides itself about in that way.

Mr. NICHOLSON: Take shipments from Winnipeg to Montreal for a year. Would there be too much work in connection with that?

Hon. Mr. HOWE: Where they are coming from two or three plants, probably we could. But all shipments—there again it would be quite a job. I will see what can be done. I will ask our traffic men to track it down as well as they can, on that particular movement from Winnipeg to Montreal and see what we can do about it.

Mr. POULIOT: What company has the shortest route from Montreal to Halifax?

Hon. Mr. HOWE: Montreal to Halifax mileage?

Mr. POULIOT: Is it the C.N. or the C.P.?

Hon. Mr. HOWE: I think probably the shortest mileage would be a combination of the C.P.R. and C.N.R.

Mr. POULIOT: There is not a great difference?

Hon. Mr. HOWE: Not a great difference, no. The rate is the same. The movement is about the same and we would not pay much attention to the mileage. We would not be interested in that.

Mr. POULIOT: But there is a slight difference in the mileage?

Hon. Mr. HOWE: Yes. I really do not know the answer to that. I would guess that the line across Maine is probably shorter.

Mr. MAYBANK: You would guess which?

Hon. Mr. HOWE: The line across Maine.

Mr. SANDERSON: Mr. Chairman, when the committee met last year there were some figures given to the committee, I think, by Mr. Armstrong. It was in the report of last year as to government business with the two railroads. No figures have been given yet this year; at least we have not come to them. Have you got those figures for this year?

Mr. ARMSTRONG: No, sir. Those figures were filed as a return in the House of Commons. They were not supplied by the railway. They were supplied by the department. We merely took from the return that was filed in the House of Commons.

The CHAIRMAN: A little louder, Mr. Armstrong, please.

Mr. ARMSTRONG: I say we merely took the figures from the return which was filed in the House of Commons.

Hon. Mr. HOWE: If I may be allowed to make a further statement, I should like to say that I think things are much too serious now to worry greatly about the competitive position in anything. As a matter of fact, both railways are practically hauling everything that the capacity of the line will permit them to haul. Why we should worry, when we are running a war, as to whether one railway gets a few dollars more than the other railway, I cannot see. I do not think, in my job as Minister of Munitions and Supply, that I would care to

worry very much about that. I know in dealing with private firms we do not worry very much as to whether one firm is getting more business than another firm. The thing we worry about is whether in the total we can get the maximum amount of production from both. I think it is the duty of the railroads in this country to give service and make that service attractive to shippers, and get business accordingly. I cannot imagine in times like these that it is the duty of the government to set up arbitrary divisions.

Mr. MAYBANK: I just want to say a word in answer to that. I would not like to let it go unanswered. It is not a question of dollars and cents solely. It is a question of men being unemployed.

Hon. Mr. HOWE: What men?

Mr. MAYBANK: Well, as a matter of fact there are railroaders desiring to present information on that, according to the information so far before us. The feeling is that the Canadian National Railways has unemployment and the other railroad is crying out for men. That is one answer to what has been said. It is not just a question of dollars and cents for the moment.

Hon. Mr. HOWE: As a matter of fact, gentlemen, there is no unemployment in this country. If you can show me a thousand men unemployed to-day, I can tell you exactly where they can be employed, at very excellent wages. This country is short of employment from end to end.

Mr. MAYBANK: All right.

Mr. SHAW: Mr. Chairman, I should like to ask Mr. Howe if his statement applies to unskilled as well as skilled men.

Hon. Mr. HOWE: Both.

Mr. SHAW: That seems contrary to a recent radio broadcast that said—and I believe it is a censored broadcast—that unemployment in this country had increased by 5 per cent since January.

Mr. DONNELLY: Who said that?

Mr. SHAW: It came over CFBN in Calgary in a news broadcast about three weeks ago, and if that is correct, I would not say that your figures with regard to unemployment would stand up.

Hon. Mr. HOWE: If you can deliver me a thousand men at Ottawa, I will be very pleased to use them at Sudbúry to-day. If you deliver me five thousand, I can use them at Arvida.

Mr. SHAW: You will take skilled men, but you will not take unskilled men, will you.

Hon. Mr. HOWE: I will take labourers, men that can use a pick and shovel.

Mr. SHAW: I am extremely glad to hear that, Mr. Chairman.

Mr. CHAIRMAN: Gentlemen, order. Mr. Vaughan would like to make a statement which he thinks would clarify matters and shorten the debate.

Mr. VAUGHAN: I will stand up, gentlemen, so that you can hear me. I thought perhaps a statement from me might clarify the situation in respect to the position of the Canadian National Railways. Figures that may be brought here, it seems to me, would not be of very much significance, because they would include all the competitive and non-competitive business of the departments. Of course we, being so much larger than the C.P.R., have much more non-competitive territory. All that territory would belong to us exclusively. The C.P.R. non-competitive territory would belong to them exclusively. All we are asking for is that the field be left open, and that where there are any instructions in effect to-day that the C.P.R. is to get 50 per cent of the business, that they be lifted and the field left free to both railways.

Mr. POULIOT: Mr. Chairman, if you will permit me, I should like to say one word. Mr. Howe said, "What is the difference of a few dollars in times like

these?" Well, the difference between one-third and one-half is much more than a few dollars, and it must be kept in sight. There are thousands of men who could be employed by using the difference between one-third and one-half of the business.

The CHAIRMAN: I presume the committee wishes to proceed with hearing the ministers. I will ask Mr. Mulock to proceed.

Hon. Mr. MULOCK: Would you mind allowing Colonel Ralston to go first? He would like to get away.

The CHAIRMAN: Very well.

Hon. Mr. RALSTON: Gentlemen, this matter only came to my attention on Saturday. Mr. Vaughan brought it to my attention in September last year. At that time he left with me a memorandum which I have no objection to producing, setting out his grounds for the consideration of the department in connection with the placing of freight. I knew nothing at that time—I do not think I had ever made inquiries—as to whether there was any arbitrary division of freight or not. I did make inquiries then and I ascertained that there was a working principle in the department away back in 1933 which was on the general basis of 50-50 between the two railways; but on that point I was going to say more honoured in the breach than in the observance, but that is not so. But that had been construed, if it was acted on at all, as meaning perhaps 50-50 in competitive territory; and the C.N., as it had more non-competitive territory, had extra business. As a matter of fact, I ascertained from our officers that this so-called rule has not had very much effect. I am speaking particularly of personnel—that is to say passenger business. I think what they do is to bring the two railways in when they have a movement and make distribution between them. I do not know whether the railways are ever satisfied, being competitors, but at least my officers tell me when they go out they do not seem to be dissatisfied about the allotment which has been made. I had the thing gone through and I am bound to say I cannot speak on any basis of a close calculation.—I had the financial superintendent do what he could in connection with it, and I think I am stating it approximately accurately when I say that the amount of money which has been paid to the two railways or the amount of money on which the two railways have gotten the benefit,—perhaps I should say, was divided in something along the line of 60-40; that is, 60 for the C.N. and 40 for the C. P. You will understand that you have got to get the figures showing the total amount paid to the C.N.R. and the total amount paid to the C.P.R. That does not mean that those railways get the benefit of that, because in either case, if you have traffic originating on the other road, there is a certain amount to be paid for the last half of the haul to the other railway. We know nothing about that whatever. The only way you could get that information would be from the railways themselves. Similarly, with traffic originating, for instance on the Canadian National Railway—at least, passenger traffic—from any particular point and proceeding by steamship going C.P., the whole amount might be paid to the C.N. and the C.N. would have to pay the C.P. for the steamship rate. So it is a very difficult thing. So they advised me to get a breakdown which will give you what you really want if you feel that there must be some sort of meticulous division between these railroads. It is very difficult to get figures which will tell you exactly what was the position, and I am only giving you roughly what my officers give me, namely that they think the result is about 60-40. That is to say, the actual effect of the payment is in the ratio of 60-40. I just want to say that the only possible matter of discussion between the two railways must be competitive business; that is to say, in so far as one railway has exclusive territory, there is nothing else to it. It has to get the business either way. The whole question is the matter of competitive business. I might state briefly,

like Mr. Cardin, that I have not discussed this in council at all. As I see it, I have not the slightest objection to taking off any implied principle that there may be of a 50-50 basis on competitive business, if that is thought the proper thing to do. But I should like to discuss it with my colleagues first. This is not any direction to my officials in the slightest, because I do not care what they do as long as they see this job is done efficiently and cheaply and we get the service as fast as possible and these goods moved, but I would anticipate that if I do not give instructions to the official to decide as to the division of the traffic or refuse to give any instructions, he finds his own solution for it; and where the service is equal, and where the distance is equal and the time is equal, I would imagine you would not find very much difference in what exists to-day, namely a division of 50-50, because that is the easy thing to do, under the compromise system. But I would be perfectly happy, knowing the officials, to give them discretion to do whatever they think best in connection with the awarding of the division of traffic, having only one principle in mind, and that is the principle of convenience of shipping, quality of service and cost.

Mr. GRAY: What were the instructions you mentioned earlier of a 50-50 nature? Were they written instructions?

Hon. Mr. RALSTON: In 1933.

Mr. MAYBANK: They are written.

Mr. GRAY: Originating from what source?

Hon. Mr. RALSTON: In 1933.

Mr. POULIOT: They have not been amended since then?

Hon. Mr. RALSTON: They have not been amended in the sense of actually changing the letter.

Mr. DONNELLY: Was that just from competitive points?

Hon. Mr. RALSTON: I am giving you just what has been acted on. They have not been acted on, in this way; that is to say, they have not lumped together all the dollars by each railway.

The letter might have a bearing on it. The letter was sent out by the Quartermaster-General under date of June 24, 1933.

Mr. GRAY: That would be to all—

Hon. Mr. RALSTON: District officers.

Mr. DONNELLY: Does that apply only to freight, or to all railway work?

Hon. Mr. RALSTON: That applies to both personnel and freight.

Mr. GRAY: Can we take it, Mr. Minister, that as the matter stands now, you would be willing, so far as you are concerned personally, that any restrictions should be removed or withdrawn in so far as they apply to officers of your department?

Hon. Mr. RALSTON: I would not remove them from the files, I would just suspend them.

Mr. HANSON: That arrangement was made in 1933, that it should be on a 50-50 basis. I remember that, because I happened to be a member of the committee at that time. Could you tell me if there was any consideration given to mileage, employees, and so on?

The CHAIRMAN: He (Hon. Mr. Ralston) is making a statement, as you see. That was in 1933.

Hon. Mr. RALSTON: Yes, in June of that year. As I was saying, it is left entirely to the discretion of the D.S.C. or the Quartermaster-General, as to what amount should be allotted to the different railways. I will undertake to see that before very long there will be a statement issued by the minister in this connection.

Mr. MAYBANK: You were saying that you have a memorandum there from Mr. Vaughan; would you be willing to file that with the committee, would you have any objections to that?

Hon. Mr. RALSTON: This is headed: "Memorandum of Reasons for Traveling and Shipping Via C.N.R." It would be quite all right so far as Mr. Vaughan stands; there are some notes at the top of it which were placed there for my information. I am sorry I have not a copy at the moment, but I will see that the committee is supplied with a copy for its use.

Mr. MAYBANK: I apprehend from what Mr. Vaughan said this morning that the nature of his representations, and the nature of all the representations of the Canadian National, were to the effect that they should be given a free hand, and that the 50 per cent rule be wiped out; am I right about that? Is that referred to in that memorandum?

Hon. Mr. RALSTON: No, Mr. Vaughan in this memorandum—I think you had better look at the memorandum. I think the memorandum itself indicates the proportion he thinks the C.N.R. ought to have.

Mr. POULIOT: Are we to have your memorandum?

Hon. Mr. RALSTON: I did not have any memorandum. I did not write a letter about it at all.

Mr. MAYBANK: Did you not make a verbal answer to it at the time?

Hon. Mr. RALSTON: No, I did not. I was satisfied that the 60-40 division was not far off from being fair.

Mr. DONNELLY: Does the 60-40 division apply only to passengers and freight?

Hon. Mr. RALSTON: It applied to passengers, freight, telegraph and cable, and so on.

Mr. DONNELLY: Could you break that down and tell us the division as between passenger and freight and so on?

Hon. Mr. RALSTON: No, I cannot. I stated at the outset that I did not get a specific statement with regard to it. The officer who made the computations said that he thought that the division of traffic in non-competitive territory has been taken into account; and he ventured to say roughly that it was a 50/50 distribution. Where there is competition, the C.N.R. gets roughly 60 per cent and the C.P.R. 40 per cent.

Mr. SANDERSON: Would it be in order to have that letter read and put on the record?

Mr. GRAY: He is going to file it.

Mr. SANDERSON: Pardon?

Mr. GRAY: Mr. Ralston said that he would file that correspondence.

Mr. MAYBANK: That would become a part of the record, not just filed as an exhibit?

The CHAIRMAN: I think it should become a part of the record.

Mr. MAYBANK: It should be printed in the record.

The CHAIRMAN: If the minister is prepared to let it be filed on the record it can go into the minutes.

Hon. Mr. RALSTON: This memorandum is not marked "personal".

Mr. MAYBANK: I just wanted to get it read into the record so that we would not have to go someplace else to look at it.

Mr. DONNELLY: Mr. Chairman, I move that it be printed in the record.

The CHAIRMAN: That is understood, that it is going into the record.

Mr. JACKMAN: From listening to the minister I would gather that apparently the government controlled business is divided about 60/40—60 per cent

to the C.N.R. and 40 to the C.P.R. In last year's minutes of proceedings at page 119, Mr. Fraser was on the stand and he said:—

But our best judgment is that the government-controlled business is given in the ratio of 45 to 55. The Canadian National participates at a maximum of 55 per cent.

And Mr. Vaughan has made representations to the various ministers in regard to this traffic. He must have had fairly accurate figures. Would he care to state to the committee what is in his records in that regard?

Mr. VAUGHAN: We have no such records, because the amount of money paid the competing railway would only be in the records of the Dominion Government. We would have no way of knowing the amount of business paid for by the government to the Canadian Pacific Railway.

Mr. JACKMAN: What leads you to your impression that the C.N.R. is not getting a fair division of the business?

Mr. VAUGHAN: From reports coming to us from our various traffic officials throughout the country from Vancouver to Halifax. There is certain business that is going away from us which we think we ought to get. But, as I said a little while ago, we are not asking for any favours. We are entitled to over 65 per cent of the business of the country by reason of our larger mileage, and our greater non-competitive territory. There is no doubt about that. What we say is: lift the restrictions, and leave the field open. There is the impression in the minds of the officers of some of the departments of the government that they must see that the C.P.R. is protected to the extent of 50 per cent. Now, we do not ask for any protection; we say, lift this restriction and we will take our chance at getting the business we are entitled to.

Mr. JACKMAN: Your experience would seem to indicate that officers in the departments are not obeying this direction from the government, in respect to your railway getting 60 per cent and the other 40 per cent.

Mr. VAUGHAN: Yes; but very frequently when our officers interview officials of the various departments they say; now, we can only go so far, there is additional business that we would like to give you; but we are restricted by this order and we cannot go beyond it.

Hon. Mr. HOWE: Did that ever happen in connection with the Department of Munitions and Supply?

Mr. VAUGHAN: No, sir.

Hon. Mr. RALSTON: Can Mr. Vaughan tell me the name of any officer in the Department of National Defence who has ever said that to him? I may be sticking my neck out in asking that.

Mr. VAUGHAN: I think Mr. Fraser can answer that.

The CHAIRMAN: Mr. Fraser will answer that.

Mr. FRASER: It has been personally so reported, yes, Mr. Chairman; quite frequently so.

Hon. Mr. RALSTON: Colonel Lawson is here; he will tell us.

Mr. POULIOT: What you don't know, Mr. Vaughan, is that all the—

Mr. DONNELLY: Just a moment; we have a witness before us at the moment.

The CHAIRMAN: Are you through with the witness, gentlemen?

Some Hon. MEMBERS: No.

Mr. MAYBANK: Mr. Chairman—

The CHAIRMAN: Just a minute; there is a little mix-up here. There is a witness before the committee and I think someone wanted to ask him some questions.

Mr. HANSON: Yes, that is the traffic manager of the Department of National Defence.

The CHAIRMAN: Yes, in connection with the Department of National Defence.

Hon. Mr. RALSTON: I asked Colonel Lawson and Mr. Fraser whether any such statement had been made to him by any official of the Department of National Defence at any time, and he said that it apparently had been reported. I wonder if Colonel Lawson has anything to say about such a statement ever having been made by him?

Colonel LAWSON: Mr. Chairman, I remember such reports reaching me. I am chiefly concerned with the transportation of personnel. You must understand that there are other branches in our department; namely, the Royal Canadian Ordnance Corps, who have their depots all over the country from coast to coast. But, as far as personnel are concerned, we make it a practice, as Colonel Ralston has said, to bring into our movement control office whenever there are any movements of troops contemplated the representatives of the railways and we arrange in an amicable way to divide the business as best we can, considering all the circumstances.

I spoke about this matter to Colonel Ralston this morning and I made the unhappy remark that both railways went away satisfied. He said, you are a liar. What I really should have said was that they went away apparently satisfied. But, as far as freight shipments are concerned, Mr. Chairman, I have had no incidents reported directly to me that shippers had been actually tied down to the yardstick of 50 per cent.

Hon. Mr. RALSTON: I just want to say one further word; and that is about this statement. I do want the committee to understand about this 60/40 reference which has been handed to me, that it must be revised to make it properly applicable. Mr. Fraser has indicated that he thought the division of business was about 55/45. I am not in a position to contradict him; he may be right in feeling that way about it. We have only the record of the amount of money paid each railway. We have no record of the amount which passed from one railway to the other with respect to two-line traffic. We have to approximate that.

Mr. JACKMAN: I did not, of course, question the statement of the Minister of National Defence (Hon. Mr. Ralston). I merely wanted to get the point of view of the railway officials themselves. And apparently Mr. Fraser had made this statement, that there is a very definite rule; but I would quote from what he said in the minutes of last year, at page 129 of our proceedings:—

You see, the two railways today solicit for government business just as they would for any other business. The government is a highly competitive organization from the railways' point of view just the same as anybody else. They are just another customer to the two railways, unless you find here and there the view which does prevail in some departments that the business of the department should as a matter of policy be equally divided by percentage between the railways. You find that in some departments.

I think Mr. Fraser should be very explicit in his remarks; and if he has this impression, and it is well founded, he should give the committee whatever value there is in it.

The CHAIRMAN: Mr. Jackman, may I suggest that at the present time the committee is examining Colonel Ralston. I do not know whether we are through with him or not. We have called in one or two incidental wit-

nesses at the request of the members. Now, do you wish to call Mr. Fraser? If we are through with Colonel Ralston we will be very glad to have him take the stand. But, let us get on in as orderly a way as we can and get through. Now then, are you through with Colonel Ralston; may I ask the committee?

Mr. POULIOT: I have just one question or two.

The CHAIRMAN: All right.

Mr. POULIOT: Colonel Ralston, do you consider the railway firemen, or brakemen, or employee as being engaged on a war job?

Hon. Mr. RALSTON: What is that?

Mr. POULIOT: Do you consider railway work in the nature of firemen brakemen, and men of that kind, as being engaged on war work?

Hon. Mr. RALSTON: Anything that has to do with the carrying on of the war is war work. I do not consider it is in the same class as a man working in the services.

Mr. POULIOT: No; but do you not think it is important that men who carry on that work should be healthy?

Hon. Mr. RALSTON: What?

Mr. POULIOT: Healthy.

Hon. Mr. RALSTON: Healthy?

Mr. POULIOT: Yes.

Hon. Mr. RALSTON: I would say so.

Mr. POULIOT: And is it the policy of your department to call to the colours men who are brakemen and firemen and who have done part of their training?

The CHAIRMAN: I think those questions are outside of the matter which is now before this committee.

Mr. POULIOT: Well, Mr. Chairman, the witness was called but he did not have a subpoena duces tecum, meaning he was not called for a specific purpose. As he is the witness now I have asked him something pertaining to his department and the C.N.R.

The CHAIRMAN: What we are discussing really now—

Mr. POULIOT: I am discussing—

The CHAIRMAN: What we are discussing now is the proportion of government business that is allotted to the railways.

Mr. POULIOT: I am discussing the interference by the Department of National Defence with the proper management of the railways.

The CHAIRMAN: If the hon. minister does not object to your question, all right, so long as we can get through with it; but you are following the wrong track now.

Mr. POULIOT: If you will allow me to put one more question—I do not wish to do anything that is not in accordance with the wishes of the chair—but I would ask the witness: don't you think it is a handicap for the railways to have called back to complete their training men who have experience as firemen and brakemen?

Hon. Mr. RALSTON: That just depends on how many men we have employable for that work and what facilities we have for training them. There is provision in the National Resources Mobilization Act for completing or postponing the training of key men if they are shown to be essentially key men. That is not done by the Department of National Defence but by the Department of National War Services.

Mr. POULIOT: I understand that such jobs cannot be filled by the patients of the Lady Grey Hospital or the Lake Edward Sanatorium—they cannot become

brakemen or firemen—and you cannot expect men who are unfit for military service to be brakemen and firemen on a train, can you?

Hon. Mr. RALSTON: I would have to leave that with the railways; it is a railway question.

Mr. SHAW: Mr. Chairman, I am not sure that the matter I wish to bring up is being brought up at the proper time,; but this matter relates to the movement of Japanese, and I am given to understand that some of these Japanese are working on the railway in some places, working at improving certain sections of the railway and in other cases they are being housed in railway cars. Now, that is only a report, and it may not be true. I should like to know just what part of the business the C.N.R. secured with respect to the movement of the Japanese, and I should like to have a statement with regard to the other matters I brought in.

Mr. VAUGHAN: We are not employing Japanese. We have been asked by the Department of Labour to house a number of Japanese in boarding cars pending the completion of facilities for them while they are doing road construction work adjacent to our lines.

Mr. SHAW: I should like to say that I was not looking at the matter from a standpoint of hiring; but are they engaged anywhere, for instance at Jasper?

Mr. VAUGHAN: No, sir.

Mr. MAYBANK: I think it is perfectly clear that we must ask Mr. Fraser for information, and we cannot get very far in the few minutes that remain before 1 o'clock, and this seems to be the appropriate time to adjourn.

The CHAIRMAN: Is the committee finished with Colonel Ralston, or do you wish to have him back again this afternoon?

Mr. MAYBANK: As far as I am concerned there is only the possibility that something might be said and it might be better if he were here, but I would not suggest that the minister be here unless his duties permit.

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

The Committee adjourned to meet at 4 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4 o'clock.

The CHAIRMAN: Order. Gentlemen, we brought Mr. Symington here to-day at a good deal of inconvenience to himself. It is very desirable that he get away to-day if at all possible. If it is the wish of any member of this committee to interrogate Mr. Symington we will have him called now so as not to detain him.

Mr. NICHOLSON: Mr. Maybank wished to ask him some questions.

The CHAIRMAN: I had a word with Mr. Maybank and he said he was not so particular about placing Mr. Symington on the stand.

Mr. McCULLOCH: Call Mr. Symington now.

Mr. H. J. SYMINGTON, recalled:

The CHAIRMAN: Had you a statement of any kind to make?

Mr. SYMINGTON: No. I met Mr. Maybank in the hall after adjournment, and I thought I was through. I had made some Washington appointments, and had a talk with Mr. Maybank. He said, "Well, that satisfies me, but somebody else may want to ask you some questions."

By Mr. Jackman:

Q. Perhaps I might address one or two questions to Mr. Symington. I gathered from the evidence we took the other day that 80 per cent of the business which the T.C.A. did arose directly or indirectly out of war business.—

A. Yes.

Q. How do you expect that the line will be able to carry on in the post-war period—I think that was touched on very, very briefly—when 80 per cent of what you might call the normal channels of business is disappearing; that is the war channels. How do you expect to be able to pick up anything like sufficient business to maintain the organization which you are building up? A. Well, of course, we are living in the age of prophecy; but my own judgment is that with the demonstration of the advantages of air travel, the education of the people to air travel, and with the fact that prior to this very heavy war load we were continually increasing and that to-day we are having to refuse, much to our regret, a great deal of civil business, we are not worrying about that. We may be wrong, but that is our view. The load was going even before the war acceleration, and in the early days of the war, when the percentage was not nearly so large, the business was growing very greatly. It was a matter of education. Now we started traffic organization that went out to educate the people to get traffic. The traffic organization to-day is purely a servicing organization, trying to explain to people why we have to put them off planes and ask them to wait to see if we can get another one two or three days later, all that sort of thing. I think the natural growth of the new art in Canada, a country of great distances, will result in all we can do, and the planes, remember, will be very much improved after this war and indeed will be very much cheaper because of the tremendous capacity both of aluminum and of the works that make the planes.

Q. Where do you find your heaviest density of traffic; is it between Toronto and Ottawa, and Montreal and Ottawa?—A. Well, as far as loading is concerned our density of loading is on the transcontinental lines themselves, but, of course, there are some short lines that run, for instances, from Montreal to Ottawa. People, generally speaking, I think, will come by train, unless it is a matter of getting there in a hurry and getting back. When you take the Windsor to Toronto to Ottawa route, these planes are very popular; these trips are very popular, and there is great difficulty in getting seats in the planes for a long time ahead. Now we are opening up the Newfoundland service. We have 85 reservations already on the Newfoundland service. We have people reserving months ahead. The American army suggests they could perhaps use six seats in these planes. We are worrying what we are going to do about that, quite true. That is more particularly war traffic.

Q. You would not expect any call for traffic between Newfoundland and Canada for a regular service?—A. Yes, I would, sir, because—let me give an example. We have made tests on mail, and what takes us perhaps eleven hours by air has been taking eleven days. Take concerns like the Dominion Iron and Steel. They are thanking goodness—and they are a large concern—now they can fly to Newfoundland and back. The International Pulp and Paper concern want us to stop at Stephenville because they have six miles only to get from there to their international mills. All these people are firmly convinced that the route, apart from its ocean-going aspect, will support itself. That is their view. True, in the agreement we can stop any time we like after some months' notice, but certainly there is one place where time beyond belief is saved by air because of the peculiar characteristics of the other methods of travel.

Q. You intend your traffic organization to be more than a service organization. What arrangements have you for selling tickets or for servicing passengers in the various cities? You make some arrangement with the C.N.R. ticket offices and you have your own offices established elsewhere—A. In the bigger cities we

have our own offices as well. If a man telephones in for a reservation the General Reservation Officer is immediately communicated with. We make inquiries about their passports to see if they are right because they get in trouble if they are going to the States, if they are not right. We tell them the position of the plane, whether they have got a seat or a reservation on one, two, or three. We explain the "must ride" situation to them, and then we keep telephoning to them two or three times a day to make sure they want to go, to see if they have changed their mind or if they are still on the list, or by switching we can do something else to-morrow, and all that sort of thing.

Q. Several times I have had people suggest to me that some of these offices are rather elaborate and perhaps costly to the T.C.A. I think you have one in Windsor and a new one recently opened in Montreal and one at Fifth avenue in New York. In Toronto, for instance, I think you just use the counter of the C.N.R. ticket office there to service—A. Quite right.

Q. Have you any breakdown of the expenses in connection with the office administration; that is, of the ticket office administration?—A. I think I can give you that; but let me tell you that it is really, compared to the other lines, remarkably low. You talk about New York. We had an office in the railway there. We pay them certain rental, it is quite true; but the only rental we could have got very much cheaper would be in less advantageous premises. In Montreal we have no new offices. It was proposed to move from the office we are in there to the Dominion Building and I turned it down. I said no, not under these circumstances. Our offices at Montreal are too small and too crowded because the passengers have to collect there; their baggage has to be attended to, and they have to take a bus from these places. I would say, having considered the subject, that our traffic arrangements are nothing like what they will be when we are out for traffic.

Q. Have you a breakdown of the ticket offices cost?—A. I would just have to look at that.

Q. Perhaps I might ask you another question while you are looking for that. Would it be your opinion that no airway company could exist without a contract to carry mail for the government?—A. I would say without any doubt. I do not think there is any doubt about that, in Canada, particularly, a country of small population. As you see now with our large loading percentage, 52 per cent of our revenue comes from mail, 48 per cent amounts from other services. But the other services have been growing each year. As it grows down go the mail rates, but always remember the mail has priority and if there is too much mail we have got to keep a seat vacant because of the weight of the ship.

Q. I suppose that from the standpoint of the T.C.A. alone, in looking at it as part of the national system or as part of the government you would prefer to have a firm contract and not one that simply reduces the air mail rates because the line as a whole happened to be doing better. Have you any suggestion to make as to what principles you would prefer to see incorporated in the contract between the T.C.A. and the Post Office Department which would give this committee, if you like, a fairer picture of the progress in years to come of the T.C.A.?—A. Well, you are getting down to the question of principle there, Mr. Jackman. The original contract was very wisely considered purely in the light of a national undertaking. The Canadian National Railways can never make any more money out of it than the interest of the money they have in it. From the standpoint of the railway that might not be satisfactory; from the national standpoint I think it is most desirable. I have no suggestions of change at the moment. I look upon this as a national undertaking, that is the reason why I am at the moment not making any suggestions to you. Experience might require some change in the future if the mail becomes too heavy so that we cannot carry passengers why naturally we will have to put on extra planes. You can see that when we are only getting 52 per cent of our revenue from the

mails we could not possibly do without creating a deficit which you would have to make up in that case. So long as we can keep passenger and other services growing with the mail it is ideal; but if the mail becomes proportionately heavier, with the earning capacity compared to expenses bringing deficits which we do not like as operators, because you have a deficit—we would sooner have it the other way, a surplus rather than a deficit, naturally.

Q. How many of the ticket officers are joined with the C.N.R. and how many are independent? Have you those figures here?—A. All, I think, are joined with the C.N.R. except in the larger cities. We have one in the C.N.R. hotel at Halifax; we have one at the hotel here in Ottawa, we have one in Montreal; we have one in the Royal York in Toronto and we have one in the hotel at Vancouver.

Q. You have not got the expenses there to file?—A. I was not ready for it. I have a breakdown here, but I do not know whether it would give you exactly what you want: rent of traffic offices, for instance, \$19,325; travelling expenses, expense of traffic, \$53,342; agency commissions \$21,000; other traffic expenses \$11,665. I wonder if that is all inclusive, but that is the way it is broken down in this statement which I have in front of me.

Q. If some railway or some other air line booked passengers over your line do they get a commission also?—A. A commission of 2½ per cent.

Q. In the operating expenses again you have operation and maintenance \$3,011,315. Would you tell me how much of that went to maintenance?—A. How much is maintenance? I was asked to put in the record, Mr. Jackman, statements, and I have done so, which give you, I think, the whole breakdown of the whole thing.

Q. Can you tell me without too much trouble just what the total of the maintenance and depreciation accounts are or what percentage they equal of your operating expenses or will they be found in the record.—A. Yes. It is very long. At page 5 you will find (1) aircraft operation, maintenance and depreciation; (2) groundwork, operation, maintenance and depreciation; incidental services, operating expenses, traffic and general administration and general taxes.

Q. You are filing that?—A. It has been filed, yes.

The CHAIRMAN: Do I understand that you wish to ask Mr. Symington some questions, Mr. Maybank?

Mr. MAYBANK: Mr. Chairman, I was the one who asked that Mr. Symington be brought back here. Since he has come here, I have had some conversation with him which I understand he has already spoken about here to-day; and so far as I am personally concerned, my difficulties are resolved.

The CHAIRMAN: Is there any other discussion? Does anyone else wish to interrogate Mr. Symington?

Mr. MAYBANK: I think, furthermore, that if Mr. Symington had not been anxious to be a witness, I could have got it at least a little sooner, or checked that before he got here. I think he has been a lawyer so long that he wanted to be a witness.

The CHAIRMAN: I guess that is all, thank you, Mr. Symington.

Gentlemen, we had just about reached the Post Office Department in the process of hearing the heads of departments this morning. Mr. Mulock is with us now and I presume it is the wish of the committee that we hear him without any further delay.

Hon. Mr. MULOCK: Mr. Chairman, first of all I should like to state that there is no 50-50 basis so far as the post office is concerned with regard to the division of work or business between the railways. As far as the department is concerned, it has got to utilize the services of the company which is best able

to give service to the public. I might as well start in and give you the percentages. I have some figures here which should show you that over a period of years the Canadian National Railways is gradually lessening the difference between what they have been receiving and the C.P.R. In 1941 the Canadian National Railways business with regard to the Post Office Department amounted to \$3,194,375, representing only 46.91 per cent; the Canadian Pacific received \$3,615,577, 53.09 per cent. I might say that during the years 1931 to 1934, when we had the depression, the Canadian National Railways cut their services to a point where they gave up mail traffic amounting to about \$600,000 a year. During the same period the Canadian Pacific lost mail traffic amounting to about \$342,000. I will give you the differences, if you would like to have them, since 1935. The Canadian Pacific received \$652,000 more in 1934-35; in 1935-36 they received \$668,000 more; in 1936-37, \$655,000 more than the C.N.; in 1937-38, \$620,500 more; in 1938-39 \$581,000 more; in 1939-40, \$558,000 more; in 1940-41, \$545,000 more; in 1941-42, \$430,000 more. So that you can see that it is gradually coming down. I might say that in the last year the Canadian National Railways received—that is, 1941-42—\$202,418 more business than the year before. The C.P.R. received \$87,811 more. Thus the Canadian National Railways are gradually getting a bigger percentage of the business. The difference here in this year and last year, a gain to the C.N.R., is over \$114,000 as compared with the C.P.R. One of the chief reasons for this is due to the fact that there are two trans-continental trains run by the C.P.R. and one by the Canadian National Railways. We are working out and have been working out certain problems with the Canadian National Railways and their officials and I think on the whole they think they are making progress. I do not know whether Mr. Fraser or the President of the C.N.R. will agree with me, but he will admit, I think, that they are getting more business.

The CHAIRMAN: Both roads participate in main line business?

Hon. Mr. MULOCK: Oh, yes. One of the large paying propositions is the railway postal car—railway post offices or R.P.O. On account of the equipment shortage at the present time, I do not think the C.N.R. are in a position to provide more of that service. Then the question comes down more or less to a great extent to the question of the overflow mail. That is a question which is being dealt with and has been dealt with, and, as a matter of fact, I think the officials of the C.N.R. are in touch with officials of the post office department at the present time. That is the general picture here. If there are any questions that I can answer, I should be only too glad to do so.

The CHAIRMAN: You have nothing else to offer but mail?

Hon. Mr. MULOCK: No.

Mr. NICHOLSON: Mr. Chairman, my understanding is that, according to the report we had last year, the C.N. mileage was 21,790 as compared with the C.P. mileage of 16,829; the C.N. employees numbered 75,000 as compared with C.P. employees of 53,000. The officials gave us figures last year in connection with difficulties in introducing the post office cars. I see we have the president of the C.N. here. Is it right that the C.N. would have difficulty in supplying those railway post office cars on the main line?

Mr. VAUGHAN: We have no surplus of railway post office cars at the present time. I think Mr. Fraser could probably speak better about the overflow mail.

The CHAIRMAN: All right, Mr. Fraser.

Mr. FRASER: Mr. Chairman, we have certain things we are taking up with the Post Office Department now with respect to overflow mail. We are making six suggestions to them. I am hopeful that they will adopt them all. I can read them into the record if any useful purpose would be served, but I do not anticipate difficulty with the Post Office Department with respect to this.

The CHAIRMAN: Perhaps I had better ascertain from the committee if they are through with Mr. Mulock.

Mr. FRASER: I am sorry. I thought they were through.

Mr. JACKMAN: Mr. Chairman, do you intend to allow us to ask questions in regard to the air mail contracts and other relevant matters now or should we defer that until later?

The CHAIRMAN: I think you had better go ahead now.

Hon. Mr. MULOCK: I should like to get the officials over here beside me.

The CHAIRMAN: Now we are interrogating the Post Office Department, we might as well go ahead.

Hon. Mr. MULOCK: Yes.

The CHAIRMAN: All right, Mr. Jackman.

Mr. JACKMAN: I wonder if the Post Office Department would tell the committee how much it has spent on advertising for the purpose of developing air mail, particularly sending out the handsome little letters with four or five colours on them advocating the use of air mail.

Hon. Mr. MULOCK: I think I have my estimates here. I cannot tell you whether I have that exact breakdown for that particular item. I did not know we were going into air mail, but I guess I can find them. The total amount for all advertising under the air line mail service was \$30,000.

Mr. JACKMAN: For last year?

Hon. Mr. MULOCK: Yes, for the last year. For the next year it is \$20,000. I would like to make it clear. I do not want you to get the idea that all of that \$30,000 was expended for those folders that you were referring to. I should like to have that corrected right now.

Mr. JACKMAN: That was the amount that the Post Office Department spent for advertising its air mail service.

Hon. Mr. MULOCK: Yes.

Mr. JACKMAN: I do not suppose the Post Office Department has any way of telling what proportion of air mail is connected with war business and how much just ordinary personal correspondence?

Hon. Mr. MULOCK: I cannot break it down, no.

Mr. JACKMAN: Could you give any figures as to whether or not air mail was profitable to the Post Office Department last year?

Hon. Mr. MULOCK: I will give it to you from July last, month by month, if that would be satisfactory.

Mr. JACKMAN: That would be for about a ten months' period, would it?

Hon. Mr. MULOCK: From August until the end of March. In July, 1941, 129,705 pounds carried at a cost of \$263,040. The estimated revenue to the department was \$259,410 or a deficit for that month of \$3,630. In August we carried, 131,111 at a cost of \$250,617; an estimated revenue of \$262,222; or \$256,878 or a deficit of \$1,763 for the month of August. September, pounds carried, 131,111; at a cost of \$250,617; an estimated revenue of \$262,222; or surplus of \$11,605. October, 133,092 pounds carried at a cost of \$253,068; an estimated revenue of \$266,184; or a surplus of \$13,116. November, 125,448 pounds carried at a cost of \$236,766; an estimated revenue \$250,896; a surplus of \$14,130. December, 150,042 pounds carried at a cost of \$237,202; an estimated revenue of \$300,084, a surplus of \$62,882. January, 1942, pounds carried 127,882 at a cost of \$249,085; an estimated revenue of \$255,764, a surplus of \$6,679. February, 120,786 pounds carried at a cost of \$226,058; an estimated revenue of \$241,572, or a surplus of \$15,514. March, 135,524 pounds carried at a cost of \$253,682; an estimated revenue of \$271,048, a surplus of \$17,366.

Now, I have just given you these figures month by month, Mr. Jackman, to give you some idea. In 1938 the deficit was \$347,789 to the post office. In 1939 it was \$500,207. In 1940 it was \$978,289 of a deficit. In 1941 that had been reduced to \$224,983. And if this business continues, I think, as you can see, we should be operating on a purely profitable basis from now on; providing we can continue to get the increase in volume in air mail.

Mr. JACKMAN: Is this only your T.C.A. business or all of it?

Hon. Mr. MULOCK: It is only the T.C.A. business.

Mr. JACKMAN: How do you divide the 6 cents postage rate between air services and the land services?

Hon. Mr. MULOCK: Four and two.

Mr. JACKMAN: Four cents for the air?

Mr. MULOCK: And two cents for the land.

Mr. NICHOLSON: I wish I could have some information—this is T.C.A. business only?

Hon. Mr. MULOCK: T.C.A. entirely.

Mr. NICHOLSON: How about air mail on feeder lines; are they included?

Hon. Mr. MULOCK: These are only the lines under the Canadian National.

Mr. NICHOLSON: I know, these are the T.C.A. figures; could you give us the other?

Hon. Mr. MULOCK: This is Trans-Canada Air Lines only, our business with the Trans-Canada.

Mr. DONNELLY: Do you make provision for mail service like the one between Regina and Moose Jaw?

Hon. Mr. MULOCK: Yes.

Mr. DONNELLY: And you sign a contract with Prairie Airways, for example, to carry the mail?

Hon. Mr. MULOCK: But they are not operated in this. That has nothing to do with these figures.

Mr. DONNELLY: I know, but I say, do you do that?

Hon. Mr. MULOCK: Yes.

Mr. HAZEN: What rates are paid to private air lines for carrying mail?

Hon. Mr. MULOCK: They all vary. There is a long list of them.

The CHAIRMAN: That is a post office matter, one which should be dealt with on supply in the house.

Mr. HAZEN: The only thing I had in mind was that we were informed here by Mr. Howe, I think, that his department was paying the post office; or, the post office paid his department, 45 cents a mile for carrying their mail.

Hon. Mr. MULOCK: For the T.C.A.

Mr. HAZEN: I thought I might ask the minister what his department paid private lines for carrying the mail.

Mr. MAYBANK: That would take in a whole lot of country.

Hon. Mr. MULOCK: You see, the rates are settled between the Minister of Munitions and Supply and the Postmaster General on the basis of last year's operations.

Mr. HAZEN: Yes.

Hon. Mr. MULOCK: In the case of these, of these individual companies, it is a matter of negotiation. Their rates in many cases are considerably less.

Mr. JACKMAN: Does the Minister of Munitions and Supply officially sit in on the agreement between the post office and the T.C.A.?

Hon. Mr. MULOCK: That is settled by statute, and recommendation is made jointly by the two ministers as to the rate based on the results of the operations of Trans-Canada Air Lines for the year before.

Mr. JACKMAN: I do not just see why you mention the Minister of Munitions and Supply.

The CHAIRMAN: Under his present portfolio he retains his capacity as minister for the T.C.A.; he looks after the T.C.A. as well as his own department.

Mr. JACKMAN: And it is still left with him?

The CHAIRMAN: Yes, sure.

Mr. JACKMAN: I thought he had transferred that to Mr. Cardin.

Hon. Mr. MULOCK: No, it has always been Mr. Howe.

Mr. HAZEN: If I am out of order I can ask it later on the post office estimates. What I would like to know is the rate paid to private lines; how many private lines there are, and the rates paid to them by the Post Office Department.

Hon. Mr. MULOCK: Yes, they are paid by the Post Office Department where there are air mail contracts; but I do not imagine very many of them are being operated.

Mr. HAZEN: Are you prepared to say what the amounts paid to private lines are?

The CHAIRMAN: Is it not an established fact? I think we ought to make more headway. This is purely problematical hypothesis, and I believe we are here as far as possible to deal with facts.

Mr. NICHOLSON: The facts are that the C.N., according to the latest information, did 46 per cent of the business last year and the C.P.R. did 53 per cent of it.

Hon. Mr. MULOCK: That is right. The year before that they had 45.63 per cent and the C.P. had 54.37.

Mr. NICHOLSON: Yes. In view of the suggestion made in this committee last year that the department and the government should distribute the business on a 65 per cent basis—I think we had the suggestion made that 65 per cent of it should go to the C.N.—and they are only getting 46 per cent, they are not getting as large a share as they should have.

Hon. Mr. MULOCK: Well, it is beginning. One of the difficulties is the two-a-day transcontinental service which the C.P.R. has; and a very large percentage of their revenue comes out of the Montreal-Toronto-Winnipeg runs. Also there is the R.P.O. I will give you the figures, if you would like to have them, on the question of the Railway Post Office. That is one of the profitable ends of the mail business so far as the railways are concerned, the R.P.O.

Mr. NICHOLSON: Is not the C.N. able to take advantage of that? Are they not getting new equipment? When are they going to get it?

Hon. Mr. MULOCK: I don't suppose they know just at the moment.

Mr. VAUGHAN: It is impossible at the present time to get passenger equipment. But, as Mr. Fraser intimated, negotiations are being conducted actively with the Post Office Department which we think will give us a substantial increase in mail. I think Mr. Fraser is quite satisfied that the situation is progressing quite all right from our standpoint. Is that right, Mr. Fraser?

Mr. FRASER: Yes.

Mr. SHAW: I do not know whether I am right or not in concluding that the minister said that they are getting all the mail to transport at the present time that they have equipment to handle, or facilities for handling.

Hon. Mr. MULOCK: No, I did not. There are two ways. There is the R.P.O., and there is the overflow, the regular baggage-car mail which is on a regular basis. In all probability something can be done on a baggage-car basis, but the Canadian National at the present time are not able to provide more railway post office cars and naturally they cannot get much more of the business there.

Mr. SHAW: Yes. If they were able to would there be an automatic guaranty of further business; would you conclude that that would be the case?

Hon. Mr. MULOCK: You mean, if they had R.P.O. cars?

Mr. SHAW: Yes, or baggage.

Hon. Mr. MULOCK: You cannot give automatic guarantees. These things are a matter of business; and in each case where they are worked out, one of the difficulties that they have to contend with over a period of years is the fact that the C.P.R. went through the southern part of the province back in 1904. With the northern lines, naturally the population follows the railway, and the large centers built up along that railway; whereas the development of the last line through the northern part of the province was not so great and they had not acquired the same volume of population there. Over a period of years I do not think there is any question about it but that the Canadian National in the ordinary course of events will get considerably more business from the Post Office Department as the communities along their line enlarge, considerably more than the Canadian Pacific will.

Mr. SHAW: Of course, I appreciate the fact that eventually the business will increase, but my point really was would there be more business at the present time providing we had the facilities for handling that business?

Hon. Mr. MULOCK: There would be so far as the R.P.O. is concerned, yes. You take last year now, they were closer by \$114,000 between the two railways; the C.N. was \$114,000 better off in business than they were the year before.

Mr. EMMERSON: So far this discussion has all dealt with the business between Montreal and the west; what about the east, and mail originating in Halifax or Prince Edward Island, or we will say Moncton; how is that routed, is that carried C.N.R.?

Hon. Mr. MULOCK: Where?

Mr. EMMERSON: I said from the east to Montreal. How is it that some of the mail coming from Moncton would go to Saint John and be transferred from there to Montreal and Ottawa?

Hon. Mr. MULOCK: I will ask Mr. MacNabb, that is his special job.

Mr. MACNABB: That might depend upon the time of the year; or, it might be a case where a train had just pulled out and there was another train leaving which was going by way of Saint John which would get that mail into Montreal and Ottawa much quicker were it held over for the next C.N. train over their main line. However, mails originating in the Maritimes are carried very largely over the Canadian National; and where their lines serve the district in the Maritime Provinces and to that eastern district it is by far the largest.

Mr. EMMERSON: But by the time it arrives, only an hour's difference, the newspapers would be ordinarily routed from Moncton to Saint John and transferred because the trains do not go there.

Mr. MACNABB: The morning papers from Moncton for Montreal are going by Saint John.

Mr. EMMERSON: The daily papers?

Mr. MACNABB: We give priority to daily papers as far as we can and give the same treatment as to letter mail.

Mr. HANSON: I would like to ask the minister a question. With regard to mail starting at Moncton, New Brunswick, and addressed to Prince Rupert, British Columbia, is it not a fact that it goes half-way across the country on the C.P.R. before it is handed over to the C.N.R.?

Mr. MACNABB: It would be handled over the Canadian National to Montreal, from Montreal to Winnipeg by C.P.R., and from Winnipeg to destination by Canadian National.

Mr. HANSON: For the same route from Moncton to Vancouver, is that handled the same way too?

Mr. MACNABB: We would route it that way because we would want to utilize the postal car service authorized on the Canadian Pacific.

Mr. HANSON: Between Montreal and Winnipeg?

Mr. MACNABB: Yes.

Mr. HANSON: Between Moncton and Vancouver it goes C.P.R. right through from Montreal to Vancouver.

Mr. MACNABB: Yes, the answer would be the same for Vancouver, only it would go from Moncton on the Canadian National, and then from Montreal to Vancouver by Canadian Pacific Railway.

Mr. NICHOLSON: I understand there are three trains operating east from Winnipeg each day. Are there railway post office cars on each of those three trains?

Mr. MACNABB: Yes.

Mr. NICHOLSON: And are there not any on the C.N.R.?

Mr. MACNABB: There are postal cars on two Canadian Pacific trains, 1-2 and 3-4, and on the Canadian National 1-2 Capreol to Winnipeg.

Mr. NICHOLSON: Not out of Winnipeg?

Mr. MACNABB: Yes, from Capreol to Winnipeg.

Mr. JACKMAN: Is the contract between the post office and the railways easy to explain or is it a complicated affair?

Mr. MACNABB: The rates are kind of complicated. The agreement is covered by order in council. The rates are, of course, complicated.

Mr. JACKMAN: Is it possible for the post office to break down the cost of delivering a letter within a city at the 2-cent rate as against the 3-cent postal rate to another city? Can you divide your costs that accurately?

Mr. COOLICAN: The Post Office Department is really supported by the handling of first-class mail. On a 3-cent rate there would be approximately one-third profit.

Mr. JACKMAN: A cent profit on the 3-cent rate?

Mr. COOLICAN: Yes.

Mr. HANSON: I would like to ask the minister a question. Mail posted in Vancouver for Montreal cannot be posted on the C.N.R. train, and if you happen to miss a train you have to go over to the C.P.R. station and mail your letter; the C.N.R. doesn't take any mail for the east from Vancouver?

Mr. MACNABB: That is right. There is a closed bag service with the mails made up in the Vancouver post office and placed in charge of the baggage man. There are no clerks on the train to handle a letter posted at the C.N.R. station at Vancouver.

Mr. HANSON: That is how I understand it. It is inconvenient. You have to mail your letter to go to Halifax or Montreal, and if you go down to the C.N.R. station you cannot mail it either on the train or at the station, you have to go to the C.P.R. if you want it to go that day or within a reasonable time. It seems to me that that is an inconvenience in a large city like Vancouver when you are not able to have a mail service on the three transcontinental trains.

Mr. MACNABB: The operation is purely a question of economy.

The CHAIRMAN: We are not interrogating the Post Office Department on general business; we are trying to ascertain the relative division of mail between the two railways.

Mr. HANSON: That is what I am trying to explain, and I want to know why these things happen.

Mr. MACNABB: We use the Canadian National out of Vancouver, train 2, three days a week for connection with the Canadian National train out of Jasper for Prince Rupert. Mails are carried out of Vancouver on the days that will provide connection at Jasper with the train from Edmonton to Prince Rupert. The latter train operates three times a week and conveys a postal car from Edmonton to Prince Rupert. You must understand that train No. 2 operates on a fast schedule and stops at practically only divisional points. To provide for local service authorized on that train we are required to use accommodation trains between Jasper and Kamloops.

Mr. DONNELLY: May I ask the witness how mail travels from Canadian National points in western Canada to anyone here in Ottawa; is it all Canadian National or not?

Mr. MACNABB: It would depend.

Mr. DONNELLY: It is picked up on Canadian National points in western Canada.

Mr. MACNABB: Take the Canadian National trains coming into Winnipeg in the morning, most of them connect with the Canadian Pacific train, No. 2. That is a trans-Canada train with a postal car leaving Winnipeg in the morning. One of their trains carrying a postal car arrives in the afternoon and connects with Canadian National No. 2 with a postal car and Canadian Pacific No. 4. For instance, if the mail was for Toronto it would go on Canadian Pacific train No. 4, because in that train between Chapleau and Toronto we work the city mail, therefore there is a decided advantage and, of course, we have two 60-foot postal cars on the Canadian Pacific which are costly and we are utilizing them to the fullest extent.

Mr. DONNELLY: Now with regard to mail put in the mail box in Ottawa for some point in western Canada on the Canadian National Railways, how does that travel—by what railway?

Mr. MACNABB: It will depend on the time. If you post it here this evening it would leave here on Canadian Pacific train No. 7 going to Winnipeg; there it would connect with the Canadian National line operating out of Winnipeg in the morning. Supposing it was not intended for a train going out in the morning, it would connect with the Canadian National train carrying postal facilities in the afternoon—No. 3 or trains 5-9, going out at night.

Mr. HANSON: That means that the mail from Ottawa west travels C.P.R. as far as Winnipeg.

Mr. MACNABB: That is right.

The CHAIRMAN: Are there any further questions? I understood that the Department of Naval Affairs was to be represented here today by the Hon. Mr. Macdonald, and if the department is represented here we ought to hear from them.

Mr. JACKMAN: I think probably the minister is busy in the house with naval affairs this afternoon.

Mr. GRAY: I would suggest that before we go on with any of the reports that we hear from Mr. Fraser further in connection with traffic and in connection with the statements made here today.

The CHAIRMAN: Very good.

Mr. GRAY: Now that we have ascertained that for some time there has been an existing order that has been suspected by the railway officials and now as has been shown accepted with respect to the fifty-fifty division, I think Mr. Fraser should clarify to some extent his remarks of this morning with respect to how that affects his traffic department and anything else he might care to add.

Mr. JACKMAN: Before the question is put, I do think there is a certain amount of innuendo in that statement, you stated that the rule was in existence. I gathered from the evidence given by the various ministers—Mr. Ralston and Mr. Howe, and I think Mr. Cardin too—that there was no such rule.

Mr. GRAY: Mr. Ralston read it.

Mr. JACKMAN: The 50 per cent rule?

Mr. GRAY: Yes, he read it. It is there and I want to have it clarified.

Mr. SANDERSON: It exists since 1930.

The CHAIRMAN: Yes, it is on the record.

Mr. JACKMAN: I thought his officer said that no such directions had been given in regard to this.

Mr. GRAY: That is why I want this explained.

The CHAIRMAN: Mr. Fraser, would you make a statement, or do you want to be interrogated?

Mr. FRASER: Mr. Chairman, I have frequently said—I said this morning—that in our day to day business of soliciting traffic from government departments we have been frequently met with the statement that the officers to whom we were addressing our requests were unable to give us more than 50 per cent of the business of the particular department concerned because of instructions that were said to be in effect dating back to 1933. Those instructions are said to have emanated from sources very much higher than the quartermaster general to whom reference was made this morning—but I am informed by my own officers that those instructions generally are in effect in most, if not all, departments. Now, I think there can be no question about the fact, because they have been repeated as late as July 22, 1940—I am reading now from an order that was issued by an officer having proper authority—the order reads as follows:—

Division of traffic, R.C.A.F., which I take to be and is the Royal Canadian Air Force—Canadian National and Canadian Pacific railways.

1. All units and individuals responsible for the transportation of equipment by rail are to ensure that the policy of the Dominion Government in regard to the allocation of freight to the Canadian National and Canadian Pacific railways is adhered to. As far as possible, traffic is to be divided equally between the two operating companies.

2. Strict economy in shipments is at all times to be practised. In case of urgency, however, when speed is the overriding consideration, the company having this advantage is to be given the traffic.

I think if the committee—

Mr. MAYBANK: Just a moment, please. Is that the conclusion of the quotation?

Mr. FRASER: Yes, sir.

Mr. MAYBANK: You did not include the signature.

Mr. FRASER: No, sir, I have not got it. It was an officer of the R.C.A.F.

Mr. MAYBANK: You do not know, however, whose signature that is?

Mr. FRASER: I do not know, but I perhaps will be able to give you one with the name of the signer.

Mr. MAYBANK: All right.

Mr. FRASER: I am informed that on the 2nd of July —no, on the 15th of July, 1941, an order was issued signed by Air Commodore Thackaberry, the number of the order being G.H.Q. 32/2. I have not got a copy of the order here, but I am informed by officers of my own department who have seen it that for all practical purposes the instructions are the same as in the order I read previously; that the business is to be divided equally between the two railways. You meet in other departments too, the same statement, and officers have made this statement to our Canadian National officers that they have been checked by the financial officers of various departments who have called their attention to the fact that the Canadian National is receiving more than 50 per cent of the business of the government and referring them to the fact that that was contrary to the well understood instructions.

Now my understanding from the ministers this morning, or the Minister of Transport, was that he was making recommendation that if such instructions existed they be removed, which is quite satisfactory so far as I am concerned. I should like you to understand the position of the traffic officers of the Canadian National Railways. I go to an officer who has the power to give or withhold business from the Canadian National Railways; and I undertake to urge upon him service reasons and any other reasons that seemed good to me why he should give more business to us than he was giving; and he meets me with the statement: "Unfortunately I cannot do that, because I am prevented from giving you more than 50 per cent of the business." Now I should like very much if it is possible to have those instructions, if they be instructions, or understanding if it be an understanding, or a theory if it be a theory, removed. It is a definite limitation upon my ability to get more than 50 per cent of the business in so far as the officer concerned feels bound by it and not infrequently he does feel bound by it.

In the case of the Department of National Defence, for example, these instructions no doubt came from a higher authority than the Quartermaster General. They were repeated by the Quartermaster General and I suggest to those of you who have been in the army that it is futile to tell a soldier in a camp by word of mouth that he must not carry that out. They are instructions that have never been changed; and I would urge if possible that they be changed. I am not asking somebody to give me 60 per cent or 70 per cent or 80 per cent or 90 per cent of the business. We have been limited. I have my own views about that; but I say it is very difficult to get what I think is a fair proportion of the business when faced with definitely understood instructions that we cannot get more than a named amount.

An undertaking of a minister in any department would not necessarily cure it. We have it in the Agricultural Department. We have it, I think, in all departments, and I am endeavouring as far as I can to make it clear what I meet and what my officers meet in the solicitation of business. We meet in some cases a stone wall.

I do not think I need suggest to you that it is not an answer to say that over a period of time, the Canadian National Railways receive more than 50 per cent of the business. It would be almost impossible, other things being reasonably equal, to prevent us from getting 60 per cent or more than 50, because we serve a much larger portion of the country than that, and if everything is left strictly alone our proportion at the present time is bound to be larger than 50 per cent of the whole.

Mr. SANDERSON: May I ask a question about the mileage in Canada of the two roads? What is the total mileage of the C.P.R. and the Canadian National Railways?

Mr. FRASER: It was recited, sir, in your own resolution last year when the mileage was given on the Canadian National Railways as 21,790 miles of road, and the Canadian Pacific 16,829 miles of road.

Mr. VAUGHAN: That is only the mileage in Canada.

Mr. FRASER: Correct.

Now unfortunately in addition to the difficulties already outlined, there is an additional result that is a very serious one. I myself have had this experience. I have gone to a large industry and have made what I thought was a convincing case for an increase in the proportion of the business of that industry—and on more than one occasion the head of the industry has said to me: "Why do you say I should give you more than 50 per cent of my business when the Canadian government who owns your railway only give you 50 per cent?" It is a very serious thing. I find myself somewhat baffled in finding an answer to it. That same theory is all over Washington to-day. You meet it in the States; and I do urge as strongly as I can that if possible it be removed by an authoritative statement that it does not represent the present-day policy—if the instructions represent the present-day policy I have nothing further to say; but if not it certainly is there and I think it should be removed because it is a limitation upon the Canadian National Railways and is a very definite and serious one, in my judgment.

Mr. JACKMAN: What do you say about the industrialists and shippers who say that this, the Canadian National Railways is our railway and we should ship exclusively or we should travel exclusively over the C.N.R.? I can remember my father always routed everything over the C.N. railway and in my judgment it always seemed rather unfair. Do you feel that you do not get the breaks very often by reason of the fact that many citizens feel the C.N.R. is their railway and never mind the private enterprise; we ship everything over the C.N.R. Do you think that your railway is discriminated against as against the C.P.R.?

Mr. FRASER: I say, Mr. Jackman, as against that there are other shippers who would not ship a pound of freight on the Canadian National Railways, because it is a government-owned institution, if they could help it. You meet all these cases. I am speaking of the specific cases, of a man who says to me, "Well, you have made a good case, but you evidently have not been able to convince your own owners of it who have it as their policy to ship equally by both railroads." Perfectly true, but if traffic were shipped pound for pound on each railroad it would seem to be a very comfortable position for my competitor. It is a fact that does happen, Mr. Jackman.

Mr. JACKMAN: As I understand it, last year the basis proposed in estimating the representations by the railroad officials and the representations made by certain members of this committee for the division of traffic was what was included in the report as a rational basis, I believe, the mileage, the amount of funded debt, the service and the number of employees. The railway officials did not put any emphasis on that, but rather wished that any restrictions there may be in the way of a rule obtaining in government departments should be abolished so that they should be free to fight for the traffic if it is there, and that is all you are asking for at the present time.

Mr. FRASER: That is all I have said so far, Mr. Jackman, yes. But you see, sir, if you allow me, it is, I think, perfectly clear—and I say this because I do not think the Minister of Transport challenged it. It is perfectly clear that such instructions in some form or other are in existence. Now they are very old instructions, unfortunately. It is not as though I was asking on behalf of the Canadian National for something that we should not have. So far as we are concerned the limitation is upon us. If I were acting for a competing railway in Canada and could be assured from all my customers and 50 per cent of

the business of Canada, I would be a happy man indeed. That is definitely quite an aid to my competitor.

Mr. JACKMAN: It seems a much fairer basis than the one we were giving consideration to last year. I notice in the evidence of last year some expressions which to me might seem that you wanted a definite allocation of business from the government rather than the opportunity to fight for it. On page 121, for instance, you say: "If that be true of a commercial concern, and I am only giving you my own opinion, it seems to me that should be the minimum which the government, the owner of the property should give to us. I hold very strong views on that." The minimum you are referring to there is 66 per cent. Then there was more evidence to that effect on the following page, page 122 of last year's evidence.

Mr. FRASER: Mr. Jackman, I am not asking that an official division of business be made. If a division of business has to be made by the government I certainly say it should be not less than 65 per cent for the Canadian National Railways; and when presented last year with a question about my own opinion, I went considerably further and so said I feel we should have all the government business.

Mr. JACKMAN: To have the restriction removed so that you could go after the business is one thing; to have the division of the business definitely earmarked is quite another thing. I felt last year that the C.P.R. could never be in the position, no matter how short the end of the stick may be, to come before this committee and ask for an allocation of business. We would not entertain any consideration from them at all. If you put it on the basis simply of something working against the government railway then I believe some consideration should be given to the removal of this restriction.

Mr. FRASER: I would not want you for one moment, Mr. Jackman, to think that I have modified my own views at all as to what the Canadian National Railways are entitled to. All I am saying at the moment is that we find the restriction against us and I would like to have it removed. Now both railways are bound in the nature of things to be very busy. I personally hold the view that the important business of the Canadian people ought to be given to the Canadian National Railways as the Canadian people own the business. This morning some of the ministers gave evidence that so far as they could tell in their own department the division of business was 60 per cent for the Canadian National and 40 per cent for the Canadian Pacific Railway.

Mr. JACKMAN: It would appear from that, that some of these deputies of theirs who have the allocation directly of the business are not following this old rule that we have heard so much about.

Mr. FRASER: Not necessarily. That does not necessarily follow. You see, included in those proportions of business is all the business of the company, competitive and non-competitive. Speaking from memory—and you will correct me if I am wrong—I laid very strong emphasis last year on the fact that I was speaking of competitive business. It seems to me that there is no use, in finding out how each railway is treated, to put in the C.P.R. column a movement of traffic from Medicine Hat to Boharme, Saskatchewan. There is no other way it can move.

Mr. JACKMAN: We will agree with you.

Mr. FRASER: And there is no use in putting in the C.N.R. column a movement from Prince Rupert to Edmonton. But it is all in this gross. Therefore, in the nature of things, if the competitive business were equally divided between the two railways, and there was added to that the non-competitive business, the Canadian National proportion would be substantially larger.

Mr. JACKMAN: Have you been able to do any research work on the division of competitive business?

Mr. FRASER: It is impossible, because we have not got the other railway's figures. The only way you can get them is in a return presented to parliament or to this committee. We do not know what the other man gets. For example, if you would allow me, without disclosing military secrets, to give you some idea of what I mean, you have a very important port in the Dominion of Canada, one of tremendous importance in this war situation. The only railroad in Canada that can move a carload of freight intact to that port is the Canadian National Railways, either one through carload of freight or one through carload of passengers. There is only one railroad which can do it and yet the business to that port is divided between the two railways.

Mr. JACKMAN: May I ask another question?

Mr. FRASER: Yes.

Mr. JACKMAN: You say the business is divided between the two railways?

Mr. FRASER: Yes.

Mr. JACKMAN: And the C.P.R. have their cars or trains running over your line?

Mr. FRASER: In the case of freight, there is provision for that; and in the case of troops we accept the request of the movement control of the Department of National Defence, yes.

Mr. JACKMAN: You have to haul their trains on your lines, do you?

Mr. FRASER: Yes. Let me make it clear to you. This morning that very question came up and you heard from the movement control how the two railways are called into consultation and that business is divided. Perfectly true. You can readily understand that where there is a large movement of personnel at one time, it taxes the resources of the railways to get them all moved in the compressed time. We accept their requests for division, accept them very gracefully.

Mr. JACKMAN: As a military necessity?

Mr. FRASER: Yes. If you will allow me, I should like to say this. I have no quarrel whatever with that. That is a perfectly correct statement. But under this general instruction suppose you have a camp, and you have camps over Canada, in the air force particularly, with constant movements of personnel. Those are divided, ten to the Canadian Pacific, ten to the Canadian National, or five to the Canadian Pacific, five to the Canadian National under this general instruction. I will give you a case in point, if I am not boring you. I had a visit from two young men in Montreal last week. These were two English boys who had been at a training camp in Western Canada in the air force. The camp is served by both railroads. These two young men, my guests, held tickets from that camp to Moncton, New Brunswick, served only by the Canadian National Railways; the Canadian Pacific from the origin point to Saint John—Saint John to Moncton; on our line ninety miles. I asked him how that happened and he said, "Well, you see, from that camp these men are moved to Moncton alternately, one lot Canadian National, the next Canadian Pacific." But I discovered on the other hand that you will have men originating say at Moncton for that camp; you would naturally suspect that, as they originated on the C.N.R., they would move to Calgary or to Winnipeg on the C.N.R.; thence, if they had to go C.P., they would. But I find that both ways they interchange at Saint John. Out of the whole move both ways we get, frequently, a move of ninety miles out of perhaps 2000 miles.

Mr. McCULLOCH: When troops are moved who are going to Halifax, why are they moved to Halifax through Saint John?

Mr. FRASER: There are times when it requires all the equipment of both railways to get them moved at all. It does seem not too unreasonable that, if the military authorities call upon the Canadian Pacific Railway to supply equip-

ment in the national interest to handle troops to Halifax, they should not have to hand their equipment over to the Canadian National to move. I have no quarrel with that. There is a case where everybody in the national interests has to do the best he can. We then sit down with the movement control and they say, "Well, two trains will go one line, two trains another". They are piling in on top of one another, and that is a very difficult thing to do. That arrangement works out satisfactorily. But supposing two carloads of prisoners of war, we will say, land at Halifax going to Toronto. By the wildest stretch of the imagination I am unable to see why one of those cars should move from the point of entry which is served only by the Canadian National, taken around to Saint John and given to the Canadian Pacific Railway. It is a waste of transportation. It is a waste of power. In that particular case all they do is cross the station, but in many other points—Montreal, for instance, there is more to it.

Mr. MAYBANK: Has that happened?

Mr. FRASER: Yes; that has happened.

The CHAIRMAN: Regularly, or just very occasionally?

Mr. FRASER: It is hard to say, Doctor. The movements are intermittent. I am only citing that as a case in point. My point about that—and I do not want to make any other point about it—is that in good faith the officer who is responsible for that says to me,—and when I say "me" I mean my officer who happens to be there,—"I must do that because I am instructed to do it." I read your circular from an officer. I am informed—and the committee can readily ascertain whether or not it is correct—that that language is in the standing book of rules of the Department of National Defence for Air in the hands of every interested officer in the field. I do not think it is fair to say to the Canadian National, "Whether you like it or not, that is all you are going to get." My case at the moment is a simple one. I should like to have that limitation removed, and I do not believe it can be removed by verbal instructions from any particular head of a department, because certainly the instructions came at least from deputy ministers; and if it is in all departments, I suspect they came from the very highest authority.

The CHAIRMAN: May I ask, Mr. Fraser, if you are disposed to feel that the government of Canada should use its own railway for its own business? Is that your idea?

Mr. FRASER: That is an idea I hold very strongly, Doctor, yes.

The CHAIRMAN: All things being equal?

Mr. FRASER: Yes. If I do not stress it too hard, it is because I do not want to get into an argument with Mr. Jackman.

Mr. SANDERSON: I should like to ask Mr. Fraser for some more information. You told me that the mileage of the C.N.R. in Canada was 21,790 miles?

Mr. FRASER: Yes.

Mr. SANDERSON: And the C.P.R. was 16,829 miles in Canada?

Mr. FRASER: Yes.

Mr. SANDERSON: And the number of employees of the C.N.R. was 75,000. Are they all in Canada?

Mr. JACKMAN: There is more than that now.

Mr. FRASER: Yes, those are Canadian figures.

Mr. SANDERSON: And the C.P.R. have 53,000 employees?

Mr. FRASER: Yes, those are Canadian figures.

Mr. JACKMAN: They are last year's figures. You have had a big increase since then.

Mr. VAUGHAN: The figures would relatively be the same. They would have increased a little because we both have more employees now than we had in 1940.

Mr. JACKMAN: Mr. Fraser, I am thinking of these, what you might call discrepancies, if you like, or oddities, in the routing of the air force business and some other government business that you mentioned. Will the same thing arise over the C.P.R. lines? You mentioned your own lines. This is all *ex parte* evidence. We are not hearing at all from the opposition. It is a little unfair in a sense. I am just wondering whether or not, if we had your counterpart in the C.P. system here, if certain instances might not be cited which would be on all fours with what you say.

Mr. FRASER: Mr. Jackman, if I could use the name of a particular place which I think you know, and of which I am speaking, that is the outstanding case in point, because that is the place which we alone serve, and we are short-hauled constantly to a point beyond which only we can give the required service. I know of no such alternative case as you mention. I do not know of any.

Mr. JACKMAN: Of course you would not be as intimately concerned or as apprehensive of those cases. I am just wondering if there is not certain business that may originate on C.P.R. lines which ends up in a destination which is yours and theirs and part of the routing does not go over your line.

Mr. FRASER: I know of no such case except in the case of large movements such as I spoke of where it might well be. But in those cases of a carload or two carloads, I know of no such case. If there be some, I am afraid you would have to get them from somebody else. I would not know.

Mr. SANDERSON: Would you give me the mileage of the C.N.R. in the United States, if you have those figures?

Mr. FRASER: Yes.

Mr. DONNELLY: It is on page 29 of this book.

Mr. FRASER: The 1941 mileage in the United States is given at page 29 of the report. It is, first main track, 1,839.47 miles.

Mr. SANDERSON: Do you know the mileage of the C.P.R. in the United States?

Mr. FRASER: Yes.

Mr. NICHOLSON: Page 34 of the report.

Mr. FRASER: Approximately 325 miles.

Mr. MAYBANK: Are you able to say, Mr. Fraser, the extent to which business starts on the C.N.R. and is taken away and run on the other lines?

Mr. FRASER: I could not say that, Mr. Maybank.

Mr. MAYBANK: Is that kept track of?

Mr. FRASER: There is a record of it, yes. A record could be taken out, but it would be quite a job. Perhaps I might say this, that we would have to go and do it. We are all pretty busy. It is quite a job. You would have to get your passenger reports and check them off. So far as freight is concerned, you understand that there is always quite an interchange of it, as you all know, in all roads. To earmark those out would be quite a job.

Mr. MAYBANK: I should think that year by year, this organization ought to be able to state the business which starts with it but is taken away at times when it could have handled the business itself. I think that information ought to be readily available to a committee like this, year by year, because you apprehend this sort of thing will be the subject of scrutiny from time to time. Is it not possible to get that, usually?

Mr. FRASER: It could be done, yes. Of course, there is a tremendous interchange of commercial business. As you know, shippers route their business in

strange ways. So far as freight is concerned, almost any route is open—almost any one at all between any two points, on commercial business. And, even if the government, or whatever the authority is that put these limitations on, even if they take them away it might well be that some of the business might still move that way.

Mr. JACKMAN: Oh yes.

Mr. FRASER: My objection, of course, is in forcing it to move that way.

Mr. GRAY: I gather from what the witness says that he would be quite satisfied if all the restrictions were removed and the traffic allowed to move through its natural channels at all times?

Mr. FRASER: Yes.

Mr. JACKMAN: To get back to the point, I was asking Mr. Fraser about a minute ago; is it because of the geographical position of your line against that of the C.P.R. that there can be this unfair treatment, if you like; I am not familiar enough with the railway layout in Canada to understand it exactly.

Mr. FRASER: What I really have in mind is this: there is only one port in Eastern Canada served as I have outlined by only one railway; and that is the port which in wartime holds a tremendous importance for the movement of troops and the movement of wartime traffic; and that port is our port first of all. Now, business moves to that port let us say for a distance of 2,000 miles and we move it of that 2,000 miles only 280 miles.

Mr. JACKMAN: That is, whenever unfair treatment is resorted to; if you call it unfair.

Mr. FRASER: But it hurts us because of the fact that there is no comparable position on my competitor's railroad.

Mr. JACKMAN: So really this whole problem arises because of the eastern Canadian port; in the rest of the country the problem does not amount to very much.

Mr. FRASER: The whole problem arises by reason of the instruction that my competitor must get half of the business and I can't get my half.

Mr. JACKMAN: But the unfairness of that rule in application relates almost entirely to this one port?

Mr. FRASER: Not entirely, no; but that is the principal source, and there is no *quid pro quo*. There is nothing you could do the other way. There is nothing like it at all. Generally my statement gets down to this; that as I understand it these old instructions are in effect. I do not believe we should leave it—if I am not out of order in saying this—to the personal undertaking of anybody. These instructions I think should be rescinded by the body, whatever that body was, who issued them.

Mr. JACKMAN: Has the C.N.R. system sufficient rolling stock always to look after the requirements of this eastern Canadian port?

Mr. FRASER: Yes; but I would say this about that, Mr. Jackman; that the moment the government calls upon us to perform services that we cannot perform they are discharged from any obligation to us. There is another point; I would not ask them to take any unreasonable delays or other service disabilities. Business must move and the war must get on. I am assuming for my purposes that when I go and ask a man for business I have ascertained that I can handle it. If I cannot handle it there will be only one thing to do.

Mr. JACKMAN: I think you admitted a while ago that there were peaks at least when one company could not handle all the business.

Mr. FRASER: In which case I have already said we will co-operate to the fullest extent and let them move it any way they can.

Mr. JACKMAN: You can see how probably your competitor is not going to be very keen on moving traffic one way and finding that he has got to haul empty cars back. He will not want to be stuck that way.

Mr. FRASER: We are not going to worry about that, because we both have to do it. Take when troops are moving overseas, there is no back traffic, so there is a very large empty haul moving on both roads. There is no doubt about that; and on the way back we have to haul a very considerable distance in any event.

Mr. CHAIRMAN: Is there any further discussion?

Mr. MAYBANK: There is just this question in my mind: we have had nearly all the departments here; how we overlooked Air, I do not know. Judging by what was said here to-day instructions about restrictions did not apply to any department except Air.

The CHAIRMAN: You had the Minister for Air here this morning.

Mr. MAYBANK: No, the Minister of National Defence for Air is the Hon. Mr. Power.

The CHAIRMAN: Oh, I see, the Air branch of the army.

Mr. MAYBANK: Yes.

The CHAIRMAN: I was thinking about Trans-Canada; I am sorry. Mr. Power is out of town, but he did provide to have someone here representing him. I understand that Mr. Gordon was to have been here to-day to represent Mr. Power; the deputy minister was to have been here but in his unavoidable absence his assistant, Mr. Gordon, was assigned to appear.

Thank you, Mr. Fraser, very much.

Mr. DONNELLY: Mr. Chairman, before we go on with any other business do you remember when we were going over this annual report of the Canadian National Railways I asked that a couple of items stand; probably I can get answers to the questions I raised now. Is that all right?

The CHAIRMAN: Yes.

Mr. DONNELLY: I refer to the item respecting grain elevators on page 14 under operating revenues.

Mr. GRAY: Mr. Chairman, just a moment; are we not going to have a representative from Air?

The CHAIRMAN: If you ask for him.

Mr. GRAY: What strikes me is this; we have had a very frank statement made by the Minister of Transport, the Hon. Mr. Cardin, to-day; and by the Hon. Mr. Ralston, the Minister of National Defence, who read onto the record an order dating back to 1933, and as I understood it he certainly gave his own undertaking that he would see that that restriction was removed. The Hon. Mr. Howe made the point very clear in connection with it. And now we come along and find that Air apparently have the same instructions; and it was pointed out here among my colleagues that it is rather amusing that a new department such as Air would have put that order in its standing orders giving specific instructions in the matter. Here is that old order of 1933 finding its way into standing orders for Air. I think we might just as well finish it up and have someone here from the Department of National Defence for Air.

Mr. DONNELLY: Don't you think that at the same time we should have someone here from the navy?

The CHAIRMAN: Just a minute, gentlemen; I think I can straighten this thing out. The Department of National Defence for Air was requested to be on hand. It was not possible for the Hon. Mr. Power to be here, and it was not very easy for his deputy to be here, but I believe the deputy instructed

Mr. Gordon to attend. Why he is not present I do not know, as they have advised us stating that he had been instructed to be here. So I suppose we will still have Mr. Gordon. Now then, while we are talking along this line, the Hon. Mr. Macdonald came in to give us certain statements and figures and was anxious to get back to the house and said if we wished he would be glad to appear if we would send for him as soon as we were ready. I do not believe that we have time between now and 6 o'clock to hear him. I think if it is at all possible we ought to sit to-night. We cannot sit to-morrow morning; we have what Dr. Motherwell one time referred to as, "a seat with no place to put it". We cannot re-assemble before to-morrow afternoon. The question I would like to put to you is, shall we sit to-night?

Mr. HANSON: I move that we sit to-night at 8.30.

The CHAIRMAN: If that is agreed then, we will try to get Mr. Gordon to-night.

Mr. GRAY: Then, let's clear it all up.

The CHAIRMAN: I don't think we can make very much headway with the Hon. Mr. Macdonald between now and six o'clock. Perhaps we had better deal with these questions of Mr. Donnelly's in the meantime.

Mr. DONNELLY: As to this grain elevator, I noticed in 1941 you made a profit of around \$208,000; can you tell me how that came about. You will see that item there on page 14. There was just one grain elevator, which grain elevator was it?

Mr. WALTON: The item which appears on page 14 to which Dr. Donnelly refers are two elevators which the railway operates themselves; one at Tiffin, Ontario, and one at Portland.

Mr. DONNELLY: This one on page 15—grain elevators, that is maintenance of way, structures, etc.—are these the same two?

Mr. WALTON: That would be all owned elevators.

Mr. DONNELLY: You have an old elevator at Port Arthur, have you not?

Mr. WALTON: Yes.

Mr. DONNELLY: How did you get this elevator?

Mr. WALTON: You are speaking I think of elevator "B"; it was built in 1904 and enlarged in 1920. It was built by Lake Superior Terminals Co. Ltd. which was owned and controlled by the Canadian Northern Railway.

Mr. DONNELLY: What did it cost?

Mr. WALTON: The capital investment to date, as shown on our books, is \$2,849,065.

Mr. DONNELLY: Is it a large elevator?

Mr. WALTON: Its capacity is 7,500,000 bushels. It is a large elevator.

Mr. DONNELLY: Did you build and operate this elevator yourselves?

Mr. WALTON: Yes, by the Canadian Northern Railway.

Mr. DONNELLY: How many years?

Mr. WALTON: Only for a few months after completion in 1904.

Mr. DONNELLY: In 1904?

Mr. WALTON: 1904.

Mr. DONNELLY: Only for a few months?

Mr. WALTON: Yes.

Mr. DONNELLY: What has been your financial experience operating this elevator, are you making a profit or a loss out of it?

Mr. WALTON: The record is not obtainable. At the time it was built it was only used to a limited extent. You will appreciate that that was 38 years ago.

Mr. DONNELLY: And, you rented this elevator; from what time was it rented?

Mr. WALTON: It was first rented in September, September 1st, 1906.

Mr. DONNELLY: To whom?

Mr. WALTON: The British America Elevator Company.

Mr. DONNELLY: They have been so continuing ever since?

Mr. WALTON: No.

Mr. DONNELLY: How long did they operate it?

Mr. WALTON: Until 1922.

Mr. DONNELLY: Who did you rent it to then?

Mr. WALTON: To the Saskatchewan Co-operative Elevator Company.

Mr. DONNELLY: The Saskatchewan Co-operative?

Mr. WALTON: Yes.

Mr. DONNELLY: What rent were you getting from the first company, the British America.

Mr. WALTON: \$100,000 per annum for the years 1917 to 1922 inclusive.

Mr. DONNELLY: And what were you getting from the Saskatchewan elevator people?

Mr. WALTON: You mean, The Saskatchewan Co-operative?

Mr. DONNELLY: Yes, The Saskatchewan Co-operative.

Mr. WALTON: The Saskatchewan Co-operative had this elevator from 1923 to 1926 inclusive and the annual rental was \$151,508 per annum.

Mr. DONNELLY: Who rented it after the Saskatchewan Co-Op.?

Mr. WALTON: The Saskatchewan Pool.

Mr. DONNELLY: The Saskatchewan Pool.

Mr. WALTON: Yes; commencing September 1st, 1926.

Mr. DONNELLY: What rent were they paying under the terms of the lease?

Mr. WALTON: That was for a four-year term from September 1st, 1926, at a rental of \$151,508 per annum, plus 6 per cent on any capital improvements and also plus insurance and taxes, which averaged about \$40,000 per year. That went on until September 1st, 1930, after which the lease was continued on the same terms until August 31st, 1939. A new lease was made effective September 1st, 1939, with a rental of \$135,000 per annum, plus taxes and insurance and 6 per cent on any capital improvements, with the proviso that the rental would be reduced by one-half in the event that crop conditions rendered operation of the elevator unnecessary in any year. That lease that I have just spoken of runs until August 31, 1943, subject to a notice of one year in advance of cancellation by either party; otherwise it continues in effect from year to year.

Mr. DONNELLY: It is reported by the Pools that they made \$417,000 clear last year. Is it not a fact that almost any elevator would make money last year?

Mr. WALTON: I would presume so under existing conditions.

Mr. DONNELLY: Would it not be wise for you to take over the elevator and run it yourself, as suggested in our agriculture committee?

Mr. WALTON: I would say no. The railways are essentially in the transportation business and not in the marketing of grain. The grain men control large quantities of grain and its routing, and if the railways were to operate this elevator it could not possibly have that control.

Mr. DONNELLY: We are told that this is a government-owned railway and that this is a government elevator and that the government have all the wheat in the country, and therefore why not take this lease and fill this elevator

up with government wheat and save a lot of money for the government—that is the argument that is put up to us.

Mr. WALTON: I appreciate that. Under all the circumstances the government have the right to store wheat in any elevator, and therefore the fact that the Canadian National Railways might be operating this particular elevator would have no bearing on the general question.

Mr. DONNELLY: Is it not a fact that in normal years elevators such as yours which have no feeders in the country—no country elevators to feed them—that they lost money?

Mr. WALTON: I think so.

Mr. DONNELLY: Is it not a fact that in normal years elevators like yours without any feeders in the country got no wheat except the wheat that nobody else wanted; that they got the off grades and the mistakes in grades, and the result was that our terminal elevators, as I understand it, were not able to keep up the grades. Is that so?

Mr. WALTON: That is right.

Mr. DONNELLY: You say that your elevator is rented for four years. Don't you think the government would not be wise in cancelling the lease; is not there a certain sanctity of contract; don't you think you should keep your contract?

Mr. WALTON: I think definitely so.

Mr. DONNELLY: And should not that be one of the arguments why you should not take it over yourself?

Mr. WALTON: Yes.

Mr. DONNELLY: You do not think it is wise for the government to break their contract whenever they like in order to make money?

Mr. WALTON: I could not express an opinion on that.

Mr. DONNELLY: That is my opinion anyway. The government should not break its contract any more than anyone else; it is a bad example to set anyway. I want to ask one or two questions more on page 16 about train fuel. We were discussing this the other day and you said that a lot of your coal came from the United States?

Mr. VAUGHAN: Yes, sir.

Mr. DONNELLY: What tonnage of coal did you buy in the United States?

Mr. VAUGHAN: We have a statement here that we were filing in response to that question. There is a statement here, Dr. Donnelly, showing the coal we bought in Canada and the United States, and we can file it.

Mr. DONNELLY: What class of coal would you buy—steam coal?

Mr. VAUGHAN: Yes.

Mr. DONNELLY: How much did you get out of your own mines?

Mr. VAUGHAN: I do not remember offhand how much of our own coal was used in Canada. Our own mines produced about two million tons.

Mr. DONNELLY: You took it all, did you?

Mr. VAUGHAN: We took it practically all. All that coal would not be used in Canada; part of it would be used on our United States lines.

Mr. DONNELLY: You keep a separate account and you pay your own coal mines for that coal the same as you would pay an outsider?

Mr. VAUGHAN: Exactly.

Mr. DONNELLY: And do you pay them practically the same prices?

Mr. VAUGHAN: Yes, sometimes less; we only pay them cost.

Mr. DONNELLY: Did I understand you to say the other day that the reason why you have to bring in so much American coal is that you could not get the coal in Canada?

Mr. VAUGHAN: Yes.

Mr. DONNELLY: Would that be eastern coal chiefly or from the west?

Mr. VAUGHAN: There was a shortage of eastern coal. We got less eastern coal last year than the year before. For example, in 1941, we purchased eastern coal with a tonnage of about 1,424,175 tons, which was all the coal we could get. The year before, in 1940, we used 1,671,679 tons of eastern coal. We used more western coal in 1941 than we did in 1940.

Mr. DONNELLY: In buying your coal in the United States, is the price you pay so much at the mine and haul it yourself?

Mr. VAUGHAN: The coal has to move over foreign lines to a considerable extent before it reaches our line.

Mr. DONNELLY: That is the case wherever you buy it.

Mr. VAUGHAN: Yes. That coal moves via a large number of routes; some will come from western Kentucky up through Chicago; some will come across lake Erie; some will come by the Niagara frontier; and some will come by car ferries across lake Ontario, and some via Massena.

The committee adjourned at 6 o'clock p.m. to meet at 8.30 o'clock p.m.

EVENING SESSION

The committee met at 8.30 o'clock.

The CHAIRMAN: Order. Gentlemen, before proceeding tonight I may state that Mr. Macdonald will be here from the house in a moment, I expect, to answer whatever questions the committee may submit. It was asked that Mr. Power or someone from his department be here or the Minister of National Defence to deputize for him; but in conversation with Mr. Ralston he expressed the wish that the matter be held over until Mr. Power himself could address the meeting as he would prefer that course. He would prefer not to address the meeting on behalf of Mr. Power and he would prefer not to have anyone deputize for Mr. Power, so in accordance with his wish we might wait until tomorrow when it is expected Mr. Power will be in the capital again. The third point I wish to bring up is that an answer from the delegation of trainmen from the West state they will be here on Wednesday morning or Wednesday afternoon, whichever would be more convenient for us. The fourth matter I wish to mention before we proceed is in connection with the request or the motion made by Mr. Shaw that the Board of Transport Commissioners be asked to attend this meeting. In consultation with a lot of officers of the house I gathered we could bring them here but we could not by any means oblige them to give testimony. That is the result of the inquiry I made.

Mr. SHAW: Mr. Chairman, I cannot imagine what good they will be to us if they decline to testify.

The CHAIRMAN: We can bring them here and they may voluntarily answer some of our questions but we have not the legal competency to make them answer.

Mr. SHAW: I still feel, Mr. Chairman, that they should be brought here and let us take a chance on what their reactions might be; and if this matter is up for discussion at the present moment—may I ask, Mr. Chairman, if it is up for discussion now?

The CHAIRMAN: The meeting is open for that at the moment.

Mr. SHAW: I was also going to move that the C.N.R. members of the Joint Co-operative Committee of the two railways be summoned to appear before this

committee as witnesses, if they are not here now. May I ask if they are here now?

Mr. JACKMAN: May I ask as a matter of information what it is intended to question the Board of Transport Commissioners or the members of the so-called Co-operative Board on?

Mr. GRAY: Mr. Shaw spoke of it on Friday.

Mr. JACKMAN: Branch lines?

The CHAIRMAN: He wished to ask them with regard to line abandonment.

Mr. SHAW: I may say, Mr. Chairman, in connection with that that I am more concerned now than ever about having them here because I received over the week-end a copy of the judgment, if that is the correct term used, handed down and also the minority report. I have learned that the report granting the application was submitted by Mr. H. W. Wardrope of the committee and concurred in by Mr. F. M. MacPherson; but the minority report recommending that the application be not granted was made by the Chief Commissioner, and because of the fact that I now have far more evidence than I had on Friday with respect to this case, I am more concerned than ever with having not only the Board of Transport Commissioners here, but also, as I stated a moment ago, the C.N.R. members of this Joint Co-operative Committee who made the application for the road abandonment of those sections of railways, some C.P.R. and some C.N.R.

The CHAIRMAN: May I suggest here, Mr. Shaw, that we will not detain Mr. Macdonald, but return to this matter later?

Mr. SHAW: That is very fine.

The CHAIRMAN: Now, gentlemen, Mr. Macdonald is here and he has certain figures and certain statements to make. His statement, of course, will be in connection with the apportionment of business between the two railways as regards his department, as you know. Mr. Macdonald, will you make your statement voluntarily?

Hon. Mr. MACDONALD: Gentlemen, I have figures for the amount of freight, passenger and express services paid to the two railroads for the fiscal year ending March 31, 1942, by the Department of Naval Services. In that fiscal year we paid to the Canadian National Railways for freight, passenger and express services the sum of \$1,247,788.62. To the Canadian Pacific Railway for the same period of time we paid the sum of \$567,626.48, for the same services.

Now with regard to telegrams, cables, rental of printer service, telegrams, teletype machines, telegram loops and lease of wires, I am able to give the committee the figures for the last calendar year, the calendar year 1941; and these figures are: to the Canadian National Railways \$99,472.81; to the Canadian Pacific Railway \$97,057.38. These, as far as I know, are the only payments that we made to the railways in our service.

Mr. JACKMAN: You are not aware then of the alleged order since 1932 or 1933 whereby all government departments divided their business on a 50-50 basis between the two railroads, and inasmuch as your department was formerly under the National Defence Department as one department, you did not carry any such order into your new Department of the Navy?

Hon. Mr. MACDONALD: I am glad you asked that question, Mr. Jackman. I might say that the Naval Service regulation in this regard is to be found in the regulations and instructions of the Royal Canadian Navy reprinted in 1942. And Article 281 of these regulations says: "That naval transportation, whether passenger, freight or express, may be routed either by Canadian National Railways or Canadian Pacific Railway according to the convenience and best interest of the service." That is the article which governs the procedure of the Department of Naval Services, with regard to freight, express

and passenger services. There is an order with regard to telegraph service which is in almost exactly similar terms.

Mr. JACKMAN: Any suggestion of a 50-50 division of business?

Hon. Mr. MACDONALD: Not in that regulation there, no. There is a certain arrangement in the Naval Service whereby people of certain parts of the country are moved over one railway and in other parts of the country over another. It was said by the Secretary of the Department of Naval Services, at the time the order was made, that that seemed to be a fairly even distribution or a fairly equitable way to divide the business. That is, Montreal East is given to the C.N.R., and most of Montreal West is given to the C.P.R. It turned out in the last year, however, that the great majority of the naval recruits have come from the five eastern provinces. The bulk of the traffic has been Ontario, Quebec and the Maritime provinces. The three Prairie provinces and British Columbia, in the course of things, have not supplied nearly so many recruits.

Mr. JACKMAN: May I ask the date of the order you read to us?

Hon. Mr. MACDONALD: The naval order?

Mr. JACKMAN: Yes.

Hon. Mr. MACDONALD: Well I have the reprint here. It does not set forth the date. The reprint was made early this year. I could not give my honourable friend at the moment the exact time of this order. I think, however, that it was revised last year and the order regarding telegrams was made on the 27th of December, 1941.

Mr. JACKMAN: I am wondering how it is that the naval department did not take over the same ruling as the original parent, namely the Department of National Defence, is supposed to have on its books. We understand there was an old order on the Department of National Defence records whereby the business was on a 50-50 basis. I presume that, when you set up as an independent department of national defence, many of your standing orders were simply taken from those of the parent department.

Hon. Mr. MACDONALD: No, not necessarily. There have always been naval regulations and it is conceivable that they might be different from the army regulations in that regard.

Mr. NICHOLSON: In supplying transport for men travelling from Halifax to Vancouver, do these men travel over the C.N.R. or what policy is followed in connection with that transportation?

Hon. Mr. MACDONALD: Halifax to Vancouver? I will get that for you in a minute. The rule that was laid down on the 31st of July, 1941,—the rule sent out by the secretary of the naval department was this.

Mr. GRAY: 1941, did you say?

Hon. Mr. MACDONALD: July 31st, 1941. The rule was: Officers drafted to Halifax are to be routed as follows: from divisions west of Montreal, via C.P.R. to Montreal, via C.N.R. Montreal to Halifax. Officers drafted to Halifax from Montreal, Quebec, Saint John, Charlottetown are to go via C.N.R. to Halifax. That is the movement east. The movement to the west would be governed by the following regulations or instructions rather: officers going to Victoria from Charlottetown, Saint John, are to go via C.N.R. to Montreal, via C.P.R. from Montreal to Victoria. Officers coming from all other divisions except Saint John and Charlottetown would go via C.P.R. to Victoria, except in the case of Saskatoon and Edmonton, who would go via C.N.R. to Victoria.

Mr. GRAY: That does not give much leeway to either of the roads. It is a pretty specific order from your department.

Hon. Mr. MACDONALD: Yes.

Mr. MAYBANK: May I re-state that in order to make sure that I have it right. In general they are shipped via C.N.R. to Montreal and thereafter via C.P.R., with the exception of a very few points.

Mr. MACDONALD: You are speaking of officers travelling to the west?

Mr. MAYBANK: Yes.

Hon. Mr. MACDONALD: By C.N.R. to Montreal and then C.P.R. from Montreal to the west coast. That instruction would not apply to the Edmonton and Saskatoon divisions.

Mr. MAYBANK: You mean if they were going to Saskatoon or to Edmonton, or do you mean coming from those places?

Hon. Mr. MACDONALD: No. Officers leaving Saskatoon or Edmonton and going to the coast would travel C.N.R.

Mr. MAYBANK: Yes.

Hon. Mr. MACDONALD: An officer leaving Winnipeg for the west coast would travel C.P.R. all the way.

Mr. MAYBANK: In other words, with regard to Saskatoon and Edmonton, the rule means that you should not ship them to Victoria by C.P.R. because that would be too silly. It is not feasible to do it.

Hon. Mr. MACDONALD: No.

Mr. MAYBANK: It is something like pretty nearly a non-competitive point?

Hon. Mr. MACDONALD: Yes.

Mr. MAYBANK: And then shipments from the coast to Montreal?

Hon. Mr. MACDONALD: From the coast to Montreal?

Mr. MAYBANK: From the east to Montreal.

Hon. Mr. MACDONALD: From the east coast to Montreal?

Mr. MAYBANK: That is the same thing, is it not? That is pretty much non-competitive.

Hon. Mr. MACDONALD: Well, there is not much movement that way. The great training grounds are at Halifax and Esquimalt. The movement is to Halifax or to Esquimalt.

Mr. MAYBANK: Yes. What I am getting at is that you ship them to Montreal on one railroad and take them off and ship them on the other one.

Hon. Mr. MACDONALD: That is correct, in some cases.

Mr. MAYBANK: In that case it means that all the long haul is given to the C.P.R.

Mr. JACKMAN: And the frequent haul is C.N.R.

Mr. MAYBANK: Is that right? I do not want to mistake it.

Hon. Mr. MACDONALD: In divisions west of Montreal, an officer going to Halifax from say Winnipeg or Regina would travel to Montreal by C.P.R. and thence C.N.R. to Halifax.

Mr. MAYBANK: Suppose he was coming from Vancouver, which is farther still?

Hon. Mr. MACDONALD: It would be the same thing.

Mr. MAYBANK: The C.P.R. have the long haul and the C.N.R. have the short. Would there be any very great difference if you just expressed that rule in this way: excluding Saskatoon and Edmonton, the short haul goes to the C.N.R. and the long haul to the C.P.R. Officers just work that out. Would there be any real difference? Is that not what that means? I do not want to mistake it, but that is the way it looks to me.

Hon. Mr. MACDONALD: In the case you have set out, undoubtedly the C.P.R. would have the long haul, yes.

Mr. MAYBANK: And in pretty nearly all the cases. I notice you used the word "officer", Mr. Macdonald. Did the rule apply to ratings too?

Hon. Mr. MACDONALD: I was just trying to get the ruling here, Mr. Maybank, as far as ratings are concerned. I think it is the same thing, but I wanted to get the order relating to ratings. It is the same. I am certain it is the same thing for ratings.

Mr. MAYBANK: There is no difference between officers and ratings?

Hon. Mr. MACDONALD: No.

Mr. MAYBANK: I would not think so.

Mr. LOCKHART: Those orders are issued by whom?

Hon. Mr. MACDONALD: The particular one I have just read came from the naval secretary and is addressed to the commanding officers of all divisions and the officers in command at Halifax, Esquimalt and so on.

Mr. NICHOLSON: I wonder if we could hear those regulations from the blue book read again, the general regulations.

Hon. Mr. MACDONALD: Naval transportation, whether passenger, freight or express, may be routed either by C.N.R. or C.P.R. according to the convenience and best interests of the service.

Mr. NICHOLSON: It seems to me that people coming from the west to Halifax, for example, from C.N. points could travel with less confusion via C.N. throughout.

Hon. Mr. MACDONALD: What points?

Mr. NICHOLSON: From Winnipeg to Halifax.

Hon. Mr. MACDONALD: What is the confusion? You change at Montreal, anyway.

Mr. NICHOLSON: You have to change stations. If you go by C.N., you have to change stations. I cannot see the argument for having that change if you carry out your rules in the blue book. It would seem to me that the men should travel on the C.N., certainly from points on the C.N. west of Montreal.

Hon. Mr. MACDONALD: Mr. Maybank is quite right. The long haul goes to the C.P.R. But as I pointed out in the early part of my statement, the bulk of the transport of men is in the Ontario, Quebec and Maritime regions.

Mr. MAYBANK: Ontario, Quebec and Maritimes?

Hon. Mr. MACDONALD: Yes.

Mr. MAYBANK: If a shipment of men from or to a point in Ontario from the east coast, or from either coast, is concerned, that would go C.P.R. to Montreal.

Hon. Mr. MACDONALD: From Toronto to say Halifax?

Mr. MAYBANK: Yes.

Hon. Mr. MACDONALD: It would go C.P.R. to Montreal and then C.N.R., yes.

Mr. MAYBANK: That is between Montreal and the west coast it would go C.P.R. wherever possible. Is that right?

Hon. Mr. MACDONALD: Yes.

Mr. MAYBANK: The preference, once we get east of Montreal, is by C.P.R. Is that not right?

Hon. Mr. MACDONALD: I would not want to call it preference.

Mr. GRAY: It comes to this point, that where there is competition, under that order it goes C.P.R. Where there is not any competition, it goes C.N.R. From Montreal to Halifax you cannot travel any other way.

Hon. Mr. MACDONALD: Oh, yes, you could. You could travel from Montreal to Halifax via Digby-Saint John.

Mr. MAYBANK: I do not personally know very much about the railroad east of Montreal, but I have always understood that the C.N.R. was the much more feasible route between points in the Maritimes from Montreal. Some of you Maritimers can correct me if I am wrong.

Mr. HAZEN: It depends where you are going.

Hon. Mr. MACDONALD: Yes, it depends where you are going.

Mr. MAYBANK: It depends on where you want the men. Is it not a fact that for the naval men, the C.N.R. is the only feasible route east of Montreal?

Hon. Mr. MACDONALD: Well, from the point of view of time, there is not much in it.

Mr. MAYBANK: There is not much in it in point of time?

Hon. Mr. MACDONALD: No.

Mr. MAYBANK: One road is as good as another. From what other point of view is the C.N.R. superior there as the more feasible route?

Hon. Mr. MACDONALD: Well, going to Halifax by C.P.R. you would have to change at Saint John to the boat to Digby and then take the Dominion-Atlantic railway to Halifax. That would be two changes.

Mr. DONNELLY: You would have to travel through the United States, too. You would have to travel through Maine.

Mr. MAYBANK: That is a method of shipping officers and ratings that the naval service has never followed. They would not consider it feasible. Is that not so?

Hon. Mr. MACDONALD: What is that? Going on a boat?

Mr. MAYBANK: I was not intending to suggest that you would object to the boys being on the boat. That was not the point.

Hon. Mr. MACDONALD: No.

Mr. MAYBANK: It would seem to me if you wanted to ship officers and ratings, you would not want to make two or three changes.

Hon. Mr. MACDONALD: The average persons going to Halifax from Montreal would take C.N.R. because there is no change whatever. He remains in his car until he gets to Halifax.

Mr. MAYBANK: And it is, as a consequence, what you would call the natural route for your men?

Hon. Mr. MACDONALD: Yes, to Halifax.

Mr. MAYBANK: And Halifax is the main place to which you send them, I think you said a short time ago.

Hon. Mr. MACDONALD: Yes.

Mr. MAYBANK: So that we do come down to the proposition, do we not, that east of Montreal it is practically non-competitive territory?

Hon. Mr. MACDONALD: Yes.

Mr. MAYBANK: What I am getting at or what I cannot understand is the disparity in figures, where there is about one and a quarter million paid to the C.N. and a little over half a million paid to the C.P. and yet the preference is given to the C.P.R. whenever there is equal opportunity.

Hon. Mr. MACDONALD: I should like some other word than "preference."

Mr. MAYBANK: Well, that is the word that gets into use in traffic. I do not use it in any other sense than it is commonly used in traffic matters. You can use any other word you like. It seems to be weighted in favour of the C.P.R. whenever possible; whether the word "preference" is the right word to use or not, is immaterial.

Hon. Mr. MACDONALD: The figures are weighted the other way.

Mr. MAYBANK: I was wondering where this money is earned, whether it is non-competitive money in the main. It cannot be very much competitive.

Mr. VAUGHAN: It may be, of course, that a good many of the men were ticketed by us and we paid over to the C.P.R. perhaps a large percentage of the money we got.

Mr. MAYBANK: That is what I was wondering about. We know those fares are paid to the C.N.R. but they in turn pay them over to the C.P.

Mr. NICHOLSON: It is often competitive. For instance, where would that happen?

Mr. MAYBANK: Suppose the fare is paid in Halifax and the ticket covers both railways. The C.N.R. will have to account for that to the C.P.

Hon. Mr. MACDONALD: They will have to account for some of it, yes.

Mr. MAYBANK: What is that?

Hon. Mr. MACDONALD: They will have to account for some of it; and I suppose the C.P. would have to do the same thing with the C.N.

Mr. MAYBANK: Yes, except that in this case the C.P. would not have to cough up so much because we do not ship them that way.

Mr. NICHOLSON: In supplying transportation to a man from Halifax to Vancouver, is it correct that these tickets would be bought from the C.N. and the money paid to the C.N. and the man travel C.N. from Halifax to Montreal and C.P. from Montreal to Vancouver? Is that the procedure to be followed?

Hon. Mr. MACDONALD: I do not know how he would buy his ticket in Halifax. I have to find that out. He might buy his ticket from the C.P. there.

Mr. DONNELLY: Has a man any preference at all, or has he got to go the way he is told?

Hon. Mr. MACDONALD: He has to go the way he is sent.

Mr. DONNELLY: He has no preference at all.

Hon. Mr. MACDONALD: No.

Mr. MAYBANK: I wonder if the C.N.R. officials could enlighten us on this. They might be able to explain the one and a quarter million against a little over half a million; it is not very meaningful after all.

Hon. Mr. MACDONALD: It is not meaningful? Oh, I think it is.

Mr. MAYBANK: The money might be paid out to the other railroad.

Hon. Mr. MACDONALD: I think it would be right to say there is no great amount of traffic from Halifax to Vancouver direct. You see, the great movement is from points away from the coast to the coast; the great movement is from Ontario, Quebec and New Brunswick in to Halifax.

Mr. MAYBANK: Going in for the first time, and I suppose, coming back on leave.

Hon. Mr. MACDONALD: Going in for training, we would say. Or, you would have a heavy movement from Saskatchewan, Alberta and Manitoba to the coast, to the west coast. I think transcontinental movement would be fairly restricted. There would be the odd case where you would have to send some man, an instructor, or something of the kind. We have never sent a man for training, that I recall, from Halifax to Esquimalt, or from Esquimalt to Halifax. The great bulk of the movement would be what might be called inland, from points inland to the coast; and of that movement the larger portion is in the five eastern provinces, Ontario, Quebec and the Maritimes; because the bulk of the population is there and two-thirds of the naval recruits have come out of those five provinces.

Mr. NICHOLSON: I wonder if Mr. Vaughan might enlighten us as to why a man who travels from Halifax to Vancouver would have a C.N.R. ticket, and whether the C.N. would have to pay the C.P.?

Mr. VAUGHAN: It would be a through ticket from Montreal to Vancouver with a C.N.R. coupon as far as Montreal, and a C.P.R. coupon from Montreal to Vancouver or Victoria.

Mr. NICHOLSON: And the C.N.R. would be paid the entire amount?

Mr. VAUGHAN: Yes.

Hon. Mr. MACDONALD: Could a man buy a C.P.R. ticket in Halifax with a C.N.R. coupon for the first part of it?

Mr. VAUGHAN: He could. I would say that the first part of the trip would have to be by C.N.R.—perhaps Mr. Fraser could tell us something more about the ticket end of it.

Mr. FRASER: Certainly, a man could go into a Canadian National office in Halifax and buy a ticket for the complete journey from Halifax to Vancouver; Canadian National to Saint John, C.P.R. Saint John to Vancouver; or Canadian National to Montreal and C.P.R. from Montreal to Vancouver; or, Canadian National to any other point in Canada and C.P.R. from there on. He can buy one in the Canadian National office; if that is the point.

Mr. MAYBANK: Can he buy one when his first hundred yards would be the Canadian Pacific?

Mr. FRASER: Yes, from the Canadian Pacific.

Mr. NICHOLSON: The minister's explanation of policy is that these men have to travel from Halifax to Montreal by C.N.

Mr. FRASER: Yes.

Mr. NICHOLSON: And from Montreal to Vancouver by C.P.

Mr. FRASER: Yes.

Mr. NICHOLSON: Would the policy be to have their original tickets bought from the C.N.R.?

Mr. FRASER: Yes.

Mr. NICHOLSON: And an adjustment would be made with the C.P.R. in due course; that would be the policy?

Mr. FRASER: That is the only way in which it could be done.

Mr. EMMERSON: Could a man go into a C.P.R. telegraph office in Halifax and buy a ticket to Vancouver from the C.P.R. ticket agent?

Mr. FRASER: Yes, in which case he would travel by Dominion Atlantic Railway and cross the Bay of Fundy, if he wanted, and go from there by Canadian Pacific Railway.

As a matter of fact, you could go into a Canadian Pacific office if you wanted and purchase a ticket from Halifax to Vancouver via Canadian National to Montreal and Canadian Pacific to destination. The agent of the Canadian Pacific at Halifax would be able to arrange that, but he would have to get a ticket issued by the Canadian National.

Mr. EMMERSON: Could you not ride out of Halifax on the D.A.R. to Windsor?

Mr. FRASER: Yes.

Mr. MAYBANK: You have given us figures apparently which indicate that more money was paid to the C.N.R. than to the C.P.R.?

Hon. Mr. MACDONALD: Yes.

Mr. MAYBANK: And he goes Canadian National to Montreal and from there west he goes C.P.R.; can you give us an explanation on that?

The CHAIRMAN: Just a minute; are you through with Mr. Macdonald?

Mr. FRASER: I do not know whether I am on the stand or not.

The CHAIRMAN: I do not know that myself, Mr. Fraser. They have pretty well mixed the witnesses. I was wondering if you are through with the minister?

Mr. MAYBANK: Just a few moments ago Mr. Macdonald was trying to give us an explanation, and he came to a point where he said he was unable to explain. I was then asking if perhaps the Canadian National officials could explain this disparity; and then just a few minutes later Mr. Fraser arose and answered some questions. That is what I was at. I should like to know at this point if there are other things which the Canadian National officials might clear up.

The CHAIRMAN: Yes. I was merely ascertaining if the committee are through with the Hon. Mr. Macdonald.

Some Hon. MEMBERS: No, no.

Mr. MAYBANK: I thought probably it would be further enlightening to Mr. Macdonald himself.

Hon. Mr. MACDONALD: The only explanation that I can give is that the bulk of the movement is in the eastern provinces, which is largely C.N.R. movement. I think that is the only explanation. Whether the railroad officials would agree with that or not, it is the only explanation I can see.

Mr. MAYBANK: I am not disputing the point, I just want to clear it up. Can we at this point see what the explanation is from the Canadian National officials?

The CHAIRMAN: Yes, very good.

Mr. MAYBANK: I would like to ask that of Mr. Fraser.

The CHAIRMAN: All right, Mr. Fraser.

Mr. MAYBANK: You know the situation now, can you give any explanation of it?

Mr. FRASER: I think the minister's (Hon. Mr. Macdonald) explanation is the correct one. You see, the logical movement is through the port of Halifax which is the important naval port so far as the movement of freight and passengers are concerned, over Canadian National Railway; because it is only common sense and good service to take a passenger from a certain point and land him without change of car, if it can be done, at the port; or, take him from a port to his destination. Now, the only railway that can do that is the Canadian National Railway, and the bulk of the travel to and from Halifax is, as the minister has said, from territory Montreal and east, and Ontario, contiguous to Montreal; so that in the nature of things, if you give that business from the west to Montreal to the Canadian Pacific, the Canadian National proportion must be two to one, if you like.

Mr. MAYBANK: It is more like three to one.

Mr. FRASER: The only thing about it, if I might make this observation, is this, it comes squarely within what I said before; that we say that being so you must therefore say to the Canadian National because of your favourable position there you cannot get anybody between Vancouver and Montreal.

Mr. MAYBANK: That is the point.

Mr. FRASER: That is my point; and again I say, I would like very much to have that regulation changed—unless it is public policy that some of the business must of necessity as a matter of public policy go to the Canadian Pacific.

Mr. MAYBANK: That point might be brought out by Mr. Macdonald. The other ministers who were here to-day indicated that they would be willing to see any restrictions wiped out. There is a restriction that the C.N.R. could not get more than 50 per cent of the business—they split 50/50—anyway you

want to take that. Now, would the minister (Mr. Macdonald) be agreeable, similarly, to have an order go out that the business should go what is the natural way for it, without regard to instructions or restrictions?

Hon. Mr. MACDONALD: Do you mean, taking Canada as a whole?

Mr. MAYBANK: Yes.

Hon. Mr. MACDONALD: Well, I would like to consult—

Mr. GRAY: If I might suggest, Mr. Minister (Hon. Mr. Macdonald), it will be in accordance pretty well with the order you read out of your book—I do not know which one—the second one you read from is very definite as to what troop movement must be, and your first order is along the lines that were suggested by the Minister of Transport (Hon. Mr. Cardin), as a matter of policy to-day; and by Mr. Vaughan, and others who have proposed it. It seems to me your second order, as read by you, from the Naval Secretary, being in such definite terms, nullifies largely the general order which you read from the blue book, do I make myself plain?

Hon. Mr. MACDONALD: Yes. You will observe, of course, there is no 50/50 division?

Mr. GRAY: I appreciate that.

Hon. Mr. MACDONALD: It is two to one; I think it is better than two to one.

Mr. NICHOLSON: My understanding of it is that where there was a point served exclusively by C.P.R. the shipment coming from that point to Winnipeg, a competitive point, that shipment would go over the C.P.; and, similarly, if it originated on a C.N. point it would go over the C.N. as far as indicated and then transfer to the C.P. It seems to me that same policy might be followed in connection with your department at points served exclusively by one railway. You might expect to have movements from that point as far as possible on through lines of railway, without having a transfer made, rather than having them travel to Montreal, which is really quite close to Halifax.

Mr. SISSONS: Could we have the first order read again?

Hon. Mr. MACDONALD: How long is the committee sitting, Mr. Chairman?

The CHAIRMAN: We will be sitting to-morrow afternoon.

Hon. Mr. MACDONALD: I would be glad to discuss this with the secretary and ask him on what ground the decision was arrived at. The order states that the regulations were arrived at after consultation with both railways and was agreeable to both of the railways. Now, I understand there is some issue about that. Mr. Vaughan and Mr. Fraser have said that was not quite so. The secretary of my department has been away on sick leave but he is back now, and I would like to consult him to find out whether consultation was had with representatives of both roads; and whether actually there was agreement to this arrangement, that it should be C.N.R. east, and C.P.R. west, with the exception of Edmonton and Saskatoon. Now, I can't find out whether he actually had the assent of the railways, as he states. I understand that the C.N.R. raises some question about that.

Mr. VAUGHAN: I could not say, Mr. Chairman, whether he did; do you know that, Mr. Fraser?

Mr. FRASER: There is a file on it, Mr. Vaughan. I would like the minister (Hon. Mr. Macdonald) to get that information. I would not be a party to any such arrangement.

Mr. VAUGHAN: I could hardly believe our people would willingly agree to allow business originating in Halifax and going to Vancouver to be turned over at Montreal to the C.P.R. when we could haul it all the way.

Mr. FRASER: If anyone on our staff did that we ought to get rid of them.

The CHAIRMAN: Do you want this order read, Mr. Sissons; it is in the record?

Mr. SISSONS: That would be all right.

Mr. MAYBANK: Possibly this should come up again when Mr. Macdonald comes back—following that discussion you spoke of I wonder if it would not be a good idea to get a little bit more information on these figures from the Canadian National. In the first place, I presume, most of that money refers to the movement of officers and ratings; and in the second place I would like to know from the Canadian National if they can tell us if they have any idea what proportion of that money they got they had to pay out again for the Canadian Pacific; also we can see if we can find out whether there is any unreality there in this comparison.

Mr. VAUGHAN: We are trying to obtain those figures.

Mr. MAYBANK: Will you work that out?

Hon. Mr. MACDONALD: What you want me to do is to find out the basis for this matter and whether it was actually agreed to by representatives of both roads. Is that the further information you want?

The CHAIRMAN: Yes.

Hon. Mr. MACDONALD: I shall be glad to appear tomorrow if the committee is sitting.

Mr. NICHOLSON: I wonder if the minister would discuss whether the order he read from the blue book might be considered as the only official order that might come from his department regarding instructions cancelling those restrictions?

Mr. JACKMAN: May I ask the minister what the principle behind these departmental orders is? Is it felt that it is not proper to leave in the hands of the deputies or the officers of the department who will have the routing of the business the determination as to which line the traffic shall go over? Must you have definite specified rulings and amounts instead of leaving to the particular officer in charge as to which line you shall select? Every department seems to have rulings or understandings, sometimes carried out and sometimes not, as to what proportion of the business each line shall receive. What is the principle behind that? Why do you have to tie down officials at all?

Hon. Mr. MACDONALD: It will be necessary to tie down individual movements of drafts because I do not think you could have a draft proceeding, say, from Winnipeg to Vancouver some by C.N.R. and some by C.P.R.; they would all have to go one way, because they are in charge of an officer or a petty officer. That would have to be clearly set forth on each individual occasion. I do not say you could not send a draft from Winnipeg today by one road and next month by another road, but you cannot begin to split up drafts. One man might say that he would like to go by the C.N.R. and another by the C.P.R. He has got to do what he is told and go where he is under some sort of controlled discipline.

Mr. JACKMAN: Take the case of a freight shipment for the navy going to an eastern Canadian port—a propeller part that has been made in Toronto or some place west—has that got to go via the C.P.R. to Montreal? Is the actual freight transferred to a C.N.R. train from there so there is a rehandling expense involved?

Hon. Mr. MACDONALD: The orders I have read do not apply to freight; they apply to passengers. I do not know of any orders with regard to freight. I shall be glad to find that out.

Mr. HANSON: Take the case of a man, a rating in the navy, going from Esquimalt, say, to Montreal or Halifax, he cannot go into a C.N.R. office and buy a ticket on the C.N.R.; he has to go to Montreal by the C.P.R.

Hon. Mr. MACDONALD: Going from the west to Halifax?

Mr. HANSON: From Vancouver or Esquimalt to Halifax.

Hon. Mr. MACDONALD: Yes, you are right.

Mr. HANSON: He could not go C.N.R. if he wanted to?

Hon. Mr. MACDONALD: No.

Mr. HANSON: He would have to go C.P.R.?

Hon. Mr. MACDONALD: Yes, to Montreal.

Mr. HANSON: That does not seem just right. That is the only route from Vancouver direct to Halifax without any inconvenience for him to travel by, whether they are naval men or civilians. If he goes to Montreal it means he has to move from one station to another or travel around in a taxi or something, if he buys a ticket in Vancouver on the C.N.R.

Hon. Mr. MACDONALD: They would march across. That is what they do at Montreal; they march from Windsor station to Bonaventure.

Mr. HANSON: If they are in a company or a troop, but what do they do if there are one or two or three officers?

Hon. Mr. MACDONALD: Oh, yes, they would have to go over.

Mr. HANSON: They would not be marching; they would have to have transportation from one station to another, and maybe they would have to stay overnight and probably miss a train.

The CHAIRMAN: In the case of individual travellers, would they be allowed any option, or would they have to follow a general rule?

Mr. HANSON: The minister says no.

The CHAIRMAN: He was talking about groups just now.

Mr. HANSON: I asked him about individuals too.

Hon. Mr. MACDONALD: If they are being sent officially, so to speak, they would have to follow this general rule.

Mr. SHAW: Do I understand, Mr. Chairman, that when a man goes on leave he is free to choose whatever line of rail he cares to travel by?

Hon. Mr. MACDONALD: I think that is true, although I am not sure. I think this only applies to movements that are entirely paid for by the Navy. I should think if a man were going on leave where he would be contributing a part of the cost himself that he would be free to choose. However, I would like to examine that.

Mr. SHAW: Mr. Chairman, my reason for asking that question was that I did receive one complaint orally by an individual that one extra day was taken off his leave by virtue of the fact that he had to go by a rather roundabout route in order to continue to travel on the one system of railroad, and I am of the opinion that if that is the case some consideration ought to be given to an adjustment there. Either they should be allowed an extra day to go by this circuitous route or else they should be allowed to travel in the shortest possible way.

Hon. Mr. MACDONALD: Do you know which route that man had to take? Do you recall that?

Mr. SHAW: It was in northern Saskatchewan somewhere. He just pointed out that he had gone within at least a few miles of his home and then had to go half way around it and back. I did not put down any figures. I wanted to know what the principle involved was.

Hon. Mr. MACDONALD: I do not think this applies to leave. This deals with men moving for training or something of that sort entirely at the government's expense and under government supervision, so to speak; but I will make sure on that point and be able to give you a definite answer tomorrow.

Mr. MAYBANK: What is the exact procedure when a fellow goes on leave? He buys his ticket himself and gets a reduction when he presents himself at the ticket office; is that it?

Hon. Mr. MACDONALD: My impression is that he is free to travel whichever way he wishes.

Mr. MAYBANK: I think that is so myself.

Hon. Mr. MACDONALD: But I will find that out.

Mr. MAYBANK: He is given some sort of a warrant. I wonder whether it is something addressed to a railroad company.

Hon. Mr. MACDONALD: It is a general thing, is it not? It is a general warrant for railway travel.

Mr. MAYBANK: Is it an open letter? I thought it would be.

The CHAIRMAN: Is the committee finished with Mr. Macdonald for this evening?

Hon. Mr. MACDONALD: I will appear tomorrow with further information.

The CHAIRMAN: Now, I think we had better clear up this matter which was raised by Mr. Shaw.

Mr. SHAW: Mr. Chairman, when we were discussing this matter before I asked if any of the C.N.R. members of the Joint Cooperative Committee who made application or who with similar officials of the C.P.R. made joint application are here to-day.

Mr. VAUGHAN: None of them is here.

(A lengthy debate on the motion by Mr. Shaw took place.)

The CHAIRMAN: Gentlemen, that brings us back to finishing the report of the Canadian National Railways.

Mr. NICHOLSON: Mr. Chairman, I asked a question the other day regarding the possibility of—

Mr. GRAY: Mr. Chairman, how would you like to consider adjourning?

The CHAIRMAN: A motion to adjourn is always in order.

Mr. GRAY: I move that we adjourn.

Mr. HANSON: I would second the motion.

Some HON. MEMBERS: Let's go ahead and finish it up.

Mr. GRAY: Mr. Chairman, is my motion overruled?

The CHAIRMAN: No, not at all, Mr. Gray. I will now put your motion.

The motion being put it was carried and the committee adjourned at 10:05 o'clock p.m. to meet again to-morrow, Tuesday, May 5th, 1942 at 4 o'clock p.m.

APPENDIX "B"

CANADIAN NATIONAL RAILWAYS

MONTREAL

R. C. VAUGHAN,
President.

MEMORANDUM OF REASONS FOR TRAVELLING AND
SHIPPING VIA C.N.R.1. *For Service—*

The traveller or shipper via the Canadian National gets to a maximum extent the benefit of direct service to points in Canada and to many points in the United States. The Canadian National is in a position to give direct service via its own lines to a greater extent than any of its competitors. It reaches by direct service 89% of Canada's population.

2. *For Fairness—*

Where a choice of routes for travelling or shipment exists and the question arises as to what proportion of competitive traffic should, in all fairness, be routed via the Canadian National it might be kept in mind that the Canadian National is carrying a large burden in supplying the greater proportion of development and pioneering railways in Canada, the support of which must largely be found in competitive traffic moving between the principal centres. The measure of the essential service performed by railways is the area exclusively served by it. Of the territory served by railways in Canada, 60% depends exclusively upon the Canadian National and it is fair and reasonable therefore that the Canadian National should obtain at least two-thirds of the competitive business, having regard to the fact that essential services in exclusive territory must often be conducted at a loss.

3. *For Normal Competition—*

It is customary to think of Canadian railway competition in terms of two companies and to draw from this condition the inference that a 50-50 division of traffic is fair, but if the lines which have been absorbed into the two large railway systems in Canada were in independent competition, those which now comprise the Canadian National System would be competing for at least 65% of the country's railway traffic. A 50-50 division of traffic overlooks this fact and works a double hardship on the Canadian National because if the total traffic is divided 50-50 and, as pointed out above, 60% of non-competitive traffic must be routed by the Canadian National because of geographical necessity, it results in the Canadian National obtaining less than 50% of the straight competitive traffic whereas by virtue of the essential service it renders to the country the Canadian National is entitled to at least two-thirds of the competitive traffic to enable it to carry its greater proportion of unprofitable but essential services.

4. *To Spread Overhead Costs—*

The heavy fixed charges of the Canadian National for interest payments on its funded debt as well as its heavy tax bill must be met. When competitive traffic is routed via the Canadian National it helps to spread this burden of fixed charges which must be met in any event.

5. To Help Balance the Federal Budget—

The Canadian National is entirely owned by the people of Canada and the National Budget therefore includes the profit or loss of the railway. The consolidated revenue of Canada is increased every time a passenger or shipment is routed via the Canadian National. In each case the consolidated revenue is increased by the difference between the amount of the fare or freight charges and the out-of-pocket cost of rendering service.

6. As a Method of Paying Taxes—

The profit on every ticket or freight bill via the C.N.R. is the equivalent of paying just that amount of taxes. The average out-of-pocket expense ratio is 50%, so that for every dollar paid to the C.N.R. for service, fifty cents will be removed from Canada's collective tax bill.

APPENDIX "C"

CANADIAN NATIONAL RAILWAYS

STATEMENT OF COAL PURCHASES 1940-1941

	1940			1941		
	Canadian Lines	United States Lines	Total	Canadian Lines	United States Lines	Total
Canadian Coal—Eastern...	1,671,679	—	1,671,679	1,424,175	—	1,424,175
Western ..	1,639,861	—	1,639,861	1,714,723	—	1,714,723
Total—Canadian	3,311,540	—	3,311,540	3,138,898	—	3,138,898
United States Coal.....	1,740,779	849,226	2,590,005	3,228,135	1,115,135	4,343,270
British Coal.....	33,996	—	33,996	—	—	—
Total purchases.....	5,086,315	849,226	5,935,541	6,367,033	1,115,135	7,482,168

APPENDIX "D"

CANADIAN NATIONAL RAILWAYS

HOTEL OPERATING RESULT—YEARS 1941-1940

Year	Revenues	Expenses	Taxes	Net
Charlottetown	\$ 107,829 07	\$ 102,473 79	\$ 4,562 67	\$ 792 61
Pictou Lodge.....	28,597 59	28,104 96	321 94	170 69
Nova Scotian.....	603,286 42	481,569 55	12,930 38	108,786 49
Chateau Laurier.....	1,759,514 59	1,290,283 66	63,487 50	405,744 00
Prince Arthur.....	208,032 97	181,726 46	6,073 83	20,232 68
Minaki Lodge.....	71,122 58	63,317 60	416 00	7,388 98
Fort Garry.....	415,601 82	379,538 18	27,761 25	8,302 39
Prince Edward.....	131,541 61	131,966 54	3,658 01	4,082 94
Macdonald	418,741 72	399,670 93	15,245 14	3,825 65
Jasper Park Lodge.....	429,699 00	374,121 82	5,486 32	50,090 86
Bessborough	293,111 16	300,989 44	1,872 42	9,750 70
	<u>\$4,467,078 53</u>	<u>\$3,733,762 27</u>	<u>\$ 141,815 55</u>	<u>\$ 591,500 71</u>
Year 1940				
Charlottetown	\$ 87,628 72	\$ 88,627 38	\$ 3,637 48	\$ 4,636 14
Pictou Lodge.....	17,538 68	23,826 70	219 60	6,507 62
Nova Scotian.....	454,810 97	358,479 76	11,472 07	84,859 14
Chateau Laurier.....	1,601,757 67	1,145,844 20	60,793 55	395,119 92
Prince Arthur.....	169,672 17	161,347 33	5,882 00	2,442 84
Minaki Lodge.....	61,781 86	56,197 81	.....	5,584 05
Fort Garry.....	370,478 14	375,366 98	26,216 62	31,105 46
Prince Edward.....	119,567 88	113,959 60	3,268 15	2,340 13
Macdonald	389,118 88	375,501 14	13,964 79	347 05
Jasper Park Lodge.....	380,465 34	336,281 85	3,060 00	41,123 49
Bessborough	283,492 95	269,374 16	806 02	13,312 77
	<u>\$3,936,313 26</u>	<u>\$3,304,806 91</u>	<u>\$ 129,320 28</u>	<u>\$ 502,186 07</u>

APPENDIX "E"

CANADIAN NATIONAL RAILWAY SYSTEM

Statement of taxes paid in 1941 (other than sales tax added to cost of material)
on Railway, Hotels and Separately Operated Properties

CANADA

Dominion Government—			
Unemployment Insurance.....	\$	453,943 20	
Excise Stamps.....		81,550 02	
			\$ 535,493 22
Provincial and Municipal:			
Prince Edward Island—			
Provincial		40,400 00	
Municipal		164 00	
Hotel		4,562 67	
			45,126 67
Nova Scotia—			
Provincial		104,595 71	
Municipal		4,817 00	
Hotel		13,252 32	
			122,665 03
New Brunswick—			
Provincial		128,637 98	
Municipal		4,966 45	
			133,604 43
Quebec—			
Provincial		104,924 04	
Municipal		782,089 10	
Separately Operated Properties.....		72,525 10	
			959,538 24
Ontario—			
Provincial		448,424 74	
Municipal		959,456 26	
Hotel		69,977 42	
Separately Operated Properties.....		76,776 65	
			1,554,635 07
Manitoba—			
Provincial		302,000 00	
Municipal		36,803 30	
Hotel		31,419 26	
			370,222 56
Saskatchewan—			
Provincial		220,645 00	
Municipal		10,252 00	
Hotel		1,872 42	
			232,769 42
Alberta—			
Provincial		95,159 95	
Municipal		161,150 00	
Hotel		20,731 46	
Separately Operated Properties.....		47,483 69	
			324,525 10
British Columbia—			
Provincial		273,923 60	
Municipal		151,762 08	
Separately Operated Properties.....		35,995 54	
			461,681 22
Other Unallocated Taxes—			
Miscellaneous A/c 544.....		2,420 81	
Separately Operated Properties (Land Cos.).....		238,066 99	
			240,487 80
Total Canadian.....			\$4,980,748 76

UNITED STATES

Carriers Taxing Act, 1937.....		620,580 48	
Railroad Unemployment Insurance.....		615,754 28	
Other Taxes.....		1,588,216 02	
			2,824,550 78
Total United States.....			\$2,824,550 78

OTHER COUNTRIES—Great Britain, Mexico, Hong Kong, Australia and
New Zealand

30,937 02

Total Canadian National Railway System.....

\$7,836,236 56

SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

TUESDAY, MAY 5, 1942

WITNESSES:

- Hon. Angus L. Macdonald, K.C., M.P., Minister of National Defence
(Navy).
Mr. R. C. Vaughan, President, Canadian National Railway System.
Mr. N. B. Walton, Vice-President of Operations, Canadian National
Railway System.
Mr. T. R. Cooper, Comptroller, Canadian National Railway System.
Mr. W. M. Armstrong, Assistant Chief of Research and Development,
Canadian National Railway System.
Mr. O. A. Matthews, of A. Touche & Co., Auditors.
Mr. F. M. MacLennan, Chief Treasury Officer, Dept. of Transport.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277,

TUESDAY, May 5th., 1942.

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

Members present: Messrs. Bradette, Donnelly, Dubuc, Emmerson, Ferland, Gray, Hanson (*Skeena*), Harris (*Danforth*), Hazen, Howden, Jackman, Lockhart, McCulloch, Maybank, Nicholson, Sanderson, Shaw, Sissons.

In attendance: The officials of the Canadian National Railways, viz: Mr. Hungerford, Mr. Vaughan, Mr. Walton, Mr. Alistair Fraser, Mr. Cooper, Mr. Armstrong and Mr. Thompson; Mr. O. A. Matthews representing A. Touche & Co., auditors. Mr. C. P. Edwards, Deputy Minister of Transport with Mr. F. M. Maclellan, Chief Treasury Officer.

The Committee proceeded with the adjourned study of the Annual Report of the Canadian National Railway System for the year ended 31st December 1941.

Mr. R. C. Vaughan, with the assistance of Mr. N. B. Walton, Mr. W. M. Armstrong and Mr. T. H. Cooper gave the Committee all the information it required.

On motion of Mr. Donnelly the said Annual Report was adopted unanimously.

Before the close of the sitting Mr. Shaw requested that his remarks of Monday evening, May 4th, in connection with his motion which had been subsequently withdrawn together with the remarks of Honourable P. J. A. Cardin, be made part of the printed record as he stated the Clerk of the Committee had informed him that the debate on motions before a Committee was not ordinarily reported.

Whereof Mr. Shaw moved, seconded by Mr. Maybank,

That the Report of the debate which had taken place on the motion of Mr. Shaw (subsequently withdrawn) on Monday evening, May 4th, together with the remarks of Honourable P. J. A. Cardin be printed as an addendum to the printed report of proceedings and evidence of to-day.

And the question being put on the said motion it was resolved in the affirmative on the following division: Yeas, 11; Nays, 3.

Mr. McCulloch thereafter moved that the Committee adjourn to meet again at 8.30 in the evening.

And the question being put on the said motion, it was resolved in the affirmative on the following division: Yeas, 9; Nays, 5.

At 6.00 o'clock the Committee adjourned to meet again at 8.30 o'clock in the evening.

EVENING SESSION

The Committee met again at 8.30 o'clock p.m. Mr. J. P. Howden, the Chairman, presided.

Members present: Messrs. Bradette, Donnelly, Emmerson, Ferland, Gray, Hanson (*Skeena*), Harris (*Danforth*), Hazen, Howden, Lockhart, McCulloch, Maybank, Nicholson, Sanderson, Shaw, Sissons.

In attendance: The same officials listed for the afternoon sitting.

The committee approved the following items of the Estimates for 1942-43 as referred to it by the Order of Reference dated April 29th., 1942.

400 Maritime Freight Rates Act, Canadian National Railway Eastern Lines	\$3,350,000
401 Maritime Freight Rates Act—Railways other than Canadian National Railways	900,000
410 Canadian National (West Indies) Steamships Limited—Capital—Advances.	20,000
411 Prince Edward Island Car Ferry and Terminals Deficit 1942	400,000

The Committee afterwards considered the Report of A. Touche & Co., the auditors.

Mr. O. A. Matthews, representing the firm of auditors read the report and was questioned on certain aspects of the Report.

On motion of Mr. McCulloch the said Report was adopted unanimously.

The Committee then took up the study of the Annual Report of the Canadian National Railways Securities Trust, for the year ended 31st December, 1941.

Mr. F. M. MacIennan, the Secretary, read the report and was examined thereon.

On motion of Mr. Gray the said Report was adopted unanimously.

The Committee at this stage of the proceedings considered the Budget of the Canadian National Railway System for 1942.

Mr. Armstrong read the items of the Budget and questions were put thereon to the officials of the Canadian National Railways.

On motion of Mr. Donnelly the said Budget was adopted unanimously.

On motion of Mr. Gray, the Chairman was instructed by the Committee to report the Items of the Estimates, approved earlier, to the House.

The Committee recalled Hon. Angus L. Macdonald, the minister of National Defence for the Navy. The minister was examined on the question of the division of government-controlled transport business between the C.N.R. and the C.P.R.

Mr. C. R. Vaughan and Mr. Alistair Fraser, President and Vice President respectively of the Canadian National Railways made statements following the testimony of the Minister of National Defence for the Navy.

Mr. Maybank then moved that the Committee adjourn until 4 o'clock tomorrow afternoon, Wednesday, May 6th.

In amendment thereto, Mr. McCulloch moved that the Committee adjourn until 10 o'clock the next morning, Wednesday, May 6th.

And the question being put on the said amendment, it was resolved in the affirmative on the following division: Yeas, 6; Nays, 4.

The motion as amended passed.

At 9.55 o'clock p.m., the Committee adjourned to meet again on Wednesday, May 6th., at 10.00 o'clock, a.m.

ANTOINE CHASSE,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 277, May 5, 1942.

The Selected Standing Committee on Railways and Shipping met at 4 o'clock p.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: Gentlemen, when the committee rose last night it had just finished discussing a matter brought up by Mr. Shaw, and nothing further was proceeded with after that time. However, we did leave off proceedings a few days ago at page 20 of the Canadian National Railway system, and unless there is nothing else before the chair we will proceed from there.

Mr. JACKMAN: Mr. Chairman, I wanted to ask the president what the arrangement is between the two railroads where traffic originates on one part of the journey is made on the other line?

Mr. VAUGHAN: There are regular interchange arrangements between the railways at a great many points. They are all defined in the tariffs or by arrangement. I do not know—

Mr. JACKMAN: Very generally you could tell me. I suppose it has to do with the amount of mileage, but is it very much worth the while of one company to originate the traffic if most of it is carried on the other line? Is there an origination fee or a charge?

Mr. VAUGHAN: It is generally considered in railway business that the originating line is entitled to the long haul.

Mr. JACKMAN: Does that line only get that percentage of the total traffic charged which its rails bear to the total journey?

Mr. VAUGHAN: It is all done on a matter of division of charges which are agreed to beforehand. The originating line usually gets a larger proportion of the rate.

Mr. JACKMAN: I am just wondering what the percentage is, or can you state without filing the whole tariff what the percentage is?

Mr. VAUGHAN: I do not think I could say there is a definite percentage. It is a matter of agreement in each case. I think that Mr. Fraser could give you more details than I can.

Mr. FRASER: I think that is exactly correct. I do not think I could give you the figure.

Mr. JACKMAN: You mean between two points?

Mr. FRASER: Yes, depending where the junction point is and the length of mileage and the circumstances. Generally speaking, the railway originating the traffic takes the larger proportion of the division—generally speaking—but there is no fixed rule. I can give you something better on that later.

Mr. JACKMAN: I wonder if you can give an example. Let us say that a shipper in Vancouver ships via C.P.R. to Halifax. Now then, does the C.P.R. merely collect so much per mile to Montreal and then the C.N.R. gets the equivalent fee from Montreal per mile?

Mr. FRASER: I do not think it is necessarily on a mileage basis. They would get a certain proportion of the rate if it was transferred at Montreal. They might get the same proportion, that is mileage proportion, or a different one if it was interchanged at, say, St. Rosalie junction, and a different one if it was interchanged at North Bay. There are many junction points. I will give you an answer to this specific case.

Mr. JACKMAN: Is there a schedule between the two railways as to every junction point?

Mr. FRASER: Yes, that is right; but if you would like the specific case I will give you the actual division.

Mr. JACKMAN: I am more interested in the principle as to how valuable it is to one railway to originate the traffic.

Mr. FRASER: It is valuable.

The CHAIRMAN: If there are no further questions let us proceed to page 21 of the report.

Mr. NICHOLSON: Before you go on to page 21, there was an item which stood over from last week in connection with the protective service on page 15—a question which dealt with the cost of living bonus; I wonder if there is any statement on that?

Mr. WALTON: The situation in regard to the security guards is that at the time they were put on they were paid a rate of \$2.50 per day of eight hours. In the summer of 1941 that rate was increased to 40 cents an hour for an 8-hour day or \$3.20 a day. Following that the question came up as to whether those men were entitled to a cost of living bonus in view of the provisions of certain Orders in Council covering the application of the cost of living bonus. The matter was developed with the National War Labour Board which was the authority in such matters and the cost of living bonus had risen five points between the date of the increase in pay granted these men and February 15th, which is the specified date on which anyone who has not previously been granted the bonus and who qualifies for it will begin to receive the bonus. Each rise of one point in the cost of living being equivalent to 25 cents a week to the recipient it was ruled that a bonus of \$1.25 per week will be payable to these men. A formal application has been made to the National War Labour Board which undoubtedly in view of their opinion will be approved and once that approval is received these men will be paid the \$1.25 per week in addition to their rate of 40 cents an hour, retroactive to February 15, to cover the cost of living bonus. I think the question was asked last week as to whether those men worked seven days a week. They do. It would not cost the railway any more to work them for six days a week and to give them release for the seventh day because the man relieving would be paid the same amount of money, but it is a difficult matter to relieve them one day a week. In the great majority of cases they are at a rather inaccessible point where trains do not stop, and it was decided to work them the seven days a week, thinking that possibly they would lay off from time to time for a longer period, in which case relief could be arranged where it is a difficult matter to do it every week for one day a week.

Mr. HARRIS: Mr. Chairman, I would like to ask the witness where he gets the idea that he can express an opinion that the Regional Board or the National Labour Board will consent to this.

Mr. WALTON: They have intimated—

Mr. HARRIS: How can they intimate when you have not had a hearing.

Mr. WALTON: It has been carried on by correspondence with them.

Mr. HARRIS: Mr. Chairman, that is very irregular. I cannot just understand how the National War Labour Board could possibly intimate that such a thing was going to transpire, no hearing having been held. If that obtains with regard to the railways why should it not obtain with regard to all other industries. At the present moment, as the officials well know, the National War Labour Board and the Regional Board have agendas two or three weeks ahead of them and they are unable to keep up with the work. They are working nights and Sundays trying to catch up with their work on applications

such as the one spoken of here; and I would like to know how this witness is able to get this information.

Mr. WALTON: All I know is a submission was made to them, and that that information—

Mr. HARRIS: Signed by whom?

Mr. WALTON: By our Director of Labour Relations who handles such matters.

Mr. HARRIS: And who else? The employees?

Mr. WALTON: I do not know that they were a party to it. What we were applying for was clarification of the situation in view of the Orders in Council governing the application of the cost of living bonus.

Mr. HARRIS: That opinion is the opinion of the system—the Canadian National Railway system opinion.

Mr. WALTON: We expressed what was our understanding.

Mr. HARRIS: Quite.

Mr. WALTON: And it was intimated to us that our understanding was correct, but we are not actually putting it in effect until we receive the formal approval.

Mr. HARRIS: But you are agreeable to putting into effect this extra \$1.25?

Mr. WALTON: That is correct.

Mr. HARRIS: The first question under the section of the Act that has to do with the conduct of the National War Labour Board and the Regional Boards is that an application is made by a corporation of this kind and the first thing is to get the signatures of the employees concerned and to make it a joint application. In that case, of course, there is some hope for it going through; otherwise, you have those charged with the responsibility of holding down the cost of living, the Wartime Prices and Trade Board, having some say about the matter. Has that situation been canvassed?

Mr. WALTON: Not by us.

Mr. HARRIS: I understand, Mr. Chairman, from the witness that the employees concerned in this matter have not signed an application to the National War Labour Board or to the Regional Board; is that right?

Mr. WALTON: I believe so.

Mr. HARRIS: In this case only the Canadian National Railway system has made an application?

Mr. WALTON: As far as I know, yes.

Mr. HARRIS: Mr. Chairman, I am very anxious not to embarrass this particular situation, but it is within the possibility that this committee might ask that that correspondence be filed. I am not going to ask that it be filed for this reason that if it is filed then you can see immediately, Mr. Chairman, that all other industries across Canada, many of whom are waiting for the board to catch up with its decisions and many thousands of employees who are chafing at the bit and dissatisfied to-day in industry while they are waiting upon the National War Labour Board, will in like manner want intimations if they cannot get a hearing. You see the practice of indicating that an intimation came from the National War Labour Board is a very serious matter and something which should be given very serious consideration before it is said publicly that they have an intimation that such and so is going to happen when it concerns the operation of an Act which is trying to keep the cost of living down and which is trying to control wages and which is trying to give some standing to the National War Labour Board and some strength to these Regional Boards. Now, one of these Regional Boards will meet in Ottawa this week; probably it is here now;

and those people will be a little bit shocked when they get this evidence that an intimation has been given that such and so is going to transpire.

Mr. DONNELLY: Are the men themselves satisfied?

Mr. MAYBANK: If it was intimated, and in the question asked Mr. Walton he simply says what the facts are, I do not see what we can do about it. It is there in the evidence that the intimation has been received. I do not think there is anything wrong with Mr. Walton having come to that conclusion.

Mr. NICHOLSON: Mr. Chairman, you mentioned that the wage rate is 40 cents an hour. What is the rate paid for Sunday?

Mr. WALTON: The same rate.

Mr. NICHOLSON: What is your policy regarding Sunday wage rates on the system?

Mr. WALTON: In some cases higher than normal rates are paid and in others not.

Mr. MAYBANK: Large numbers of people on the railroads work any day at the same rate?

Mr. WALTON: Yes.

Mr. MAYBANK: Transportation men?

Mr. WALTON: Yes.

Mr. BRADETTE: There is a question I want to bring up, if I am in order at the present time. I have brought it up in previous years. It is in connection with these men on the spare board. There are thousands of them at the present time who are mostly employed, but that did not apply prior to the war. I know of some young men who were kept in that board from twelve to fifteen years and who were making an average, in some cases, of about \$30 a month, or \$360 a year. I readily understand the situation of the railway companies, the C.P.R. and the C.N.R., who try to have a pool of trained men at their beck and call at any time. It is only natural that they want to have a pool or reservoir of manpower. However, I maintained then and I maintain now that those men should get no less than a minimum wage of \$900 per year if they are to be kept on that waiting list. I readily understand that now those men are employed, because they are trained men. That applies more particularly to firemen and brakemen. I understand also that the labour organizations do not want to do anything about it. I believe it is in co-operation with the labour organizations that this started; but I maintain, for the sake of those young men, that they should not be kept at the beck and call of any organization for fifteen years or even for two years at these minimum wages. I am making that appeal again with all the sincerity that I possess, because I know many men have lost heart. I have seen some of them break down and cry in my office, saying, "What am I going to do?" There is more than that to it. If these young men, after waiting on that list for three or four years, go back to some other occupation such as insurance, then they lose any seniority they may have had. I know of cases in my own home town. There was a fine returned man who went into the insurance business. Now that the C.N.R. is badly in need of these trained men, he can get on again, but he has lost his seniority. I believe these are injustices that the management should properly look after. It is not a reflection on any of the railway companies. They all work on that principle. But I believe it is the wrong principle at the present time.

Mr. VAUGHAN: If the railways have work, they are glad to give it to the men. But if they have not got work, they cannot give it.

Mr. BRADETTE: You have that pool at your disposal. It is very beneficial to the railway companies.

Mr. VAUGHAN: That is done by consent and by arrangement with the organization.

Mr. BRADETTE: I know all that, but I still maintain that it is very unfair to these young men. These big railway corporations have a potential of trained men, men who hope eventually to be permanent, who wait for many years on not even starvation wages, not making enough to keep body and soul together. When the railway company calls any of these men, they have to answer the call or they are out of it. There is an absolute injustice on that score. I believe the only remedy to it would be to give a minimum wage of \$75 a month, I mean exclusive of what they may actually earn from actual work on the railway. That is my contention on that score.

Mr. VAUGHAN: That is something that the railways could not possibly afford.

Mr. BRADETTE: Well, the railways could take the load because they are getting that manpower for the benefit of the railway system or the service.

Mr. VAUGHAN: That is an unfortunate condition of employment brought about, of course, by the depressed conditions and the lack of work for those men.

Mr. BRADETTE: I know that.

Mr. VAUGHAN: The fluctuation of business.

Mr. BRADETTE: I fully realize that. That is all the more reason that these men should have a certain amount of protection. We talk now of bonusing the men with a cost of living bonus. That certainly never applied to these fine young men that were kept there idle most of the time for a number of years—not months, but years.

Mr. VAUGHAN: No one regrets that more than we do, but I cannot see any possibility of correcting it.

Mr. BRADETTE: There is a possibility if we forget the financial factor and think only of the human factor that is involved. There is no corporation, private or governmental, which could ever expect to have a large number of men, some partially and some of them very well trained men, to be at the beck and call of these big corporations at the time they want them, and these men can properly say they should not be. I maintain it is absolutely wrong principle.

Mr. VAUGHAN: It is a difficult situation, but it is one we cannot do anything about.

Mr. BRADETTE: Oh, I would not say that. If the company would just give its ears to the thousands of these men, it would certainly find a solution of the problem. It might cost some money to the railway systems, but I believe it would be money well spent. Can you visualize the federal government or the civil service maintaining the same kind of pool, or any other organization? They do not do it in lumber corporations. They do not do it in steel corporations.

Mr. VAUGHAN: Of course, these men work 100 per cent of their time. Our men do not. They work when there is work for them to do.

Mr. BRADETTE: I know. But take a man that is a permanent man. He gets the minimum mileage every month and gets his minimum pay. That man makes a decent living; that is, a man that is permanent makes a decent living, but not a man on the spare board. He is left in the lurch.

Mr. VAUGHAN: These matters have been discussed many times with the labour organization and we believe the best arrangement that could be made is in existence now. The railway could not possibly afford to pay a minimum wage to these men such as you suggest, or we would be worse off than we are now; and I am sure none of you gentlemen want that.

Mr. BRADETTE: You would be worse off financially, you mean?

Mr. VAUGHAN: Yes.

Mr. BRADETTE: Would the service be worse off?

Mr. VAUGHAN: It would not be any better off.

Mr. BRADETTE: It would not be any worse off. It would be better on that score. You have some men who are not satisfied and who cannot be satisfied. That is the only way that any new railway man can graduate into the trained man's class. There is no other way now.

Mr. VAUGHAN: It is a matter of regret to us that we have no work to give them; but if we have not got the work, we cannot do it.

Mr. BRADETTE: I do not mean lack of work. There is a big principle here. If the railway corporations can do it, they should take hold of this. It is most unfair to these young men to expect them to sacrifice the best years of their life without proper remuneration.

Mr. LOCKHART: Mr. Chairman, there are many branches of seasonal employment throughout the country where that applies more or less.

The CHAIRMAN: Really, I believe it is the railway train organization that makes it difficult for these pools.

Mr. EMMERSON: Mr. Chairman, is it not a fact that sometimes these men on the spare board are given leave of absence?

Mr. VAUGHAN: Oh, yes.

Mr. EMMERSON: To take other employment?

Mr. VAUGHAN: Quite so.

Mr. EMMERSON: And still maintain their position on the seniority list?

Mr. VAUGHAN: And still maintain their position on the seniority list, and their pension rights and things of that kind.

Mr. BRADETTE: You can get tickets of leave for a year; but no more than a year, though.

Mr. WALTON: A good deal of consideration is given along that line to try and give them an opportunity to get seasonal work elsewhere when we can possibly spare them.

Mr. EMMERSON: Or give them work on the railway in other crafts?

Mr. WALTON: Yes. There is some of that too. In many cases where a man has some other employment, he has said to us, "Now, I am working for the time being. If you can get along without me, all right; I should like to continue where I am." He has been granted an extension of leave in order to try and bridge this gap. Mutually satisfactory arrangements of that kind have been made in scores of case just to help the proposition out.

Mr. BRADETTE: I appreciate the situation of the railway companies. They must have a certain amount of men to run their trains and their services. But I know of some instances where a married man would make about \$300 a year. The thing was absolutely impossible. If they were too long away from the railway system, they were out of it. There should be a remedy. Even it cost a bit of money to the railway companies, it should be overcome. I do not know what would be the proper way to do it.

Mr. VAUGHAN: I do not see how we could adopt the principle of paying men when they are not working any more than any other industry in the country could.

Mr. BRADETTE: They would have to work. They do work a certain amount during the year. Suppose we made a minimum of \$600 a year. Would that be a big discrepancy?

Mr. VAUGHAN: It would cost us money which we could not possibly afford and would be a consideration given to them that men in no other industry receive.

Mr. BRADETTE: Of course, you do not get any other industry like yours with a big reservoir of men that are at your beck and call any time you want them. You do not get that in any other industry but the railway companies.

Mr. VAUGHAN: I do not think there is any industry that deals more generously with its men than the railways do.

Mr. BRADETTE: The men that are permanent. I grant you that. But not the class of men I have just mentioned.

Mr. NICHOLSON: Along the same line, I have had some correspondence in connection with a man who was qualified and had been appointed as brakeman. He qualified during the depression years. But he was too young when he was first qualified to work. He is now too old, apparently. What are your regulations regarding age limits for taking men and are any adjustments being made to engage older men?

Mr. WALTON: Yes. We have eased those regulations some in the last year, in view of the labour demand and the available supply.

Mr. NICHOLSON: How old do you have to be to qualify for a brakeman, for example?

Mr. WALTON: Well, ordinarily we would rather not engage a man in train service over thirty-five, but we have in recent months been prepared to ease that somewhat, if his physical condition is satisfactory for the kind of work he is going to be engaged on.

Mr. NICHOLSON: That is the maximum age. What is the minimum age that has been in effect?

Mr. WALTON: Twenty-one.

Mr. EMMERSON: May I ask, Mr. Walton, is that a system policy or a regional policy? I am speaking of the age limit.

Mr. WALTON: It is really a system policy, although I would not say that it has been absolutely adhered to, to the letter.

Mr. MAYBANK: You were telling us about the bonus problem with relation to the protective services. Have you any other difficulties before you at the moment with any types of labour relative to the bonus or are they all settled up.

Mr. WALTON: No. I think everything is settled up and the bonus in full effect for all branches of service where it is applicable.

Mr. MAYBANK: I met a man in the halls who was dominion chairman of the brotherhood organization. While we spoke for only a few minutes, I could see from the way he spoke that he had a grievance in his mind with reference to the bonus.

Mr. WALTON: Oh, yes.

Mr. MAYBANK: That man was chairman of the C.P.R. lines rather than the C.N., but they have moved along together.

Mr. WALTON: Yes, they have moved along parallel lines. I should have said this, that while the bonus is in effect for all branches of the service, there is a submission going forward—in fact, I think it has been given, in the last two or three days, to the National War Labour Board—in regard to the method of application in certain cases in the running trades, in instances where there is partial absence from duty during the month. It is related to the question of mileage rather than hours. It really needs some clarification by the War Labour Board. The brotherhoods have made their submission and the railroads, acting jointly, have made their submission. It is really in regard to certain points of the application of the order. In the meantime payment is being made on what we understand to be the basis. If it is ruled that we are incorrect in certain of these cases, corrective steps will be taken. But it will only be a small number of cases out of the total that will be affected by such ruling as might be handed down.

Mr. MAYBANK: I gathered from his language that this man was pretty mad. He was talking railroad talk.

Mr. WALTON: Well, the great majority of the men are getting the full bonus, but it is in respect to a certain number of days absent per month and the mileage involved that causes this present clarification to be called for.

Mr. MAYBANK: Would it be something like this? Take a brakeman, for example, who works two-thirds of the month and he is unable to work the other third; that is, by seniority he is unable to work the other third. He would only get two-thirds of the bonus?

Mr. WALTON: That is one of the questions. There are one or two others.

Mr. MAYBANK: Then, on the other side, is the question of the living bonus—he has to live the one-third—and whether he ought to get it.

Mr. WALTON: Also certain cases where a number of days are lost in the month, the mileage made in proportion to the total month's mileage varies and the proportion of the days worked varies to the days in the month. It is a little lengthy to cover in detail here, but it is purely a matter of asking the War Labour Board what these Orders in Council mean, and we will be governed accordingly.

Mr. MAYBANK: Is it just purely that? Are you just taking a neutral position?

Mr. WALTON: No. We have made a submission as to what we think is the proper understanding and the men have done the same, and the National War Labour Board is the arbitrator in the case.

Mr. MAYBANK: And you are not in agreement?

Mr. WALTON: Not on those points. In the general application of the bonus, yes, but not on those particular, what might be called more remote points.

Mr. MAYBANK: Is there much money involved?

Mr. WALTON: No, very little, I think, in total.

Mr. MAYBANK: Does it cover all parts of Canada?

Mr. WALTON: Yes; it would be applicable country-wide, whatever decision is handed down.

Mr. MAYBANK: And chiefly in the transportation section, the running trades.

Mr. WALTON: It is entirely the running trades that are involved because of their varying conditions of work as related to mileage and so on.

Mr. MAYBANK: Then there is no other fixed problem, I understand, that you have?

Mr. WALTON: No.

Mr. MAYBANK: Excepting as it applies to the protective service and the running trades.

Mr. WALTON: That is right.

Mr. MAYBANK: Each in a different way?

Mr. WALTON: That is right.

Mr. MAYBANK: And have you any intimation as to when you would get judgment on this last mentioned matter?

Mr. WALTON: No; we are waiting to hear.

Mr. MAYBANK: Has it been before the National War Labour Board for a long time?

Mr. WALTON: No; it was completed, as I recall it, just at the end of last week, possibly the middle of last week, and went forward to the board then.

Mr. MAYBANK: Did it get the right-of-way over other matters or will it take a long time?

Mr. WALTON: I do not know.

Mr. MAYBANK: Have you any idea?

Mr. WALTON: I have no idea.

Mr. MAYBANK: That is all I had to ask.

Mr. ARMSTRONG:

The CHAIRMAN: Page 21.

INVESTMENTS IN AFFILIATED COMPANIES

Stocks:	Company	Amount Outstanding	Amount Owned		Book Value
			Can. Nat. System	by System	
	Atlantic and St. Lawrence Railroad Company	\$ 5,480,700.00	\$ 12,524.33		\$ 9,168.13
	The Belt Railway Company of Chicago.....	3,120,000.00	240,000.00		240,000.00
	Canadian Government Merchant Marine, Limited	800.00	800.00		800.00
	Central Vermont Transportation Company..	200,000.00	50,000.00		20,000.00
	Chicago & Western Indiana Railroad Com- pany	5,000,000.00	1,000,000.00		1,000,000.00
	The Detroit & Toledo Shore Line Railroad Company	3,000,000.00	1,500,000.00		1,887,000.00
	Detroit Terminal Railroad Company	2,000,000.00	1,000,000.00		1,000,000.00
	Northern Alberta Railways Company.....	625,000.00	312,500.00		312,500.00
	The Ontario Car Ferry Company (Limited)	500,000.00	250,000.00		179,007.53
	The Public Markets, Limited	1,150,000.00	575,000.00		575,000.00
	Railway Express Agency, Incorporated (no par value)	1,000 shares	6 shares		600.00
	The Toronto Terminals Railway Company..	500,000.00	250,000.00		250,000.00
	The Toledo Terminal Railroad Company...	4,000,000.00	387,200.00		387,200.00
	Trans-Canada Air Lines	3,750,000.00	3,750,000.00		3,750,000.00
	Vancouver Hotel Company Limited.....	150,000.00	75,000.00		75,000.00
					\$ 9,686,275.66
Bonds:					
	Atlantic and St. Lawrence Railroad Com- pany	\$ 3,000,000.00	\$ 3,000,000.00		\$ 3,012,040.00
	Northern Alberta Railways Co. 1st. Mortgage Bonds	20,300,000.00	10,150,000.00		10,150,000.00
	The Toronto Terminals Railway Co. 1st Mortgage Bonds	25,610,000.00	12,805,000.00		12,805,000.00
					\$25,967,440.00
Advances:					
	Chicago & Western Indiana Railroad Company.....				\$ 1,734,340.18
	The Railroad Credit Corporation.....				157,579.96
	Railway Express Agency, Incorporated				107,026.82
					\$ 1,998,946.96
					\$37,652,262.62

MAJOR CONTINGENT LIABILITIES

Trans-Canada Air Lines:

The Canadian National Railway Company owns \$5,000,000 of the Capital Stock of the Air Lines on which total call to 31st December, 1941, has been \$3,750,000.

Northern Alberta Railways Company:

The Canadian National Railway Company owns \$3,125,000 of the Capital Stock of the Railways Company on which total call to date has been 10%.

Under agreement of purchase dated 6th February, 1929, Canadian National Railway Company became liable for one-half of the purchase consideration for the property. This obligation was later assumed by Northern Alberta Railways Company which took title to the property. As of 31st December, 1941, the commitment of the Canadian National Railway Company was \$4,710,000 of which \$3,500,000 has since been discharged. The Canadian National Railway Company takes up currently in its income account one-half of the annual deficit of Northern Alberta Railways Company.

The Detroit & Toledo Shore Line Railroad Company:

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

The Toledo Terminal Railroad Company:

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

Chicago & 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 for its "exclusive" property. The Bonds are Consolidated Mortgage 50 Year 4% bonds due 1952 and the amounts outstanding at 31st December, 1941, are:—

Issued for "common" property	\$39,973,019.39
Issued for "exclusive" property	252,535.36

Assumed by Grand Trunk Western Railroad Company pursuant to joint supplemental lease dated 1st March, 1936, between Grand Trunk Western Railroad Company and other proprietary companies. Obligation is to pay as rental sinking fund payments sufficient to retire bonds at maturity and interest as it falls due. The Grand Trunk Western's proportion is one-fifth in the absence of default of any of four other tenant companies. The bonds are First and Refunding Mortgage 4½% Series "D" Sinking Fund Bonds due 1962 and the amount outstanding at 31st December, 1941, is \$20,472,000.

C.N.R. Pension Plans:

Reserves are not set up against pensions presently being paid or conditionally accruing under the 1935 contractual plan and prior non-contractual plans. Actual pension payments made at the expense of the Railway are charged currently to operating expenses.

Pension contracts in force under the 1935 contractual plan number 4,428, the average annual pension is \$481, the total annual pensions being \$2,130,600 representing a capital sum of approximately \$18,000,000. The portion of this sum contributed by retired employees is carried in the accounts as a deferred liability against which funds have been separately invested.

Mr. HARRIS: Before you reach that, Mr. Chairman, will there be filed a statement in the case of those companies that are wholly owned by the two railway companies? For example, the Toronto Terminal Railway Company is owned and operated jointly by the Canadian Pacific and the Canadian National Railways. We should have some sort of a statement, Mr. Chairman, of their affairs.

Mr. VAUGHAN: I do not think they publish an annual statement, Mr. Harris. The two railways really just pay them sufficient rental to enable them to break even.

Mr. HARRIS: Is there any way, Mr. Chairman, of finding out about their operations? Failing that I would put a specific question.

Mr. VAUGHAN: We certainly can get you some information with regard to the operations.

Mr. HARRIS: I think perhaps the President recalls that when this company was first formed the idea of forming it was to facilitate the movement through Toronto and facilitate the construction of the viaduct and getting that railway situation into some sort of order out of the chaos that obtained previously, among other things the industrial area to the south. I think evidence will show that it was necessary for the Toronto Terminals to have an agreement with the Toronto Harbour Commissioners and that was revised again. First the Canadian National Railways years ago did all the work there. Now both railways are doing it. Would the President care to have a statement submitted as to who is conducting that work now in the city of Toronto, who is responsible for it?

Mr. VAUGHAN: There is a manager of the Toronto Terminals who conducts all that work. He has charge of the Terminal property which comprises the joint company; that is, the company that is owned jointly by both railways.

Mr. HARRIS: Have you any statement of their transaction?

Mr. VAUGHAN: We will get a statement; we can file an income statement of the company with you.

Mr. HARRIS: Would that statement show what assets they own?

Mr. VAUGHAN: Yes, it will.

Mr. HARRIS: And the property over which they have jurisdiction?

Mr. VAUGHAN: I do not think the statement would show or give that information; but we can certainly have a statement filed containing any information you want in that connection.

Mr. HARRIS: That does not seem to be very definite, Mr. Chairman, or rather there does not seem to be any definite understanding as to who is who with regard to the Toronto Terminal Railway, and it is very difficult to find out who is operating it or what their plans are. My view, Mr. Chairman, is that as a member from the Toronto area, inasmuch as this is a government-owned Corporation, that we have the right to know what the policy is with regard to the operation of the Toronto Terminals Railway.

The CHAIRMAN: Is the Toronto Terminals Railway a government-owned proposition or—

Mr. HARRIS: No, it is jointly owned by the Canadian National and the Canadian Pacific railways. I would rather you asked that question of the president; I am not a witness.

The CHAIRMAN: We have the same condition in Winnipeg. I do not know how far our jurisdiction would go in demanding a statement, that is all.

Mr. VAUGHAN: We will be glad to file a statement showing the arrangement in effect between the two railways, and just what work each railway does and the territory covered in the terminal.

The CHAIRMAN: Would you desire to have that statement filed?

Mr. HARRIS: I should like to have that, Mr. Chairman. I should like to have that for a period of, say two years, a comparative statement for two years back. There have been changes going on which those of us in this committee should know something of and we do not. We have a responsibility to discharge. We did not get a statement last year.

The CHAIRMAN: As a member of the committee you could certainly ask for it and no doubt we will endeavour to get it.

Mr. VAUGHAN: There is no reason whatever why such a statement should not be filed.

Mr. HARRIS: With your indulgence, sir, I should like to have it for two years.

The CHAIRMAN: All right, that will be handed in.

Mr. JACKMAN: I notice the accounts are entitled, "Consolidated Account," and in relation to these investments in affiliated companies, do you take into your consolidated income account or surpluses any profit or loss which might have obtained in respect to any of those affiliated companies?

Mr. COOPER: I would say yes in every case except the Trans-Canada Airways, which is separately reported.

Mr. JACKMAN: And the profit last year on the Trans-Canada was not transferred to the parent company?

Mr. COOPER: No.

Mr. JACKMAN: But in respect of all the rest of those affiliated companies, even though you have less than 50 per cent ownership in them, you do take in the profit or loss in respect of each individual company or a share of it represented by your ownership, into your consolidated operating statement?

Mr. COOPER: Well, no, I would not say that. If these companies are operating at a profit and they distribute their profits to the shareholders we would get our share proportionate to the amount of stock held. That would be taken into our income account.

Mr. JACKMAN: Do these affiliated companies operate at a profit or at a loss? You might have a hidden profit or you might have a hidden loss if you did not incorporate it—

Mr. COOPER: You would have to take them one by one, Mr. Jackman.

Mr. JACKMAN: Generally speaking, can you give me an expression of opinion or are they mostly service companies operating without profit or loss?

Mr. COOPER: The Belt Railway Company is a profit company. We take in whatever dividend that company distributes during the year.

Mr. JACKMAN: Of course, we have to go back one step further than that. I might earn a lot of money and not declare a dividend. I am more interested in the real earnings of the companies than in the dividends declared.

Mr. COOPER: No; the Belt Railway Company must declare dividends to its proprietary tenants if it has sufficient net earnings. In fact it has sufficient net earnings because the terms of the working agreement are such that the tenants must pay as rent a sufficient amount to meet all the working expenses and pay six per cent on the capital to the proprietors.

Mr. JACKMAN: This dividend is distributed, then, more or less mandatorily?

Mr. COOPER: Yes.

Mr. JACKMAN: I think you know what I am aiming at in connection with—

Mr. COOPER: I think I can answer it this way, Mr. Jackman: there are no losses in those controlled or affiliated companies which are not being adequately protected in the income account of the Canadian National Railways. We are not piling up through these outside investments losses which are not fully protected in the income account of the consolidated system.

Mr. JACKMAN: Are there not undisclosed surpluses that you might have taken into earnings apart from these \$300,000, which is rightfully yours, but at the present time in the coffers of the Trans-Canada? It is your money, you know, the whole thing.

Mr. COOPER: In the case of Trans-Canada, of course, the Canadian National Railways owns the entire capital stock, \$3,750,000. The arrangement there is that Trans-Canada pays five per cent interest to the Canadian National Railways on the stock held by the Canadian National Railways.

Mr. JACKMAN: You do get five per cent on that?

Mr. COOPER: We get five per cent. The \$300,000 surplus of the Trans-Canada is after paying all interest, and the surplus of \$300,000 is retained by the Trans-Canada and does not come back to the Canadian National Railways.

Mr. JACKMAN: So in other words, the Trans-Canada pays the C.N.R. \$187,500 interest, which was five per cent on the capital, and then earned \$300,000?

Mr. COOPER: That is right.

Mr. HARRIS: And received a subsidy from the Post Office Department.

Mr. JACKMAN: That interest has been paid right along by Trans-Canada?

Mr. COOPER: Yes; it is required to do so under the terms of the Trans-Canada Act.

Mr. JACKMAN: In connection with any of those other investments in affiliated companies there is no very large account that has not been distributed?

Mr. COOPER: No.

Mr. JACKMAN: What principle generally do you apply as to whether you will consolidate the earnings of a subsidiary company in the statement of the C.N.R. system?

Mr. COOPER: If we own more than 50 per cent; that is to say, if we fully control the operations of a subsidiary then it is included in the consolidated statement.

Mr. JACKMAN: Whatever proportion of the stock is owned by the C.N.R., that proportion of the losses or profits is incorporated in the C.N.R. statement as a consolidation?

Mr. COOPER: No, I would not say that. If we have a majority interest in a deficit company the conservative method would be to protect the complete

deficit, because there would be no possibility of asking the minority shareholders to contribute their share of the deficit.

The CHAIRMAN: Let us go on to page 22.

Mr. HAZEN: What is the Railroad Credit Corporation referred to here on page 21?

Mr. COOPER: It is a company which was organized in the United States under the direction of the Inter-State Commerce Commission. The Commission gave certain freight increases, I think around the year 1930, and all the railways were expected to pay in to the corporation the revenues accruing to them by reason of such freight increases, and out of the pool which was thus created advances were made to the weaker lines. It was a case of the strong roads being called upon to help tide over the weaker roads for a temporary period. The advances were made in that way; and they are being repaid as the weaker lines find themselves in a position to make the repayments. A very substantial portion, I would estimate something like 80 per cent, of the amounts which our United States subsidiaries advanced to the Railway Credit Corporation have been repaid to us.

Mr. JACKMAN: I am still not clear as to why you should incorporate the full loss of the subsidiary in which you own the majority of the stock; because, when the company makes a profit you certainly cannot incorporate all of the profit, some of it belongs to the minority shareholders.

The CHAIRMAN: Page 22.

Mr. JACKMAN: Just a moment, there is a question before the committee.

Mr. COOPER: I will put it this way, Mr. Jackman: if we owned 90 per cent of the corporation and it was operating in conjunction with our system and that corporation failed to pay its operating expenses and its fixed charges we, as the parent corporation, the controlling corporation, the majority stockholder, would have to advance the deficit. Now, that advance would not be a sound asset to carry, I submit; unless you have very substantial grounds for believing that the next year, or in the immediate future, the situation might change and the subsidiary be in a position to repay these advances. I submit the sound method of accounting would require us to absorb the entire advance and show an income loss on that subsidiary in our accounts rather than to carry it forward as a collectible asset.

Mr. JACKMAN: Suppose a grain elevator company operated at a loss—as in a case like the one mentioned yesterday by Mr. Donnelly—and then for some reason it starts off making a lot of money; you cannot get any more than your share out of it and what claim have you on that particular subsidiary to repay to you the deficit advances which you made to them which you have charged against the operating results of some previous year and have no record on the asset side of your books because you see it is not a valid asset.

Mr. COOPER: I do not like discussing hypothetical cases, but I can refer you to an actual case, that is the Montreal and Southern Counties Railway. That is a railway operated just south of Montreal. We do not own all of the stock of that company. The total stock is \$500,000, of which \$189,000 is not owned by the Canadian National Railways, but the company is operated under the direction of the Canadian National management. It does not pay its way. The Canadian National year after year advances the Montreal and Southern Counties Railway whatever sum is needed to break even.

Mr. JACKMAN: Don't you get back some evidence of the indebtedness?

Mr. COOPER: We protect ourselves against the minority shareholders by making the Montreal and Southern Counties give us a note. But we consider these advances, these advances for deficits, should not be allowed to accumulate and be carried as an asset in the balance sheet of the National Railways.

Mr. JACKMAN: Probably they could be carried at a dollar a year. There must be some accounting record of it.

Mr. COOPER: We certainly have a record of it, but that does not get away from the point we were discussing, as to whether it is proper or not that the National Railways should absorb the whole deficit currently in its accounts, notwithstanding the fact that it does not completely own that subsidiary.

Mr. JACKMAN: That is very pleasant for the minority shareholders. I do not know that the Canadian National has any alternative in the matter.

Mr. COOPER: You should go and ask these minority shareholders to pay up their share of the annual deficit and there would be a good deal—

Mr. JACKMAN: Why don't you allow the property to go into bankruptcy and acquire ownership of it?

Mr. COOPER: Well, there is something in that.

Mr. JACKMAN: Where on the balance sheet have you got this statement of the audit representing this?

Mr. COOPER: We have complete records in our accounts. The accounting system of the Canadian National Railways is not any hit or miss system, I can assure you of that. The consolidated balance sheet of the National Railways comprises some one hundred companies. They all have separate accounts and balance sheets and there are innumerable inter-company transactions; but in the final consolidated statement of the system for the year we wash out all these inter-system items, whether it is for one dollar or whether it is for more.

Mr. JACKMAN: But you still have them in the accounts some place?

Mr. COOPER: We certainly have them, not only in our books—I can put it this way, let us say the amount owing by the Montreal and Southern Counties Railway is \$100,000; the balance sheet of the Canadian National Railway Company shows an advance to the Montreal and Southern Counties Railway of \$100,000; the balance sheet of the Montreal Southern Counties shows that it owes the Canadian National Railways \$100,000. We put the balance sheets together in our consolidated statement and we offset the assets against the liabilities. But because we do that for consolidated balance sheet purposes there cannot be any thought of losing track of the \$100,000.

Mr. JACKMAN: That is a washout?

Mr. COOPER: Certainly.

Mr. JACKMAN: I think, and I think you agree with me, that the railway company where you have a persistent deficit occurring in an affiliated company should get rid of its minority stockholders.

Mr. COOPER: Personally I agree with you, Mr. Jackman, but it is a personal opinion. However, there may be a matter of company policy with which I am not familiar. I do not know why we did not put the Montreal and Southern Counties Railway Company through some reorganization and wipe out the minority shareholders.

Mr. JACKMAN: I wonder if the president (Mr. Vaughan) would care to express an opinion on that?

Mr. VAUGHAN: That is a very vexatious question with us. There are some benefits coming to the parent company through the operation of that line. That question has not come up during my regime as president, that is the question of putting the road through a receivership. I do not think this would be the time to do it; but I may say that our department of research and development is working on that now with a view to ascertaining what is the best thing to do with it. That matter is now under consideration but as to what we may decide to do I cannot say.

Mr. JACKMAN: I think your co-director, Mr. Symington, would share my views.

The CHAIRMAN: Gentlemen, I would like to suggest to the committee that we have been using a lot of time in this discussion between Mr. Jackman and the Comptroller of the Canadian National Railways. Subject matters of this kind, and these accounts, are I believe definitely set by law. I do not think we can get anywhere with this discussion at all and I would like to see the committee proceed.

Mr. HARRIS: I think, with all due respect to your opinion, there is no law or no statute on the point which would permit the washing out the one item on one balance sheet where they controlled the stock, most of the items, in their own consolidated balance sheet. I was going to ask a question, and I think I am in order; what happens in the case recited in the case of betterments to this railway, would they enure to the benefit of the majority shareholders?

Mr. VAUGHAN: Improvement of property would be for their benefit as well as ours. I do not know how many cases we have—

Mr. HARRIS: All right, on that point—if I might interrupt the president, Mr. Chairman—I would like to ask him in the matter of improvement to the property, that is a cost against the operation of that particular line, that cost would be reflected in their balance sheet and would add in of course to the deficit. That deficit in turn is being assumed by the Canadian National Railways who are the majority owners; and then these benefits find their way around to the benefit of the minority shareholders, which is in my opinion fair neither to the Canadian National Railways nor any such company.

Mr. COOPER: In most of these cases it will be found that the minority ownership is very small, almost negligible in many cases. And as there are no dividends being paid in any of these cases no outsider benefits.

Mr. JACKMAN: In the example cited, the 29 per cent minority ownership in that line which Mr. Cooper gave us and also in regard to the T.C.A. which had a deficit before it began to show earnings—

Mr. COOPER: In the initial stages, what was called the initial period, the Trans-Canada had a deficit, which was provided for in the estimates passed by parliament.

Mr. JACKMAN: What was the accounting procedure in connection with that deficit as regards the consolidated income account of the Canadian National?

Mr. COOPER: I said at the beginning, Mr. Jackman, that with respect to Trans-Canada it is kept separate from the railway system accounts; that is, separate except with respect to the interest return on the investment. In other words, there is a statement of the accounts of the railway system and there is a statement of the accounts of Trans-Canada. They are separate and distinct.

Mr. JACKMAN: Yes, but is not the capital put in the Canadian National account under consolidated return; and while I do not object too much to taking the whole deficit where there is a loss into the Canadian National system—rather, I do not object to not taking in the earnings, as was done with the Trans-Canada Air Lines—I think we should object in not taking up at least your share of the deficit where you are 100 per cent the owner. You should take up the deficit there, although, as you have pointed out, you have already admitted that the T.C.A. accounts are kept separately and are not consolidated. But if there were any other situation where there was a deficit and you did not take up at least your proportion I think the committee should be made aware of it. Is there any such situation where you have a deficit and do not take up your appropriate share?

Mr. COOPER: No. Of course there is no deficit on the Trans-Canada to-day.

Mr. JACKMAN: You really should have taken in the surplus in your consolidated statement.

Mr. COOPER: No, sir. The accounting for Trans-Canada is controlled by the Trans-Canada Act and the contract with the Post Office Department. The return to the Canadian National is the interest return on the amount of the capital invested, and that interest return has been received. That is the end of it. Any surplus after interest will remain with Trans-Canada and will not be transferred to the Canadian National Railways. I think we are limited by the terms of the Act; at any rate, for a period of ten years; to 5 per cent on the amount of capital we have invested in that company.

Mr. JACKMAN: In other words, the Canadian National Railways was set up as a fairy-godfather to the T.C.A. and could not benefit to the extent of more than 5 per cent and must take all the losses, if there are losses?

Mr. COOPER: I have not said that at all. We have not taken any loss for the Trans-Canada.

Mr. JACKMAN: No, but that is because the company is now holding favourable contracts with other government departments and making a surplus; but if it had not been for the success which it is now attaining, the T.C.A. might have had a series of deficits and you would have had to shoulder those, possibly having the rest of the stock called up; but you would not have been able to earn more than 5 per cent on it, at any rate, during that period.

Mr. COOPER: I do not want to continue the discussion, but I do not agree with you, Mr. Jackman. We certainly would not issue capital stock to meet operating deficits.

Mr. JACKMAN: They had the right to call on you to pay up a million and a quarter. That is automatic with them if they wish to exercise it.

Mr. COOPER: If Trans-Canada had a deficit the terms of the arrangement are that the mail rate should be increased.

The CHAIRMAN: Page 22.

Mr. ARMSTRONG: Page 22 is a schedule of companies comprising the Canadian National Railway system.

SCHEDULE OF COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM

CAPITAL STOCKS OWNED BY DOMINION GOVERNMENT

Company Number		
1	Canadian National Railway Company.....	\$ 18,000,000 00
2	The Canadian National Railways Securities Trust.....	267,283,019 32
		<hr/>
		\$285,283,019 32

CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC

	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
3	The Bay of Quinté Railway Company.	23	\$ 1,395,000 00	\$
4	The Bessemer and Barry's Bay Railway Company	23	125,000 00	
5	*Brooksby Realty Company.....	28	2,000 00	
6	*Canada Atlantic Transit Company.....	1	219,000 00	
7	*Canada Atlantic Transit Company of United States	1	250,000 00	
8	The Canadian Express Company.....	1	1,768,800 00	
9	*Canadian National Electric Railways..	23	1,750,000 00	
10	Canadian National Express Company..	24	1,000,000 00	
11	Canadian National Land Settlement Association	1	—	
12	*Canadian National Railways (France)	1	2,007,400 00	
13	*Canadian National Realities, Limited..	23	40,000 00	
14	Canadian National Rolling Stock Ltd.	1	50,000 00	

SCHEDULE OF COMPANIES COMPRISING THE CANADIAN NATIONAL
RAILWAY SYSTEM—Continued

	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
15	*Canadian National Steamship Company, Ltd.	49	15,000 00	
16	Canadian National Telegraph Company	23	500,000 00	
17	*Canadian National Transportation, Ltd.	1	500 00	
18	The Canadian Northern Alberta Rail- way Company	23	3,000,000 00	
20	The Canadian Northern Ontario Rail- way Company	23	10,000,000 00	
21	Canadian Northern Pacific Railway Company	23	25,000,000 00	
22	The Canadian Northern Quebec Rail- way Company	23	9,550,000 00	3,849,200 00
23	The Canadian Northern Railway Com- pany	1	18,000,000 00	
24	The Canadian Northern Railway Express Company, Ltd.	23	1,000,000 00	
25	Canadian Northern Steamships, Ltd. . .	23	2,000,000 00	
26	Canadian Northern System Terminals Ltd.	23	2,000,000 00	
27	Canadian Northern Western Railway Company	23	2,000,000 00	
28	*The Centmont Corporation	31	176,400 00	
29	The Central Ontario Railway	23	3,331,000 00	
30	Central Vermont Airways, Inc.	28	5,000 00	
31	Central Vermont Railway, Inc.	1	10,000,000 00	
32	Central Vermont Terminal, Inc.	31	5,000 00	
33	*Central Vermont Transit Corporation..	28	5,000 00	
34	*Central Vermont Warehouse, Inc.	28	5,000 00	
35	The Champlain and St. Lawrence Rail- road Company	1	50,000 00	
36	*Chicago, New York and Boston Refriger- erator Company	52	1,129,400 00	
37	Cincinnati, Saginaw and Mackinaw Rail Road Company	1	1,500,000 00	
38	*Consolidated Land Corporation	52	64,000 00	
39	*Continental Realty & Holding Company	13	90,000 00	
40	*The Dalhousie Navigation Company, Ltd.	23	50,000 00	
41	*Duluth and Virginia Realty Company..	39	45,000 00	
42	Duluth, Rainy Lake & Winnipeg Rail- way Company	44	2,000,000 00	
43	Duluth, Winnipeg and Pacific Railroad Company	44	100,000 00	
44	Duluth, Winnipeg and Pacific Railway Company	23	3,100,000 00	
45	*Grand Trunk-Milwaukee Car Ferry Company	52	200,000 00	
46	The Grand Trunk Pacific Branch Lines Company	49	200,000 00	
47	*The Grand Trunk Pacific Development Company, Ltd.	49	3,000,000 00	
48	*Grand Trunk Pacific Dock Company, of Seattle	49	150,000 00	
49	The Grand Trunk Pacific Railway Company	1	24,940,200 00	
50	The Grand Trunk Pacific Saskatchewan Railway Company	49	20,000 00	
51	*Grand Trunk Pacific Terminal Elevator Company (Ltd.)	49	501,000 00	
52	Grand Trunk Western Railroad Com- pany (Common)	1	20,000,000 00	
	Grand Trunk Western Railroad Com- pany (Preferred)	1	25,000,000 00	
53	The Great North Western Telegraph Company of Canada (including \$331,500 held in escrow)	16	373,625 00	6,925 00
54	The Halifax and South Western Rail- way Company	23	1,000,000 00	
55	*Industrial Land Company	52	1,000 00	
56	International Bridge Company	1	1,500,000 00	

SCHEDULE OF COMPANIES COMPRISING THE CANADIAN NATIONAL
RAILWAY SYSTEM—*Concluded*

	Name of Issuing Company	Owned by Company Number	Capital Stock Issued	Owned by Public
57	The Irondale, Bancroft and Ottawa Railway Company	23	53,500 00	500 00
58	The James Bay and Eastern Railway Company	23	125,000 00	
59	The Lake Superior Terminals Company Ltd.	23	500,000 00	
60	The Maganetawan River Railway Com- pany	1	30,000 00	
61	Manitoba Northern Railway Company.	1	500,000 00	
62	The Marmora Railway and Mining Company	23	128,600 00	
63	The Minnesota and Manitoba Railroad Company	23	400,000 00	
64	The Minnesota and Ontario Bridge Company	23	100,000 00	
65	Montreal and Province Line Railway Company	28	1,000,000 00	
66	*Montreal and Southern Counties Rail- way Company	1	500,000 00	189,500 00
67	The Montreal and Vermont Junction Railway Company	31	197,300 00	
68	*Montreal Fruit & Produce Terminal Company, Ltd.	1	500 00	
69	*The Montreal Stock Yards Company..	1	350,000 00	
70	*The Montreal Warehousing Company.	1	236,000 00	12,240 00
71	Mount Royal Tunnel and Terminal Company, Ltd.	23	5,000,000 00	
72	Muskegon Railway and Navigation Company	52	161,293 00	
73	*National Terminals of Canada, Ltd. ...	1	2,500 00	
74	National Transcontinental Railway Br. Lines Company	1	500 00	
75	New England Elevator Company.....	1	400,000 00	
76	*The Niagara, St. Catharines and Toronto Railway Company.....	23	925,000 00	
77	*The Niagara, St. Catharines and Toronto Navigation Company (Ltd.)	76	100,000 00	
78	*The Oshawa Railway Company.....	1	40,000 00	
79	The Ottawa Terminals Railway Com- pany	1	250,000 00	
80	The Pembroke Southern Railway Com- pany	1	107,800 00	
81	Portland Elevator Company.....	1	50,000 00	
82	*Prince George, Ltd.	1	10,000 00	
83	*Prince Rupert, Ltd.	1	10,000 00	
84	The Quebec and Lake St. John Railway Company	23	4,508,300 00	489,160 00
85	The Qu'Appelle, Long Lake and Saskatchewan Railroad and Steam- boat Company	23	201,000 00	
86	*Rail & River Coal Company.....	1	2,000,000 00	
87	St. Boniface Western Land Company..	23	250,000 00	
88	The St. Charles and Huron River Railway Company	23	1,000 00	
89	St. Clair Tunnel Company.....	1	700,000 00	
90	The Stanstead, Shefford and Chambly Railroad Company	28	608,333 33	
91	*The Thousand Islands Railway Company	1	60,000 00	
92	The Toronto Belt Line Railway Company	1	50,000 00	16,600 00
93	†Trans-Canada Air Lines.....	1	3,750,000 00	
94	The United States and Canada Rail Road Company	1	219,400 00	475 00
95	Vermont and Province Line Railroad Company	1	200,000 00	
96	The Winnipeg Land Company Ltd.	23	100,000 00	
			\$204,290,351 33	\$ 4,564,600 00

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

† Treated as an Affiliated Company.

STATEMENT OF REVENUE TONNAGE BY COMMODITIES FOR YEARS 1941-1940

	Year	Year	Increase or	
	1941	1940	Decrease	
	Tons	Tons	Tons	Per cent
AGRICULTURAL PRODUCTS:				
Wheat	6,937,627	4,998,619	1,939,008	38.79
Corn	479,765	582,923	103,158	17.70
Oats	605,271	547,433	57,838	10.57
Barley	469,507	371,272	98,235	26.46
Rye	68,937	52,458	16,479	31.41
Flaxseed	73,793	46,837	26,956	57.55
Other grain	33,827	30,249	3,578	11.83
Flour	917,408	765,201	152,207	19.89
Other mill products	1,455,735	1,314,170	141,565	10.77
Hay and straw	97,958	101,048	3,090	3.06
Cotton	101,219	75,584	25,635	33.92
Apples (fresh)	84,516	75,444	9,072	12.02
Other fruit (fresh)	287,468	280,346	7,122	2.54
Potatoes	202,316	192,487	9,829	5.11
Other fresh vegetables	173,292	161,414	11,878	7.36
Other agricultural products	677,939	631,999	45,940	7.27
Total	12,666,578	10,227,484	2,439,094	23.85
ANIMAL PRODUCTS:				
Horses	22,743	27,582	4,839	17.54
Cattle and calves	257,543	250,896	6,647	2.65
Sheep	14,867	15,811	944	5.97
Hogs	184,347	161,222	23,125	14.34
Dressed meats (fresh)	215,615	204,686	10,929	5.34
Dressed meats (cured, salted, canned)	188,732	132,123	56,609	42.85
Other packing house products (edible)	48,989	45,425	3,564	7.85
Poultry	21,427	24,435	3,008	12.31
Eggs	46,903	38,065	8,838	23.22
Butter	70,741	65,114	5,627	8.64
Cheese	38,431	31,455	6,976	22.18
Wool	52,267	28,081	24,186	86.13
Hides and leather	83,719	62,589	21,130	33.76
Other animal products	84,618	72,157	12,461	17.27
Total	1,330,942	1,159,641	171,301	14.77
MINE PRODUCTS:				
Anthracite coal	2,108,001	1,675,492	432,509	25.81
Bituminous coal	8,572,054	7,896,579	675,475	8.55
Lignite coal	1,411,937	1,199,240	212,697	17.74
Coke	863,326	698,476	164,850	23.60
Iron ores	127,592	61,694	65,898	106.81
Copper ore and concentrates	229,660	202,484	27,176	13.42
Other ores and concentrates	2,089,724	1,569,905	519,819	33.11
Base bullion, matte, pig and ingot (non-ferrous metals)	707,897	567,939	139,958	24.64
Sand and gravel	1,929,958	2,077,764	147,806	7.11
Stone (crushed, ground, broken)	1,788,897	1,771,747	17,150	.97
Slate, dimension or block stone	91,575	90,661	914	1.01
Crude petroleum	386,834	368,140	18,694	5.08
Asphalt (natural, by-product petroleum)	263,084	251,080	12,004	4.78
Salt	372,516	317,128	55,388	17.47
Other mine products	1,247,156	864,510	382,646	44.26
Total	22,190,211	19,612,839	2,577,372	13.14
FOREST PRODUCTS:				
Logs, posts, poles, piling	487,968	511,686	23,718	4.64
Cordwood and other firewood	576,655	599,305	22,650	3.78
Ties	49,087	28,019	21,068	75.19
Pulpwood	2,114,953	1,893,570	221,383	11.69
Lumber, timber, box, crate and cooperage material	3,946,375	3,404,404	541,971	15.92
Other forest products	383,087	318,696	64,391	20.20
Total	7,558,125	6,755,680	802,445	11.88

STATEMENT OF REVENUE TONNAGE BY COMMODITIES FOR YEARS 1941-40
—Concluded

	Year	Year	Increase or	
	1941	1940	Increase or	Decrease
	Tons	Tons	Tons	Per cent
MANUFACTURES AND MISCELLANEOUS:				
Gasolene	1,408,197	1,245,489	162,708	13.06
Petroleum oils and petroleum products (except asphalt and gasolene)	870,085	813,257	56,828	6.99
Sugar	295,646	277,374	18,272	6.59
Iron, pig and bloom	261,676	189,721	71,955	37.93
Rails and fastenings	28,525	20,333	8,192	40.29
Iron and steel (bar, sheet, structural, pipe) ..	2,380,464	1,833,345	547,119	29.84
Castings, machinery and boilers	257,635	192,126	65,509	34.10
Cement	545,454	556,697	11,243	2.02
Brick and artificial stone	257,026	213,726	43,300	20.26
Lime and plaster	387,333	313,770	73,563	23.44
Sewer pipe and drain tile	26,228	25,172	1,056	4.20
Agricultural implements and vehicles other than autos	154,156	139,088	15,068	10.83
Automobiles, auto trucks and auto parts.....	2,557,722	1,733,986	823,736	47.51
Household goods and settlers effects	10,932	12,794	1,862	14.55
Furniture	53,533	42,406	11,127	26.24
Beverages	263,580	211,331	52,249	24.72
Fertilizers, all kinds	557,059	457,128	99,931	21.86
Newsprint paper	1,469,819	1,351,236	118,583	8.78
Other paper	264,510	234,928	29,582	12.59
Paper board, pulpboard and wallboard (paper)	320,984	252,519	68,465	27.11
Woodpulp	1,244,455	1,005,784	238,671	23.73
Fish (fresh, frozen, cured, etc.)	80,889	74,697	6,192	8.29
Canned goods (all canned food products ex- cept meats)	436,223	347,566	88,657	25.51
Other manufactures and miscellaneous	5,718,287	4,260,394	1,457,893	34.22
Merchandise (all L.C.L. freight)	1,774,138	1,499,721	274,417	18.30
Total	21,624,556	17,304,588	4,319,968	24.96
Grand total	65,370,412	55,060,232	10,310,180	18.73

Mr. BRADETTE: Mr. Chairman, I would like to put a question to the management of the C.N.R. A year ago last fall I was told that there was quite a bottleneck on the Canadian Northern in northern Ontario with regard to the shipment of lumber from British Columbia. I went to the board here in Ottawa and they said they were not aware of that. Are you making full use of the transcontinental section of the railway from Winnipeg to Quebec city? Is there any through traffic working there at the present time?

Mr. VAUGHAN: There is some traffic moving that way, but we are moving the traffic in what we consider the most economical way.

Mr. BRADETTE: Do you know what the bottleneck might be on the northern Ontario section of the old Canadian Northern?

Mr. VAUGHAN: No, sir.

Mr. BRADETTE: It is history, but I was told that the road bed west of Cochrane was in a very deplorable condition even when the King and Queen were here, in fact they could not travel over that section; but some days later on trains 1 and 2 were re-routed, so that it must have been in pretty good shape. Last fall I believe we had some heavy trains of German prisoners routed over that section too. I gather from that information that this road is in fairly good condition.

Mr. VAUGHAN: The roadbed is in a good enough condition to handle the traffic safely that is moving over it.

Mr. BRADETTE: And if need be, if you were overloaded on the Canadian Northern section of the system you could use that section at the present time?

Mr. VAUGHAN: Yes, it is in a satisfactory condition for the movement of freight.

Mr. BRADETTE: Is there not any criticism of the C.N.R. due to the fact that the B.C. lumber, for instance, was delayed in some sections of the road from the Manitoba border eastward?

Mr. VAUGHAN: We have had no delays at all.

Mr. BRADETTE: You have had no delays of that nature?

Mr. VAUGHAN: No, sir.

Mr. BRADETTE: So there is no necessity for using that very fine section of the Canadian National Railways for any other freight whatsoever to the Atlantic seaboard?

Mr. VAUGHAN: There is no need for it to be used to any greater extent than is being used at the present time.

Mr. ARMSTRONG: Page 26.

	December 31, 1940	Addi- tions During Year	Retire- ments During Year	Conversions During Year		December 31, 1941
				Added	Retired	
Locomotives:						
Passenger—Freight	2,092	....	61	....	....	2,031
Switching	448	....	12	....	....	436
Electric	15	9	....	....	....	24
Oil Electric	7	4	....	....	....	11
Total	2,562	13	73	....	....	2,502
Freight Equipment:						
Box Cars	63,782	300	350	156	502	63,386
Flat Cars	4,878	300	31	....	83	5,064
Stock Cars	3,080	....	6	....	....	3,074
Coal Cars	13,186	475	73	....	5	13,583
Tank Cars	153	....	5	....	....	148
Refrigerator Cars	2,945	290	32	....	208	2,995
Caboose Cars	1,411	....	28	106	1	1,488
Other Cars in Freight Service..	8	....	....	3	....	11
Total	89,443	1,365	525	265	799	89,749
Passenger Equipment:						
First Class Cars	881	28	3	....	....	906
Second Class Cars	140	....	....	22	2	160
Combination Cars	289	....	....	....	7	282
Immigrant Cars	194	19	....	....	1	212
Dining Cars	93	....	....	1	9	85
Parlor Cars	125	....	....	3	8	120
Sleeping Cars	318	5	....	1	11	313
Postal Cars	47	1	....	....	....	48
Baggage and Express Cars....	934	....	5	22	17	934
Unit Cars	53	....	4	....	....	49
Other Cars in Passenger Service	91	....	....	....	....	91
Total	3,165	53	12	49	55	3,200
Work Equipment:						
Business Cars	64	....	1	....	....	63
All other Cars in Company's Service	6,264	232	321	545	5	6,715
Total	6,328	232	322	545	5	6,778
Floating Equipment:						
Car Ferries	11	....	2	....	....	9
Barges	5	....	1	....	....	4
Tugs	6	....	2	....	....	4
Work	4	....	....	....	....	4

Mr. EMMERSON: On page 26 I notice that you have fewer tank cars this year than the previous years, five tank cars fewer. Are those tank cars for fuel oil and gasoline?

Mr. VAUGHAN: Any tank cars we have are used for our own products.

Mr. EMMERSON: They are used for the railway itself?

Mr. VAUGHAN: Our tank cars are largely used in the movement of what we call O.C.S. oil service in the province of British Columbia and elsewhere; that is fuel oil for our own locomotives.

Mr. ARMSTRONG: Pages 27 and 28 show various statistics of railway operation.

STATISTICS OF RAIL-LINE OPERATION

Train Miles:	Freight		Transportation Service Passenger		Total	
	1941	1940	1941	1940	1941	1940
Locomotive Drawn.....	40,364,715	34,570,862	19,603,832	17,949,193	59,968,547	52,520,055
Motor Unit Cars			1,166,371	1,222,646	1,166,371	1,222,646
Total	40,364,715	34,570,862	20,770,203	19,171,839	61,134,918	53,742,701
 Locomotive Miles:						
Principal	40,392,690	34,590,380	19,603,841	17,949,195	59,996,531	52,539,575
Helper	1,626,057	931,919	267,568	149,169	1,893,625	1,081,088
Light	823,371	625,684	352,620	313,122	1,175,991	938,806
Train Switching	3,350,003	3,017,993	99,235	86,625	3,449,238	3,104,618
Yard Switching	13,747,527	11,301,055	1,084,996	1,015,606	14,832,523	12,316,661
Total	59,939,648	50,467,031	21,408,260	19,513,717	81,347,908	69,980,748
 Car Miles:						
Loaded Freight Cars.....	1,060,297,777	869,837,901	774,834	532,777	1,061,072,611	870,370,678
Empty Freight Cars.....	512,885,837	429,886,243	773,669	293,523	513,659,506	430,179,766
Passenger Coach and Combination Cars	8,511,543	8,198,321	58,212,996	47,772,213	66,724,539	55,970,534
Sleeping, Parlor and Observation Cars	1,006,436	921,859	41,022,088	34,245,143	42,028,524	35,167,002
Dining Cars	171,422	176,817	6,976,162	5,166,379	7,147,584	5,343,196
Other Cars	8,929,225	9,490,569	50,972,432	48,508,199	59,901,657	57,998,768
Motor Unit Cars			1,232,892	1,280,565	1,232,892	1,280,565
Caboose	39,312,748	33,144,376	1,230,398	593,566	40,543,146	33,737,942
Total	1,631,114,988	1,351,656,086	161,195,471	138,392,365	1,792,310,459	1,490,048,451
 Work Service						
	Train Miles		Locomotive Miles		Car Miles	
	1941	1940	1941	1940	1941	1940
Locomotive Drawn	1,332,698	1,192,967	1,766,696	1,551,930	2,724,068	3,352,907
Motor Unit Cars	130					
Total	1,332,828	1,192,967	1,766,696	1,551,930	2,724,068	3,352,907

STATISTICS OF RAIL-LINE OPERATION

	1941	1940
Average mileage of road operated	23,524.95	23,603.38
TON-MILES—TRAIN-HOURS IN ROAD SERVICE:		
Gross ton-miles of cars, contents and cabooses.....	66,957,550,363	54,610,363,550
Net ton-miles of freight (revenue and non-revenue).....	30,049,483,326	23,893,076,937
Train-hours in freight road service	2,509,925	2,101,084
REVENUE TRAFFIC:		
Tons of freight carried	65,370,412	55,060,232
Ton-miles—Revenue freight	27,199,875,760	21,532,181,524
Freight revenue	\$239,592,287	\$194,562,209
Passengers carried	17,681,343	11,204,289
Passenger-miles	1,761,970,856	1,124,820,121
Passenger revenue	\$31,893,884	\$21,702,046
AVERAGES:		
Miles per revenue ton	416.09	391.07
Miles per revenue passenger	99.65	100.93
Revenue per ton-mile	\$0.00881	\$0.00904
Revenue per passenger-mile	\$0.01810	\$0.01929
Revenue per ton	\$3.66515	\$3.53362
Revenue per passenger	\$1.80382	\$1.93694

STATISTICS OF RAIL-LINE OPERATION—*Concluded*

	1941	1940
AVERAGE PER MILE OF ROAD:		
Ton-miles—Revenue freight	1,151,306	908,158
Ton-miles—All freight	1,277,345	1,012,274
Passenger-miles—Revenue	74,898	47,655
Gross revenue	\$12,938.47	\$10,486.94
Gross expenses (including taxes, equipment and joint facility rents)	\$10,573.89	\$8,963.24
Net railway operating income	\$2,364.58	\$1,523.70

EMPLOYEES AND THEIR COMPENSATION

	1941	1940	Increase	% Increase
*Average number of employees	89,536	82,831	6,705	8.09
*Total payroll	\$153,654,368	\$132,584,063	\$21,070,305	15.89

*Includes railway, express and telegraph employees.
Excludes hotel and subsidiary company employees.

DISTRIBUTION OF THE DOLLAR

	Operating revenue dollar		Operating expense dollar	
	1941	1940	1941	1940
Labour .....	.4615	.4894	.5907	.5981
Fuel .....	.0848	.0827	.1086	.1011
Other expenses .....	.2349	.2461	.3007	.3008
Total operating expenses .....	.7812	.8182	\$1.00	\$1.00
Available for taxes and other accounts.....	.2188	.1818	—	—
Total	\$1.00	\$1.00	\$1.00	\$1.00
Maintenance of way accounts .....	.1547	.1616	.1980	.1975
Maintenance of equipment accounts .....	.1812	.1944	.2319	.2376
Traffic accounts .....	.0174	.0208	.0223	.0254
Transportation accounts .....	.3879	.3986	.4966	.4872
Miscellaneous accounts .....	.0089	.0067	.0114	.0082
General accounts .....	.0324	.0376	.0415	.0459
Transportation for investment—credit .....	.0013	.0015	.0017	.0018
Total operating expenses .....	.7812	.8182	\$1.00	\$1.00
Available for taxes and other accounts.....	.2188	.1818	—	—
Total	\$1.00	\$1.00	\$1.00	\$1.00

Mr. JACKMAN: Under the distribution of the dollar account I see you spent .2188 available for taxes and other accounts. Are those chiefly taxes, local taxes?

Mr. ARMSTRONG: That is the amount left over after paying operating expenses. The operating ratio is 78.12 per cent, meaning that 78.12 cents of every revenue dollar was spent on operating expenses which left 21.88 cents for all other accounts, taxes, interest and everything else.

Mr. JACKMAN: I see what you mean. How much are your taxes on the operating dollar?

Mr. ARMSTRONG: Taxes are \$6,900,000 out of revenues of \$304,000,000 about 2 per cent.

Mr. VAUGHAN: That does not, of course, include duty or sales tax.

Mr. JACKMAN: We have the comparable figure for the C.P.R. of 7.6 out of their operating dollar for expenses.

Mr. ARMSTRONG: Theirs, of course, includes income and an excess profits tax which is not assessed against the Canadian National, except as our net earnings may be transferred to the government.

Mr. BRADETTE: Could you give us a breakdown on that third line .2349? That is a very large item.

Mr. ARMSTRONG: Operating expenses are shown in detail on pages 15 to 17 inclusive. They include labour, material and all other expenses. Many of those accounts, such as superintendence, for example, on page 15, the first account, would include some labour, some material and some other expenses.

Mr. BRADETTE: I suppose this is history by now, but many of the common people have considerable criticism to make sometimes with respect to the superintendent's private car. Personally, I have no objection, although I have never used any of them. I would like to ask whether there is any curtailment during the war situation in that regard. Some people believe there is an abuse. When they see the management and the superintendents travelling in small cars they often wonder why they see a private car standing at a siding for a number of days. That criticism usually comes from farmers and the pulpwood farmers. Personally I do not believe there has been any abuse, but a lot of people think there has been.

Mr. VAUGHAN: The superintendent of the road is supposed to be on the line most of the time superintending the movement of traffic, etc. But what you speak of is something that is watched carefully by us and I do not think there is any abuse. I do not know what a superintendent's car would be doing lying on a siding at an outlying place for several days. It might be his home town and he might not be out for a few days, but there is no abuse. The superintendent's car is his home in a great many cases.

Mr. BRADETTE: Yes, I know of no abuses in my own district, but you can easily visualize what the people would say going to the station and seeing some of the passenger coaches half empty and at the same time seeing a private car standing there.

Mr. VAUGHAN: That private car is the superintendent's office, and you usually find that he has his roadmaster and section foreman and district engineer and others with him, and he has to conduct his day to day business in his car and at the same time supervise the work along the road.

Mr. DONNELLY: Mr. Chairman, is this ratio this year one of your best years?

Mr. VAUGHAN: Yes, it is the best year.

Mr. DONNELLY: Could you give us the ratio, the operating ratio for the last ten years?

Mr. VAUGHAN: We can give it to you. Mr. Cooper has it there.

Mr. COOPER: For 1931, 99.40; 1932, 96.34; 1933, 96.16; 1934, 92.14; 1935, 91.77; 1936, 91.89; 1937, 91.12; 1938, 96.67; 1939, 89.77; 1940, 81.82; 1941, 78.12.

Mr. SANDERSON: As regards 1941 and 1942 to date, 1942 shows quite an increase on 1941, does it not?

Mr. VAUGHAN: Yes, it is a little better than 1941, that is the first three month of this year.

Mr. SANDERSON: What is the percentage?

Mr. VAUGHAN: I gave a statement a few days ago in that connection which is on the record. To the end of March operating revenues showed an increase of \$14,900,000 over 1941, or an increase of 23 per cent. The operating expense showed an increase of \$10,400,000, an increase of 19 per cent; net revenue therefore is \$4,500,000 better than it was in the first quarter of 1941. This increase in net revenue is after making still further provision for depreciation on equipment in view of the more intensive use of it. That is, for the first three months of this year our operating ratio is 80.88 as against 83.47 for the first three months of last year.

Mr. JACKMAN: How do you expect to show this increased operating surplus for the year with a ratio of 88 per cent for the first quarter?

Mr. VAUGHAN: 80·8 per cent.

Mr. JACKMAN: As against 83 per cent?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Of course, during some of those years you had to get part of your operating dollar out of your deficit account, did you not? You had an operating loss?

Mr. COOPER: The Canadian National Railways has never failed to earn its operating expenses.

Mr. JACKMAN: Just the interest charges?

Mr. COOPER: Yes. Any deficit we have had was with respect to interest and not with respect to operating expenses.

Mr. JACKMAN: Even in 1931 where you paid out 99·40 of your operating dollar, that was still your own money that you took in from the public and not money that was obtained from the government?

Mr. COOPER: Yes.

Mr. JACKMAN: When we were dealing with the Canadian National-West Indian Steamship service Mr. Cooper was referring to the capitalizing of the deficit and how unsound it was from the standpoint of conservative accounting practice, and this profit and loss deficit on the West Indies' books stands at \$10,090,000. I am sure that the company feels that they can never surmount that deficit. It would be unreasonable I think to expect it. Could we ask for an expression of opinion from the management as to what recommendation they would like this committee to make to the government; what recommendation they would like this committee to consider?

Mr. VAUGHAN: It would be difficult for us to do that now. The Canadian National Steamships Company is doing better. This is accounted for by the large volume of traffic moving. I do not think it would be wise for us to make that recommendation at the present time. We might at some later date ask the committee to assist us in that connection; but I do not think it would be wise to do it at the present time.

Mr. JACKMAN: It represents a loss which is most unlikely to ever be recaptured.

Mr. VAUGHAN: I do not think we will ever recapture it all; we are hoping to recapture some of it.

Mr. COOPER: We paid back some \$600,000 last year.

Mr. VAUGHAN: Yes, we paid that much back.

Mr. JACKMAN: How much extra interest was it you paid on the arrears?

Mr. COOPER: Some \$600,000.

Mr. JACKMAN: In other words, you are almost servicing the deficit now?

Mr. COOPER: Yes, we had a surplus of \$593,000 last year, which was additional to the interest for the year of \$346,000. In other words, we paid our current interest and we reduced our deficit by \$593,000.

Mr. JACKMAN: Or, in other words, you paid your current interest and interest on the deficit, which works out to about 6 per cent. On \$10,000,000 you paid nearly \$600,000.

Mr. COOPER: Yes.

Mr. HARRIS: I should like to ask how this distribution of the dollar compares with class A railroads in the United States.

Mr. VAUGHAN: Have you any information on that, Mr. Armstrong?

Mr. ARMSTRONG: Yes. I can give it to you by general accounts. That is, as it is shown in the latter half of this table. Class 1 roads, for 1941, maintenance of way account, 11·28; maintenance of equipment, 18·56.

Mr. HARRIS: 11.28. That compares with 19?

Mr. ARMSTRONG: No, 15.47.

Mr. HARRIS: And the figure is what?

Mr. ARMSTRONG: The figure is 11.28 for class 1 roads; 15.47 for the C.N.

Mr. HARRIS: What would it be for the C.P.R., or is that public?

Mr. ARMSTRONG: This is the C.P.R. We have it for 1941. These are preliminary figures we have for the C.P.R. As to comparability, whether they are the same or not, I do not know. The preliminary figure 13.30 is the corresponding figure for the C.P.R.. For maintenance of equipment, class 1 roads; it is 18.56; and the C.N., 18.12.

Mr. HARRIS: And the C.P.R.?

Mr. ARMSTRONG: The C.P.R. is 18.68. For traffic it is 2.09 for class 1 roads, 1.74 for the C.N., and 2.17 for the C.P. Transportation for class 1 roads is 33.20; C.N., 38.79 and C.P.R. 32.62. General expenses 2.59 for class 1 roads, 3.24 for the C.N., and 3.19 for the C.P. All other expenses .81 for class 1 roads, .89 for the C.N. and 1.69 for the C.P. Transportation for investment credit, class 1 roads and the C.P. show no figure for that in 1941. For the C.N. the figure is .13 of a credit. I think you will find that class 1 roads and the C.P.R. have deducted that item from their transportation percentage.

Mr. HARRIS: That is a small item.

Mr. ARMSTRONG: Yes, very small. The total is 68.53 for class 1 roads; 78.12 C.N. and 71.65 C.P.

Mr. HARRIS: Do you anticipate another marked gain in the present year?

Mr. ARMSTRONG: I beg your pardon.

Mr. HARRIS: There will be a very considerable improvement in the present year, will there not?

Mr. VAUGHAN: We hope to make an improvement, Mr. Harris. I think you were absent when the cost of living bonus and other expenses were mentioned.

Mr. HARRIS: Yes.

Mr. VAUGHAN: We will pay this year for cost of living bonus, plus wage increases in the United States, plus unemployment insurance, probably \$15,000,000 or \$16,000,000 more than it cost us last year. But, notwithstanding that fact, we hope to have a better year this year than last year. Materials are also advancing in price, notwithstanding the Wartime Prices Control.

Mr. BRADETTE: Materials?

Mr. VAUGHAN: Yes, materials.

Mr. JACKMAN: What does the transportation accounts item cover?

Mr. ARMSTRONG: That is shown on page 16 of the annual report.

Mr. JACKMAN: I see you have got train fuel in the transportation expenses and yet you have got fuel in the distribution of the dollar.

Mr. ARMSTRONG: I think you will find, Mr. Jackman, that there are two distributions on page 28. You will notice the first distribution is one between labour, fuel and other expenses and available for taxes and other accounts.

Mr. JACKMAN: That is right.

Mr. ARMSTRONG: That totals a dollar.

Mr. JACKMAN: I see.

Mr. ARMSTRONG: Then it is broken down again to total a dollar.

Mr. JACKMAN: Why is your transportation account expense relatively so much higher than class 1 railroads? You have 38 cents and they are 33 cents.

Mr. ARMSTRONG: The transportation ratio depends on a great number of factors, one of which is traffic density which is just one item. In the United States, for example, you have transportation ratios anywhere from probably about 20 per cent up to 40 per cent or 45 per cent. The class 1 roads have a

traffic density that is probably 50 to 75 per cent greater than the C.N. The same thing is true of the C.P. Their traffic density is 20 to 25 per cent heavier than the C.N. There are several factors. The proportion of passenger business, for example, has an effect on it; the proportion of passenger in relation to the total business; the average haul of freight would have some bearing on it; the types of commodities handled would have a bearing on the weight per car; the grade conditions, curvature conditions, all sorts of things affect transportation expenses in comparing the cost on two different railroads. One other point is the question of how much money you get for the work you perform. For instance, we get a lower amount per ton mile than many other railroads. We have to perform more work to earn the same dollar, which raises the transportation ratio.

Mr. NICHOLSON: How do you arrive at this maintenance of way accounts item of .1547 under the operating revenue dollar? How is that figure arrived at?

Mr. VAUGHAN: I do not quite understand the question.

Mr. NICHOLSON: Under this item of operating revenue dollar, maintenance of way is given as .1547. How do you arrive at the revenue under the maintenance of way accounts?

Mr. WALTON: No. The revenue is not allocated to the maintenance of way. Out of the total earnings of a dollar, .1547 cents are spent in maintenance of way. It is tied in with the dollar.

Mr. NICHOLSON: In the other column, we have operating expense dollar, .1980. I am not very clear what the distinction is in these two columns, on maintenance of way accounts.

Mr. WALTON: I do not quite get the point.

Mr. NICHOLSON: In connection with maintenance of way accounts, you have under operating revenue dollar, .1547 and under operating expense dollar, .1980. How do you figure the revenue?

Mr. WALTON: The first double column has reference to operating revenue. The next pair of columns are in respect to operating expenses.

Mr. NICHOLSON: I can understand how operating expense is in connection with maintenance of way but not what revenue you are showing under maintenance of way.

Mr. WALTON: You do not. It is just tied into the revenue to form a percentage that maintenance of way costs are to each dollar earned, not earned by maintenance of way but earned on the railway.

Mr. VAUGHAN: One has relation to the amount earned and the other has relation to the amount expended.

Mr. WALTON: Yes.

The CHAIRMAN: Have you taken up page 29 yet?

Mr. DONNELLY: Not yet.

Mr. HARRIS: Before you dispose of page 28, I should like to ask a question about traffic accounts. Does that include the industrial bureaus?

Mr. VAUGHAN: I did not catch that.

Mr. HARRIS: On page 28, under the heading of distribution of the dollar, there is an item of traffic accounts. Do those traffic accounts include the industrial bureaus?

Mr. VAUGHAN: Yes, sir.

Mr. HARRIS: How many industrial bureaus are there? Do they follow the same division as the railway does?

Mr. VAUGHAN: We have an industrial man in Montreal, and then we have one on each region.

Mr. HARRIS: The purpose of the question, Mr. Chairman, was to record the good work which the industrial bureaus are doing, and to bring to the attention of the management that that is one phase of their activity that should be given more and more attention. I am desirous of paying tribute particu-

larly to those who work out of Winnipeg. At the same time, I shall make this observation, that I am doubtful whether they are keeping pace with their competitors in the same line of activity. Whether that is due to shortage of staff or what, I am not just sure. They are doing good work, but they are not doing a work that is good enough, in my opinion. I should like the management, if they feel so disposed, to make a general statement with regard to the policy and the work of this industrial bureau as it applies to industry particularly.

Mr. VAUGHAN: Our industrial bureau's duty is to get in touch with every prospective industry, with a view to obtaining the location of that industry on our lines, and naturally to secure the traffic from that industry. They have their ear to the ground all the time, and wherever they learn of an industry that is likely to come to this country from the States or elsewhere anyone who wants a new plant, anyone who wants a site, they get in touch with him. If any department of government wants a site for a munitions plant or anything of that kind, the industrial departments are there to serve them. We thought our industrial department, in all regions, was rather efficient, and we have received a great many complimentary remarks in respect to the work they have done.

Mr. HARRIS: I should like to ask this question, Mr. Chairman. Has any contact been made with the industries in the United Kingdom which have been demoralized through the war conditions over there, towards getting those industries or advising those industries, through this agency who no doubt have a United Kingdom connection, as to the possibility of coming over here?

Mr. VAUGHAN: Yes. We have a representative in London who is looking after that work.

Mr. HARRIS: Who is that? Who does he come under?

Mr. VAUGHAN: He comes under the jurisdiction of Mr. Clews, our European manager in London.

Mr. HARRIS: That is the European manager in London?

Mr. VAUGHAN: Yes.

Mr. HARRIS: I was thinking, Mr. Chairman, more particularly of the United Kingdom.

Mr. VAUGHAN: He has charge of our United Kingdom work especially, but his jurisdiction extends all over Europe. He cannot do much there now, but in normal times we have representatives in the important places in Europe.

Mr. HARRIS: With all due deference to the witness's opinion, Mr. Chairman, I am of opinion that a very great deal can be done in the United Kingdom in the case of industries which are bombed out, industries which previously enjoyed the Canadian market under the British preference. I bring to the attention of the management that there is a good field for the activities of their industrial bureau, and I should like the management to say or give us some idea of what facilities there are in the United Kingdom to take care of that particular feature.

Mr. VAUGHAN: We have a man in our London office, Mr. Harris, who makes it his particular business to keep in touch with these industries. That matter has been up on several occasions, and our men in London are watching that situation carefully.

Mr. HARRIS: What is the strength of the staff in London?

Mr. VAUGHAN: It has been reduced; many of our men have enlisted for active service. I can get you the number, I do not know it offhand. We have a substantial staff over there.

The CHAIRMAN: Are you through, Mr. Harris? Shall we go on with page 29

Mr. ARMSTRONG:

OPERATED MILEAGE, DECEMBER 31st, 1941

Territory	Mileage Owned by Constituent Companies				Mileage of Lines Under Lease or Contract		Mileage of Trackage Rights				Total Operated Road Mileage				Spurs Sidings & Yard Track
	1st Main Track	2nd Main Track	3rd Main Track	4th Main Track	1st Main Track	2nd Main Track	1st Main Track	2nd Main Track	3rd Main Track	4th & Other Main Tracks	1st Main Track	2nd Main Track	3rd Main Track	4th & Other Main Track	
	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles	Miles
Atlantic Region.....	2,986.77	49.97	—	—	6.41	—	82.95	—	—	—	3,076.13	49.97	—	—	890.23
Central Region.....	7,137.29	714.28	15.91	9.82	337.55	9.31	29.72	25.17	2.13	4.10	7,504.56	748.76	18.04	13.92	2,617.65
Western Region.....	11,091.15	86.24	—	—	378.22	4.29	64.07	23.04	—	—	11,533.44	113.57	—	—	2,548.22
Grand Trunk Western Lines.....	904.62	363.18	10.62	—	61.14	—	59.75	6.33	1.36	0.99	1,025.51	369.51	11.98	0.99	805.92
Central Vermont Lines.....	237.90	0.63	—	—	125.18	0.03	58.73	32.75	—	—	421.81	33.41	—	—	161.80
*Total Mileage.....	22,357.73	1,214.30	26.53	9.82	908.50	13.63	295.22	87.29	3.49	5.09	23,561.45	1,315.22	30.02	14.91	7,023.82
Lines in Canada.....	20,984.20	849.92	15.91	9.82	565.43	12.49	172.35	44.77	2.13	4.10	21,721.98	907.18	18.04	13.92	5,893.89
Lines in United States.....	1,373.53	364.38	10.62	—	343.07	1.14	122.87	42.52	1.36	0.99	1,839.47	408.04	11.98	0.99	1,129.93

* Separately Operated Lines (Gasoline Electric and Electric) not included.

Mr. EMMERSON: On that first item, the Atlantic region, can you tell the committee the amount of mileage there and where the trackage is?

Mr. VAUGHAN: We can get that for you.

Mr. EMMERSON: I should like to ask one other question with regard to the mileage of trackage 82·95. Is that not a portion of the track operated by the D.A.R.?

Mr. WALTON: We will have to look that up.

Mr. ARMSTRONG: I think the principal item there is the Fredericton to Vanceboro line. We have running rights over the Canadian Pacific. I think that is the principal item of that 82·95.

Mr. EMMERSON: That is the principal item of the 82·95 miles?

Mr. ARMSTRONG: I said included in that is the trackage rights of the Canadian National over the Canadian Pacific between Fredericton and Vanceboro. The Canadian National has running rights over the Canadian Pacific line between these two points.

Mr. EMMERSON: From Fredericton to Vanceboro?

Mr. ARMSTRONG: Yes.

Mr. VAUGHAN: In one or two places from Saint John to Westfield Beach we use the Canadian Pacific Railway. They would all add up in that total. We can break that down and give it to you later.

Mr. ARMSTRONG: The thing that may be confusing about that, Mr. Emmerson, is this: we have trackage rights between these points and under a co-operative agreement the Canadian Pacific handles our traffic between Fredericton and Vanceboro. There is, however, an agreement for trackage rights between those points.

Mr. EMMERSON: Where is that trackage shown from Windsor Junction to Windsor?

Mr. ARMSTRONG: That would not be in here, sir, that would be in the Canadian Pacific annual report. They have trackage rights over our line.

Mr. EMMERSON: They lease the line; you do not operate it at all.

Mr. ARMSTRONG: Not between Windsor Junction and Halifax.

Mr. EMMERSON: No, Windsor Junction and Windsor. You own the line, but you do not run a train over it.

Mr. ARMSTRONG: That would be shown in the Canadian Pacific report, I would say, if it is a line which they lease.

Mr. EMMERSON: That is the only operated mileage?

Mr. ARMSTRONG: Operated mileage of the Canadian National system.

Mr. VAUGHAN: I think the best thing is to give you the details of that. It is made up of a number of small items, Mr. Emmerson.

Mr. DONNELLY: Your total mileage would be all these figures added together which would give a total of 31,945?

Mr. ARMSTRONG: Total miles of track or road?

Mr. DONNELLY: Track.

Mr. ARMSTRONG: Miles of track would be the first track, 23,561; second main track, 1,315; third main track, 30 miles; fourth and other main tracks, 14·9; spurs, sidings and yard tracks, 7,023, making a total of 31,000, practically speaking, of all tracks.

Mr. DONNELLY: Nearly 32,000.

Mr. ARMSTRONG: That is right, nearly 32,000.

Mr. DONNELLY: I move the report be adopted.

Mr. JACKMAN: Does the railway have any trucking subsidiaries?

Mr. VAUGHAN: We operate trucks, but we have no trucking subsidiary companies.

Mr. JACKMAN: You operate trucks merely from the station to the point of delivery. Do the trucks actually carry goods or passengers a number of miles?

Mr. VAUGHAN: We have a few places where we do that, yes. For instance, we operate a bus service from Geraldton into Port Arthur, also a truck service between those points.

Mr. BRADETTE: Mr. Chairman, may I ask a question of Mr. Vaughan? I come from a relatively small section of the railway community. Some of the complaints I hear in travelling about from one section to another is that the clerical staff and the maintenance staff in cities like Toronto, Montreal, Winnipeg and Vancouver, have the chance of advancement that our men have not. I am thinking of what Napoleon said that every soldier has a marshal's baton in his knapsack. I notice a great many of the higher positions in my district are occupied by men from outside that section. I do not know, or at least I have been told that men in our division have no place to graduate to in regard to higher positions. If that is true it would be discouraging for these bright young men. In the past I know the young men have graduated to higher positions; and as I look around me here in this room I see officials of the C.N.R. who have graduated to their high rank from low positions. If that chance is not given to the young men in our district and the section around there it will be very discouraging to them. As far as the superintendents are concerned in my section they are all good men, but they come from Toronto or Quebec City or something like that. I am thinking of Mr. Gibault and others who have graduated into higher ranks from my own section.

Mr. VAUGHAN: You had some superintendents graduate into a higher rank from there.

Mr. BRADETTE: Not the clerical staff. It seems to me if these young men are not given that opportunity they will be discouraged. I know that is the case with regard to the accountants.

Mr. VAUGHAN: We had that matter up the other day. We are trying to give these men some advancement by centralizing accounting. Some of them will be moving into larger places where they will have a better opportunity for advancement.

Mr. BRADETTE: They will be given the chance to move?

Mr. VAUGHAN: Oh, yes.

The CHAIRMAN: Gentlemen, are you ready to adopt this report?

Mr. DONNELLY: I move we adopt the report.

Mr. McCULLOCH: I second it.

Mr. LOCKHART: May I ask one question, please. May I ask Mr. Vaughan to what extent bus services are being used to assist where rail services are being discontinued or perhaps not satisfactory to meet the public demand? Are there many points where that is being done?

Mr. VAUGHAN: You have reference to our own bus service?

Mr. LOCKHART: Yes.

Mr. VAUGHAN: No; I think only in the Niagara Peninsula.

Mr. LOCKHART: That is what I was referring to. That is not being done generally?

Mr. VAUGHAN: That is about the only place where we are doing it.

Mr. LOCKHART: It seems to be working out very satisfactorily?

Mr. VAUGHAN: Yes.

The CHAIRMAN: Are there any further questions?

Now there is the motion that this report be adopted; it is so moved by Dr. Donnelly, seconded by Mr. McCulloch.

Motion agreed to.

Mr. DONNELLY: I move that we adjourn.

The CHAIRMAN: Just a minute, don't be in a hurry for a minute. We have before us here four items related to the estimates: No. 400, Maritime Freight Rates Act, Canadian National Railways' eastern lines, \$3,350,000.

Mr. DONNELLY: I think we had better let this stand until this evening because I notice some of the members have not their copies of the estimates with them. Also, I notice that in the blue book it says \$3,500,000 last year, and it seems to me quite a bit less this year.

The CHAIRMAN: What is your pleasure, gentlemen, will the committee sit to-night at 8.30?

Motion to sit to-night at 8.30 was agreed to.

The committee adjourned at 6.50 o'clock p.m. to meet again at 8.30 o'clock p.m. this day.

EVENING SESSION

The committee resumed at 8.30 o'clock p.m.

The CHAIRMAN: Gentlemen, we have four votes before us which it is customary for this committee to pass and recommend to the house. The first one is No. 400 which you will find on page 47 of the current estimates.

Mr. McCULLOCH: I move that the item pass.

(Item agreed to).

The CHAIRMAN: The next is vote No. 401.

Mr. DONNELLY: I move that the vote pass.

(Item agreed to).

The CHAIRMAN: The next is vote No. 410.

Mr. DONNELLY: I move that the item pass.

(Item agreed to).

The CHAIRMAN: The next is vote No. 411.

Mr. DONNELLY: That is Prince Edward Island. I move that the vote carry.

(Item agreed to).

The CHAIRMAN: Now, gentlemen, if you will permit Mr. Matthews of George A. Touche & Co., the auditors, to appear before you, Mr. Matthews will be greatly obliged because he is anxious to get back to his office in Montreal. I presume we will have Mr. Matthews read this report in the ordinary way.

Mr. MATTHEWS: (Reads):

10th March, 1942.

The Honourable the Minister of Transport,
Ottawa, Canada.

SIR,—In pursuance of The Canadian National-Canadian Pacific Act, 1936, and Chapter 5, 1941, "An Act respecting the appointment of Auditors for National Railways," we have audited the accounts of the Canadian National Railway System for the year ended the 31st December, 1941, and we now submit, through you, our report to Parliament.

We attach hereto the following financial statements of the National System:—

Exhibit I—Consolidated Balance Sheet at the 31st December, 1941—
together with Audit Certificate.

Exhibit II—Dominion Government—Proprietor's Equity at the 31st
December, 1941.

Exhibit III—Consolidated Profit and Loss Account—Year 1941.

Exhibit IV—Consolidated Income Account—Year 1941.

Exhibit V—Investments in Affiliated Companies at the 31st December, 1941.

Exhibit VI—Major Contingent Liabilities, including pension plans, at the
31st December, 1941.

Consolidated Balance Sheet

Investments in properties and equipment appearing in the books of the companies as at the 1st January, 1923, were accepted by us. As against the corporate property investments brought into the National system accounts in 1923, there have been applied the reductions as authorized by The Canadian National Railways Capital Revision Act, 1937. Since the 1st January, 1923, the property additions and betterments less retirements have been shown at cost. The property additions from that date include construction expenditures on certain branch lines, the completion of which has been suspended for some years.

Investments in affiliated companies, as set out in Exhibit V, are represented in the main, apart from the Trans-Canada Air Lines, by a 50% or less capital stock ownership. The basis of the balance sheet figure is cost, or in certain instances special valuations approved by the Interstate Commerce Commission. There are two principal factors for consideration in this type of investment by the railroad industry generally, viz:—

- (1) The extent of traffic benefits derived by parent companies as a direct result of their investments, and
- (2) The fact that the affiliates have utilized the proceeds from the sale of their securities largely for investment in transportation properties and equipment. It is obvious therefore, that the future valuation trend affecting investments in affiliated companies will be dependent, basically, upon the future economic value of the properties and equipment of the railroad industry generally.

The insurance reserve, mainly covering fire risks, is invested principally in the securities of Dominion, provincial and municipal governments, and in the securities of companies within the National system.

In respect of accrued depreciation it should be noted that from the 1st January, 1940, depreciation accounting has been applied to rolling stock owned by all lines of the system and retirement accounting to fixed properties, and that prior to that date depreciation accounting was applied to rolling stock owned by United States lines and retirement accounting, on the basis of original cost, to other units of property on the system.

The accounts of the system are stated in Canadian currency—sterling and United States currencies being converted at the par of exchange.

A summary of Dominion Government—proprietor's equity at the 31st December, 1941, is set forth on the balance sheet and the transactions during the year 1941 affecting proprietor's equity are detailed in Exhibit II.

Major contingent liabilities, including pension plans, are dealt with in Exhibit VI. With reference to pension plans, we would point out that reserves are not set up in the balance sheet against pensions presently being paid or conditionally accruing under the 1935 contractual plan and prior non-contractual plans. Actual pension payments made at the expense of the railway are charged currently to operating expenses. In respect of the pension contracts already issued and in force under the 1935 contractual plan the railway has made a tentative estimate, which has been accepted by us, showing a capital amount approximating \$18,000,000. This capital estimate does not cover the pensions conditionally accruing under the 1935 contractual plan.

Consolidated Profit and Loss Account

The cash surplus for the year 1941, as shown in Exhibit III, is after making provision for the following:—

- (a) Interest on funded debt held by the public;
- (b) Interest on current loans from the government;
- (c) Amortization of discount on funded debt;
- (d) Depreciation on rolling stock, and
- (e) Fixed property retirements apart from capital losses charged to proprietor's equity.

Surplus working funds made available through charges for amortization, depreciation and fixed property retirements, included above, have been applied in reduction of the capital expenditure cash requirements from the government for the year 1941.

In the matter of current maintenance policy we have received certificates from the president to the effect that the properties and equipment of the National system have been maintained in a proper state of repair and in an efficient operating condition during the year 1941.

Canadian National Railways Securities Trust

The accounts of the National system comply with the provisions of The Canadian National Railways Capital Revision Act, 1937.

The Canadian National Railways Securities Trust, under authority of section 22 of the Capital Revision Act, has been treated as a constituent unit of the National system at the 31st December, 1941. There is, however, a provision in section 23 of the Act requiring presentation to parliament of a trustees' report and a separate balance sheet for the securities trust. The trustees' report sets forth in a summary manner the transactions of the securities trust during the year 1941. Our audit certificate is appended to the separate balance sheet.

General Scope of Audit

The general scope of the test audit which we have made of the National system for the year 1941 may be outlined briefly as follows:—

- (a) Examination of major expenditure authorities which were based principally upon recorded resolutions of the directors. These major expenditure authorities in turn have been established mainly by corporate by-laws of the Canadian National Railway Company, Acts of Parliament and orders in council.
- (b) Audit tests in the offices of regions, separately operated properties and system headquarters, covering a cross section of the major expenditures so authorized.

- (c) Examination into the adequacy of the internal audit control in general by the accounting staff of the system. In this connection we work in collaboration with the executive accounting officers at headquarters, having as a common objective the securing of maximum internal protection to the system in the control of cash receipts and expenditures, securities held, material stores, accounts receivable, etc., and
- (d) Audit and certification of the consolidated balance sheet, income and profit and loss accounts for presentation to parliament, which body is thus placed in possession of facts upon which conclusions can be reached as to the stewardship of the duly appointed administrators of the system.

The audit covered the various balance sheet accounting units in Canada, the United States and Great Britain with income and profit and loss accounts originating in the revenue offices, regions, separately operated properties and system headquarters applicable to some 96 companies comprising the National system as an operating entity.

A copy of our memorandum to the board of directors dealing with internal matters will be despatched to the Minister of Transport in due course.

We report to parliament that the National system accounts have been maintained, during the year 1941, in an efficient manner and generally in accordance with the accounting classifications in use by the class I railroads of the United States.

TRANS-CANADA AIR LINES

The Trans-Canada Air Lines have not been included as a constituent unit of the National system although 100 per cent stock ownership of the Air Lines is vested in the Canadian National Railway Company. A separate balance sheet and income account have been certified by us at the 31st December, 1941.

The insurance reserve, covering aircraft flying risks and employers' liability, is not specifically invested, the relative funds being included in the general working capital of the Air Lines.

The surplus for the year 1941, as shown by the income account of the Air Lines, is after making provision for:—

- (a) Interest at 5 per cent on the capital investment in accordance with the Trans-Canada contract, and
- (b) Depreciation on capital assets at rates similar to those used by other major air line companies in North America, in accordance with the Trans-Canada contract.

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

The accounts of the Canadian National (West Indies) Steamships, Limited, and subsidiary companies are not consolidated with those of the National system, the 100 per cent stock ownership of the parent steamship company being vested in the dominion. A separate consolidated balance sheet together with consolidated income and profit and loss accounts have been certified by us at the 31st December, 1941.

The SS "Lady Somers", which was requisitioned for war service in October, 1940, was reported lost in July, 1941, as a result of enemy action. Pending settlement by the government the capital value of this ship is shown separately on the consolidated balance sheet on the basis of original cost less accrued depreciation to the date of requisitioning.

The insurance reserve, covering marine and war risks, is invested principally in the securities of dominion, provincial and municipal governments. The SS "Lady Hawkins", reported lost as a result of enemy action in January, 1942, was insured in the insurance fund in the amount of \$1,500,000.

The surplus for the year 1941, as shown in the consolidated income account of the steamships, is after making provision for:—

- (a) Interest on funded debt held by the public;
- (b) Interest on loans from the government, and
- (c) Depreciation at 3% on the capital value of vessels. This rate, which has been in effect since the inception of the companies, is based upon an anticipated 25 year life and 25% salvage value.

In the matter of current maintenance policies we have received certificates from the responsible officers of the Trans-Canada Air Lines and the Canadian National (West Indies) Steamships, Limited, to the effect that the respective properties and equipment have been maintained in a proper state of repair and in an efficient operating condition during the year 1941.

In respect of both the Air lines and the steamships, the test audit which we have made for the year 1941 is similar in scope to that of the National system and may be outlined briefly as follows:—

- (a) Examination of major expenditure authorities, embracing mainly the recorded resolutions of the directors, corporate by-laws, acts of Parliament and Orders in Council;
- (b) Audit tests covering a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general by the accounting staffs of the companies covering cash receipts and expenditures, securities held, material stores, accounts receivable etc., and
- (d) Audit and certification of the balance sheets, income and profit and loss accounts for presentation to Parliament.

We report that the accounts of the Air lines and the steamships have been efficiently maintained during the year 1941.

Yours faithfully,

GEORGE A. TOUCHE & CO.

These exhibits which follow that, exhibits 1 to 6, are in effect confirmation of the relative schedules supporting the railways' printed accounts. That covers exhibits 1 to 6.

The CHAIRMAN: Do you wish to point out anything in regard to this?

Mr. MATTHEWS: No. Our report, as far as we are concerned, Doctor, contains anything we wish to say about it.

The CHAIRMAN: Does the committee wish to go over these sheets and discuss them, or is there any discussion in connection with the report? I remember your recommending, either last year or the year before a, shall I say, uniform system of accounting, Mr. Matthews.

Mr. MATTHEWS: Yes.

The CHAIRMAN: You recommended that the Canadian railways do it. Did anything come of that, to your knowledge?

Mr. MATTHEWS: We have not included it in our report this year, Mr. Chairman, for the first time, I think, since 1933. The reason is that whilst we have not changed any view we hold in the matter, we feel that the time just now is not opportune to further press that matter. There was, as Mr. Cooper told the committee the other day, considerable work done with a view to bringing about some uniformity of accounting between these two railways; but, unfortunately, conditions made that impracticable of accomplishment at that time. I think Mr. Cooper explained that to the committee.

Mr. McCULLOCH: I move that that report be adopted.

The CHAIRMAN: It is moved by Mr. McCulloch that the report of George A. Touche & Company, auditors for the Department of Transport, be adopted as read.

Mr. NICHOLSON: Before you put this motion, there is a question I wish to ask. There is an item of liabilities, long-term debt, \$1,000,000. What percentage of this amount is held in Great Britain?

Mr. MATTHEWS: I could not tell you that.

Mr. HAZEN: The railway had certain assets in France, did they, at the time the war broke out? What became of those?

Mr. MATTHEWS: I did not hear the question.

The CHAIRMAN: Did the company have assets in France at the time the war broke out?

Mr. MATTHEWS: Oh, yes.

Mr. HAZEN: What became of them? Were they written off?

Mr. MATTHEWS: No. That is the Hotel Scribe. No, they are not written off. They are carried in account 705, investment in miscellaneous physical property in the main. The matter is included in our comments to the board, but we do not feel at this stage that there is any finality to any adjustments that might be made, so that the amount is carried in the investment account pending final determination of its fate.

Mr. HAZEN: What value do you place on it?

Mr. MATTHEWS: The value is carried in the books at cost.

Mr. HAZEN: What is that?

Mr. MATTHEWS: How much?

Mr. HAZEN: Yes.

Mr. MATTHEWS: \$2,666,173 is carried in miscellaneous physical property and \$64,000 is carried in road and equipment property.

Mr. HAZEN: Was work stopped after the war commenced, on any branch line?

Mr. MATTHEWS: Stopped after the war commenced?

Mr. HAZEN: Yes. Were you building any branch lines or doing any other construction work?

Mr. MATTHEWS: I would refer that question to Mr. Vaughan.

The CHAIRMAN: Yes. That is not for the auditors.

Mr. VAUGHAN: Not since the war. We had practically no construction work under way of branch lines when war started, so there was nothing to stop.

The CHAIRMAN: Are you ready for the question?

Mr. GRAY: Question.

The CHAIRMAN: All in favour? Contrary? I declare the motion is carried.

The next item, I imagine, ought to be the Canadian National Railways' Securities Trust.

Mr. MAYBANK: Before you pass to another matter, may I say that in spite of our having adopted the report of the C.N.R., I presume that we are going to have a visit from the Department of Air and also a return by the Minister of Naval Affairs?

The CHAIRMAN: That was the understanding, but Mr. Powers is not available and Mr. Macdonald was not in the house or I would have advised him. I do not know where he is.

Mr. MAYBANK: He was going to get some information.

The CHAIRMAN: Yes, I know. He has it and expected to come in this afternoon, but he did not come in.

Mr. MAYBANK: I thought I would say now that I still think it is important to have a picture of the Department for Air and Naval Affairs. That does not mean that we have got to stop now, though.

The CHAIRMAN: You would still like Mr. Macdonald to come back. You think we should send out and look for him?

Mr. MAYBANK: I was not suggesting how it be done.

The CHAIRMAN: That is the only way it can be done.

Mr. MAYBANK: He ought to be here.

The CHAIRMAN: All right. Meanwhile shall we proceed with this Canadian National Railways' Securities Trust?

Mr. DONNELLY: Proceed.

The CHAIRMAN: Then I will call on Mr. F. M. Maclellan to present that report.

Mr. MACLENNAN:

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

OTTAWA, March 11, 1942.

The Honourable P. J. A. CARDIN, M.P.,
Minister of Transport,
OTTAWA.

SIR,—In conformity with Section 23 of The Canadian National Railways Capital Revision Act, 1937, the Trustees submit the following report of the transactions of The Canadian National Railways Securities Trust for the calendar year 1941.

The value of the Capital Stock of the Securities Trust has been increased during the year by \$1,576,413.70, this being the amount by which capital gain and surplus earnings of the Canadian National Railway System for the year 1941 exceeded the capital losses during the year.

The items of capital losses in respect of which His Majesty has not made cash reimbursement to the Railway are shown hereunder, together with the item of capital gain and the amount of surplus earnings of the Railway System:—

LINE AND PROPERTY ABANDONMENTS		
Parisville to Deschaillons.....	3.54 miles	\$ 61,234 71
Tweed to Yarker.....	33.94 "	607,145 87
Marmora Branch	6.19 "	76,534 35
Whitby to Port Perry.....	17.50 "	191,563 27
Niagara Falls City Lines.....	1.20 "	329,214 79
Clinton to Wingham Jet.....	22.93 "	430,773 37
Bay City Terminal Facilities.....	2.94 "	379,984 90
Red Deer Jet. to Red Deer.....	5.09 "	367,377 55
Fortierville to St. Gregoire.....		38,083 64
Quebec Central Railway—telegraph lines.....		57,274 76
Total		\$ 2,539,187 21
Capital gain on redemption of G.T.R. Perp. Debenture Stock...		99,274 17
Surplus earnings of the Canadian National Railway System for the year 1941.....		4,016,326 74
Net gain credited to Proprietor's Equity.....		\$ 1,576,413 70

With regard to the item of capital gain amounting to \$99,274.17, the Canadian National Railways, for the purpose of their 1940 accounts, estimated that £22,500,000 of Grand Trunk 4% Perpetual Debenture Stock would be finally surrendered under a Vesting Order, dated October 26, 1940, made by His Majesty's Treasury of the United Kingdom. Accordingly the relative capital gain of \$5,503,500 was dealt with in 1940 through Proprietor's Equity account. Particulars of this transaction are recorded in the report of the Securities Trust for 1940.

The amount of Debenture Stock redeemed under the United Kingdom Vesting Order to December 31, 1941, amounted to £22,760,000, resulting in a reduction in the outstanding debt of the Railway of \$5,567,096. A further amount of £139,890 was redeemed in 1941 under an offer, dated December 14, 1940, made to residents of Canada, which resulted in a reduction of \$35,678.17 in the Railway debt.

The reduction in the Railway debt as above, amounting to \$5,602,774.17, has been accounted for as a capital gain through Proprietor's Equity account—\$5,503,500 in the 1940 accounts and \$99,274.17 in the 1941 accounts.

There were no transactions during the year affecting the collateral securities held by the Securities Trust.

The Trustees present herewith the Balance Sheet of the Securities Trust as at December 31, 1941.

For the Trustees,

W. C. CLARK,
Chairman.

The next is the Balance Sheet of the Securities Trust as at December 31, 1941.

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

BALANCE SHEET AT 31ST DECEMBER, 1941

ASSETS	LIABILITIES
<i>Claims for Principal of Loans—</i>	<i>Capital Stock Owned by His Majesty—</i>
Canadian Northern Railway..... \$ 312,334,805 10	5,000,000 shares of no par value capital stock, having an initial stated value of \$ 270,037,437 88
Grand Trunk Railway..... 118,582,182 33	<i>Plus:</i> Cash Surplus of Canadian National Railway System:—Year 1941. 4,016,326 74
Grand Trunk Pacific Railway..... 116,006,599 08	<i>Less:</i> Capital net losses of the Canadian National Railway System subsequent to 1st January, 1937—not reimbursed by His Majesty:—
Canadian National Railway Company... 96,936,971 75	To 31st December, 1940 \$4,330,832 26
	Year 1941..... 2,439,913 04
	6,770,745 30
	\$ 267,283,019 32
<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>Collateral Securities—</i>	Amount by which the book value of claims and interest thereon—per contra—exceeds the book value of the capital stock as shown above..... 951,359,175 95
As per Schedule A.1.....	\$ 1,218,642,195 27
	\$ 1,218,642,195 27

T. H. COOPER,
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of The Canadian National Railways Securities Trust for the year ended the 31st December, 1941. There have been produced for our inspection the notes and other evidences of indebtedness, the collateral securities and the certificate of the special depository, as set out in Schedule A.1 attached hereto.

We certify that, in our opinion, the above balance sheet is properly drawn up so as to exhibit a true and correct view of the accounts of the trust as at the 31st December, 1941, in accordance with the provisions of The Canadian National Railways Capital Revision Act, 1937.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

10TH MARCH, 1942.

THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST
SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

SCHEDULE A.1

Loans Outstanding

** Notes and Collateral Held*

CANADIAN NORTHERN RAILWAY—				
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, 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
			4% Debenture Stock.....	1,975,866 00
*6% Equipment Loan, Chapter 38, 1918.....		56,926,000 82	3½% and 4½% Debenture Stocks.....	7,139,399 00
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.....	24,573,539 90
			{ Miscellaneous Bonds and Debentures.....	668,000 00
			{ Miscellaneous Bonds and Debentures.....	20,721,191 12
			Mortgage, dated November 16, 1917.....	
Total Canadian Northern.....	\$	312,334,805 10		
GRAND TRUNK RAILWAY—				
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
			4% G.T. Pacific Mortgage Bonds.....	10,000,000 00
6% Loan, Vote 137, 1922.....		23,288,747 15	6% Demand Note.....	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
			{ 4% G.T.P. Debentures.....	15,000,000 00
Temporary Loans, repaid through subsequent issues of guaranteed securities and loans.....			{ 4% Debenture Stock.....	60,801,700 00
			{ 6% 2nd Mortgage Equipment Bonds.....	1,693,113 33
Total Grand Trunk.....	\$	118,582,182 33		
GRAND TRUNK PACIFIC RAILWAY—				
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 Dominion.....		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
Total Grand Trunk Pacific.....	\$	116,006,599 08		

This is exactly the same as last year. There is no change in the schedule attached to this report from last year.

The CHAIRMAN: Then there is no need of reading it. You have heard the report; is there any discussion?

Mr. HAZEN: May I ask about the Niagara Falls city lines? It is described as 1.20 miles and valued at over \$329,000. What does that represent?

Mr. VAUGHAN: It is an electric line we had in Niagara Falls.

Mr. HAZEN: Is there anything beside the line? If that is only the line it seems a large amount for that small mileage.

Mr. VAUGHAN: There was some property there and the line, also a terminal station.

Mr. HANSON: Was there nothing realized on that? Was there nothing saved out of that when you abandoned it?

Mr. VAUGHAN: That is the net amount. There was some salvage. The salvage was \$291,886.51; leaving \$329,214.79.

The CHAIRMAN: Is there any further discussion; if not the motion to carry the report will be in order.

Mr. GRAY: I move the report be adopted.

Mr. McCULLOCH: I second it.

Motion agreed to.

The CHAIRMAN: We shall now start on the budget.

Mr. ARMSTRONG: This is the budget of the Canadian National Railway system for the year 1942.

CANADIAN NATIONAL RAILWAYS

(All-Inclusive System)

BUDGET FOR YEAR 1942

SUMMARY

	Reference Page	Amount	Total
Net Cash Surplus on Income Account:			
Canadian National Railways.....	2		\$ 5,000,000
Capital Expenditures	3	\$ 9,162,000	
Acquisition of Securities.....	4	3,403,000	
Retirement of Maturing Capital Obligations:			
Including Sinking Fund and Equipment			
Principal Payments	5	9,795,000	
Total Budget			\$22,360,000
Statutory Authorization:			
Trans-Canada Air Lines:			
Chapter 43, Statutes of Canada, 1937	4		\$ 1,250,000
Montreal, April 24, 1942.			

CANADIAN NATIONAL RAILWAYS

(All-Inclusive System)

BUDGET FOR YEAR 1942

Net Cash Surplus on Income Account—

	Amount
Operating Revenues, excluding 20 per cent Contribution, M.F.R. Act.....	\$ 348,090,000
Contribution from Government under M.F.R. Act (20 per cent).....	3,510,000
Government Share of Operating Account, P.E.I. Car Ferry and Terminals....	400,000
Total Operating Revenues.....	352,000,000
Operating Expenses	281,000,000
Net Revenue from Railway Operation.....	71,000,000
Other Income and Profit and Loss Requirements.....	14,108,000
Net Available for Interest.....	56,892,000

Interest Charges:—	
Interest due Public on Long Term Debt.....	43,855,000
Interest on Dominion Government Loans for Capital and Refunding.....	8,037,000
	51,892,000
Total Interest Charges.....	
Estimated Net Cash Surplus on Income Account.....	5,000,000

Mr. MAYBANK: Before you get into a split-up of the estimated capital expenditure I should like a little more explanation of this \$14 million item, "Other income and profit and loss requirements." How is that made up?

Mr. ARMSTRONG: That is made up of a considerable number of accounts, including taxes, rent from equipment, rent for equipment, income from lease of road, income from funded securities, miscellaneous income, miscellaneous rents, results of separately operated properties—

Mr. MAYBANK: Quite a conglomeration ending finally in \$14 million.

Mr. ARMSTRONG: That is correct; it is the net debit figure of a large number of credits and debits.

Mr. MAYBANK: All right.

Mr. ARMSTRONG: The total of general additions and betterments is \$16,210,000.

CANADIAN NATIONAL RAILWAYS

BUDGET FOR YEAR 1942

ESTIMATED CAPITAL EXPENDITURES

General Additions and Betterments, less Retirements—

Atlantic Region	\$1,605,887
Central Region	4,716,179
Western Region	2,509,062
Grand Trunk Western Railroad Company.....	812,924
Central Vermont Railway, Inc.	110,867
Hotels	83,652
Montreal Terminals Development	1,900,000
Prince Edward Island Car Ferry and Terminals	160,500
Subsidiary Companies	75,410
General, including additions and betterments to equipment.....	4,235,519
	\$16,210,000

The CHAIRMAN: You jumped very rapidly through that list, Mr. Armstrong. I had an idea the committee might wish to interrogate you on general conditions and betterments because these are rather important matters, I should say.

Mr. McCULLOCH: I notice here an item, "Atlantic region, \$1,605,887." What is intended to be done on that division?

Mr. ARMSTRONG: There is a large number of items included in that, Mr. McCulloch. We might give you—

Mr. McCULLOCH: Just the principal ones.

Mr. ARMSTRONG: I would say rail, track fastenings and ballast make up a large amount, siding extensions and—

Mr. McCULLOCH: That is all right.

Mr. ARMSTRONG: Many items of improvements.

Mr. McCULLOCH: I see an item then, "Prince Edward Island Car Ferry and Terminals, \$160,500."

Mr. ARMSTRONG: That is principally the changing over from coal to oil.

Mr. McCULLOCH: That is a bad idea.

Mr. VAUGHAN: There are other items there as well. They are putting housing and cabin accommodation on the top deck, and generally fixing up the old ferry boat that takes the place of the *Charlottetown* that was.

Mr. EMMERSON: Would that come in in 1942? Was not that in last year, that change over from coal to oil?

Mr. VAUGHAN: It was just started the end of last year; practically all the accounts will come in in 1942.

The CHAIRMAN: The item with regard to the Montreal terminals development, \$1,900,000, I suppose that item will clean that matter up pretty well?

Mr. VAUGHAN: That is the balance of the capital account we expect to have to expend.

Mr. HANSON: Does that item for hotels cover deficits?

Mr. VAUGHAN: No; they will be capital expenditures of one kind and another. It is a multitude of small items for various hotels.

Mr. McCULLOCH: Do you intend to purchase 4,000 box cars?

Mr. VAUGHAN: Yes, sir.

Mr. McCULLOCH: I suppose a good many of those are on order now?

Mr. VAUGHAN: Yes, they are; we have committed ourselves for practically all of those cars.

Mr. McCULLOCH: Nine hundred and fifty, I think, for the Eastern Car?

Mr. VAUGHAN: The Eastern Car Company will get 900 of the box cars and 250 of the hopper cars, or a total of 1,150.

Mr. McCULLOCH: Roughly, what would that amount to in dollars and cents?

Mr. VAUGHAN: I think we have that here. I will look it up for you.

Mr. NICHOLSON: Have these 81 second-hand all-steel passenger cars been delivered?

Mr. VAUGHAN: No, they have not all been delivered; some of them have been delivered and the balance will be delivered very shortly.

Mr. MAYBANK: How near is the \$1,900,000 for Montreal terminals coming to finality in the expenditures there?

Mr. VAUGHAN: We expect that to be the final capital amount required to finish the terminal.

Mr. MAYBANK: You will be in there soon?

Mr. VAUGHAN: We expect to be in late in the fall.

Mr. NICHOLSON: All of the necessary materials are available, are they?

Mr. VAUGHAN: Yes, sir.

Mr. DONNELLY: What do you mean by these second-hand cars?

Mr. VAUGHAN: Those second-hand cars were purchased from the Pullman Company, Chicago, and we bought them at a very reasonable figure.

Mr. HANSON: With respect to betterment for western lines; is there any item there for the Jasper-Prince Rupert branch, the northern line?

Mr. VAUGHAN: I think there are some small items. There is a contingent fund of a quarter of a million dollars for the work on that line.

Mr. McCULLOCH: What is the value of these cars?

Mr. VAUGHAN: It would be approximately \$5,000,000.

Mr. BRADETTE: What would be the estimated cost of these locomotives?

Mr. VAUGHAN: In the neighbourhood of \$165,000 each.

Mr. BRADETTE: And the box cars, how much would they cost?

Mr. VAUGHAN: They would cost in the neighbourhood of \$3,800 each, or thereabouts.

Mr. SANDERSON: Are they made in Canada?

Mr. VAUGHAN: The box cars are made entirely in Canada.

Mr. NICHOLSON: You are using a number of oil electric locomotives on some parts of the system. I understand they are quite economical. Would it be possible to increase the number of them to provide better accommodation on lines where bus traffic is now being used?

Mr. VAUGHAN: I do not think it would be possible to get any more at the present time. Diesel engines are very difficult to obtain at the present time. But I would not be surprised after the war if we were to find it economical to acquire a number of them.

Mr. NICHOLSON: Have they been operating much?

Mr. VAUGHAN: Yes, they have.

The CHAIRMAN: Proceed, Mr. Armstrong.

Mr. ARMSTRONG: Page 3 continues:

Equipment Purchases—100% of Cost

Canadian National Railways—

81 Second-hand all-steel passenger carrying cars (to be converted into colonist cars and first-class non air-conditioned coaches).

Grand Trunk Western Railroad Company—

200 Box Cars

Total estimated cost, including Sales Tax, Inspection Charges and Cost of Conversion.....	\$	3,208,000
Purchase of Equipment under Hire-Purchase Agreement with the Dominion Government. Repayment for this equipment is expected to be spread over a period of years commencing in 1943. No cash required in 1942:—		

Canadian National Railways—

25 Northern type locomotives
4,000 Box Cars
100 Overhead Refrigerator Cars
250 70-ton Triple Hopper Bottom Cars
10 Baggage Cars

Total estimated Cost, including Sales Tax and Inspection Charges, \$25,168,000.		
Equipment Retirements		2,056,000
Available from Reserves for Depreciation and Debt Discount Amortization		8,200,000
	\$	<u>9,162,000</u>

Mr. EMMERSON: What is that northern type of locomotive?

Mr. WATSON: The Northern type practically duplicates the engines numbered in the 6100 series.

Mr. McCULLOCH: What is the value of those engines?

Mr. VAUGHAN: As I said a little while ago, Mr. McCulloch, we will not know the final cost until they are finished; but the contract price is approximately \$163,000.

Mr. DONNELLY: Is this about the usual amount for annual new equipment?

Mr. VAUGHAN: No, this is more than usual. We have not purchased equipment in any quantity for some time. We did buy some last year.

Mr. DONNELLY: What has been the average?

Mr. VAUGHAN: Some years we have not purchased any at all, particularly during the years of the depression. As a matter of fact even with this new equipment we will have less equipment than we had in use in 1928, the last peak year; and we are handling considerably more business now than we did then. In the meantime there have been a good many cars destroyed and retired, so that we have many less locomotives and cars than we had in 1928.

The CHAIRMAN: All right, let us proceed.

Mr. ARMSTRONG: Page 4 shows the acquisition of securities for 1942:

ACQUISITION OF SECURITIES

Toronto Terminals Railway Company—

Joint with the Canadian Pacific Railway Company Provision for Canadian National Railways' Proportion of Capital Expenditures of the Toronto Terminals Railway Company, which may be required in 1942.....	\$ 100,000
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Mr. DONNELLY: Do you pay that much in each year?

Mr. ARMSTRONG: Not necessarily.

Northern Alberta Railways Company—

Joint with the Canadian Pacific Railway Company Provision for Canadian National Railways' Proportion of Capital Expenditures of the Northern Alberta Railways Company, which may be required in 1942	\$ 200,000
Requirement for redemption of 4% Debenture Stock of Edmonton, Dunvegan and British Columbia Railway, due February 16, 1942, Total, \$6,429,451. C.N.R. Proportion 50%.....	3,214,726
Total C.N.R. Proportion.....	\$ 3,414,726 (say) \$ 3,415,000

Chicago and Western Indiana Railroad Company—

Advance to be made to the Chicago and Western Indiana Railroad Company, under terms of Fourth Supplemental Indenture dated as of March 1, 1936, between that Company and the Bankers Trust Company	138,000
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Detroit and Toledo Shore Line Railroad—

Reduction in Ledger Value of Capital Stock, by appli- cation of amount of special dividends to be re- ceived during 1942.....	250,000
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Grand Total	\$ 3,403,000
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Statutory authorizations—

Trans-Canada Air Lines

Provision for contribution by Canadian National
Railways towards purchase of balance of Capital
Stock of Trans-Canada Air Lines, authorized under

Chapter 43, Statutes of Canada 1937:—

Total Capital Stock Authorized.....	\$ 5,000,000
Amount already acquired.....	3,750,000
Balance	\$ 1,250,000

Page 5 shows the retirement of maturing capital obligations, sinking fund and equipment principal payments, as follows:

Due date 1942	Issue	
April 16—	Payment under Hire-Purchase Agreement, 1938.....	\$ 517,173 07
April 18—	Payment under Hire-Purchase Agreement, 1939.....	991,968 32
May 1—	Canadian National Railway Company 4½% Equipment Trust Series "J" Certificates	1,000,000 00
May 1—	Canadian National Railway Company 5% Equipment Trust Series "K" Certificates	1,200,000 00
June 1—	Canadian National Railway Company 4½% Equipment Trust Series "L" Certificates	1,050,000 00
June 1—	Grand Trunk Western Railroad Equipment Trust, 1941.....	285,000 00
July 1—	Canadian National Railway Company 2% 1927 Guaranteed Debenture Stock	1,008,210 40
July 1—	Canadian National Railway Company 2½% Equipment Trust Series "Q" Certificates	650,000 00
July 1—	Wellington, Grey and Bruce Railway Company 7% Bonds.....	6,813 33
August 1—	Canadian National Railway Company 2½% Equipment Trust Series "O" Certificates	1,430,000 00
September 15—	Canadian National Railway Company 2¾% Equipment Trust Series "P" 1938	500,000 00
October 1—	St. John and Quebec Railway Company 4% Stock	27,279 77
December 1—	Grand Trunk Western Railroad Equipment Trust, 1941.....	285,000 00
December 14—	Grand Trunk Western Railroad Equipment Trust, 1929.....	283,000 00
December 14—	Central Vermont Railway, Inc., Equipment Trust, 1929.....	124,000 00
December 31—	Indebtedness to State of Michigan <i>re</i> Woodward Avenue.....	430,000 00
1943		
January 1—	Wellington, Grey and Bruce Railway Company 7% Bonds.....	6,813 33
	Grand total	\$9,795,258 22
		(Say) \$9,795,000 00

NOTE.—There has not been included in the above statement the semi-annual Sinking Fund Payments of \$250,000 each, due July 1, 1942, and January 1, 1943, for Canadian Northern Railway Company 6½% Sinking Fund Bonds, as these amounts, in the judgment of the Management, will not be required owing to the improbability of our being able to use same in accordance with the terms of the Trust Agreement.

Mr. GRAY: How long do you go on paying the Wellington, Grey and Bruce Railway Company 7 per cent bonds?

Mr. COOPER: Those bonds come under the present vesting orders, and in all probability they will be cleared up this year.

Mr. DONNELLY: Good.

Mr. NICHOLSON: How long have we been paying this 7 per cent?

Mr. COOPER: Not less than 60 years.

Mr. VAUGHAN: Too long to remember.

The CHAIRMAN: All right, next.

Mr. ARMSTRONG: That is the end of the budget.

The CHAIRMAN: That is the end of your budget, all right; well then, have you any discussion? If not, let us adopt this budget and get going.

On motion by Mr. Donnelly, seconded by Mr. Sanderson, the budget was adopted.

The CHAIRMAN: Now, the Hon. Mr. Macdonald is with us in connection with some testimony that the committee wished him to give. Are you ready for him to make his statement?

Mr. GRAY: Might I just interrupt one second before Mr. Macdonald starts in? We have already passed the items of the estimates Nos. 400, 401, 410 and 411. I believe you require a separate motion in order to report these items to the house, and I would so move; that the committee report the estimates that I have enumerated to the house as passed by this committee.

Motion agreed to.

Hon. Mr. MACDONALD: Last evening, gentlemen, certain questions were put at the end of my statement. As I have noted them down the first was whether the Canadian National Railway had to reimburse or recoup the C.P.R. with respect to certain fares collected at Halifax. I think the railways promised to answer that. It is not a matter within my knowledge.

The second point was as to whether the naval regulation which I read last night, regulation No. 281, stating that either Canadian National or Canadian Pacific Railway should be used according to the convenience and best interests of the services; whether that regulation conflicted in any way with the order made by the Naval Secretary, Captain Cosette. I have a note on that here. It is to the effect that it was not intended by Captain Cosette that his order should in any way do so, and that is all he could do, he could not actually over-ride Naval Regulations; but that his object was to clarify as far as possible the situation; and this order or instruction was based on the finding of a conference attended by representatives of the railways in the persons of Mr. Sauve for the Canadian Pacific and Mr. Basil Humphrey for the Canadian National, and Captain Brock representing the Department of Naval Service. The result of that conference, so I am informed by Captain Brock, was a recommendation to the effect that the division suggested in Captain Cosette's order should be put into effect; namely, that transportation west of Montreal with the exception of transportation to and from Edmonton and Saskatoon should be over the Canadian Pacific, and transportation east of Montreal should be by Canadian National. The results of that operation in so far as that appeared last year I gave to you last night, and I think I told you that the Canadian National in the transportation of freight and express has received from us \$1,247,000 in round figures and the Canadian Pacific \$557,000.

Another question was as to whether the routing of freight by the Department of Naval Services was done in the same way as passenger traffic. I am informed by Mr. Coulter, head of the freight department of the Navy, that he applies regulation 281 in this way: He says that the idea is to get the freight moved as quickly as possible and that he does not care over which railway it flows.

A third question was as to whether men on leave were free to go on any railway they might choose. The answer to that is yes, as was intimated last night. Men on leave can select any railway they wish to go on and so can men travelling individually. The regulations to which reference has been made applied to men moving in drafts, fairly large bodies of men moving from one coach to the other in drafts.

Mr. DONNELLY: With regard to the men on leave you say they are allowed to go whichever way they like when they are paying their own expenses or in all cases whether the government pays the expenses or not?

Hon. Mr. MACDONALD: In all cases men on leave select their own route. The regulations refer to drafts of men, considerable bodies of men.

The CHAIRMAN: You said that when individuals were travelling they also could choose their own way of travel.

Hon. Mr. MACDONALD: Yes, they can choose their own way.

Mr. NICHOLSON: I asked another question: if consideration could be given to withdrawing the orders by Captain Cosette, and having this order as the only one that would be given.

Hon. Mr. MACDONALD: Consideration could be given to that. The only trouble there is that the representatives of the railways have agreed to it and presumably it is satisfactory to the railroads, and I do not know whether we would want to go into the matter unless the railroads took some objection now and asked us to go into it again. As far as I know there has been no great complaint from the Naval Service at any rate to the manner in which the order or regulation operates. Some mention was made of the problem at Montreal of moving men from one station to another, but very often the drafts

in Montreal move around the city a good deal and they apparently do not regard it as any great hardship if they have to move from Windsor station to Bonaventure station to take another train. That is the information I was able to gather to date. I do not know what the view of the committee is, Mr. Chairman, as to repealing that arrangement which has been made. In the absence of some proof that it is unsatisfactory to both railroads I think it would, perhaps, be unwise to disturb it.

Mr. NICHOLSON: My understanding from the railway officials last night was that this arrangement was not very satisfactory, according to the C.N.R.

Mr. VAUGHAN: I think we were under a misapprehension yesterday when Mr. Macdonald was mentioning this matter as to what this order covered. I think there was some agreement between the railways and the Naval Department. I believe Mr. Fraser has our file and can speak about that situation. If there is an order out in respect to the routing of freight which says that whichever road can give the best service will be used, I do not believe there is any doubt but that 90 per cent of the business would go via the C.N.R. under those conditions.

Hon. Mr. MACDONALD: You are doing very well on the freight.

Mr. MAYBANK: Let us ask Mr. Fraser to enlarge on that if he can. Mr. Vaughan says that the man best qualified on the C.N.R. to answer that is Mr. Fraser; let us see if he has anything to add.

The CHAIRMAN: Do you wish to hear from Mr. Fraser?

Mr. MAYBANK: If he can add anything to that statement.

Mr. FRASER: Mr. Chairman, I left the impression last night quite unwittingly that there was no agreement as far as I knew, and that was correct, but I have made inquiries and I find that this is the situation: Captain Brock sent for representatives of the Canadian National and the Canadian Pacific and took them into conference and my information is—and I think it is correct—that he told the representatives that it was his duty to arrange the best division of this business he could equally between the two railroads. He gave some reasons why.

Mr. HAZEN: Were you there?

Mr. FRASER: I was not.

Mr. HAZEN: Then this is hearsay.

Mr. FRASER: I have said so. I have said I was informed. It is not a matter of great moment to me whether I tell what was said or not; if you wish to know I shall be glad to give the information. I am told that was the situation, that they were told the business was to be divided equally or as nearly equal as possible between the two railroads, and Captain Brock proposed what was in effect adopted as being the method that would suit his purposes the best, and on that understanding we accepted it. Now, I do not know that there is any great quarrel with that. Frankly, I think Captain Brock made a pretty fair point. One of his main difficulties as reported to me was this—again this is hearsay—that there are concentrations of the R.C.N.V.R. boys at various places and they move fairly regularly month by month from the territory west of Montreal and as a whole, but particularly in western territory the largest concentrations were at places like Calgary on the C.P.R. In any event, it was very advantageous to his department to move those boys by one line and not have one small party on one line and another small party on another line, because those parties are conducted and if part of the movement was on one line and part on another it would mean there would have to be a conducting officer on each train which would be additional expense. So under those circumstances we thought the best provision we could make was to take the business east of Montreal, having in mind that the business in the territory from Toronto

to Montreal is pooled anyway. That is how the agreement was made. The only point I am making and the only point I have tried to make before the committee is that Captain Brock felt that his instructions were such that he should reach as nearly as possible an equal division of the business between the two lines. Now, I am not complaining about that particular order at the moment. If we do complain about it, I agree with the minister that we will take it up with the proper authority. That is the situation.

If you will bear with me for one moment I would like to say this also to prevent any possible misapprehension of my position or the position of the railways: in anything I have said I am not offering the slightest criticism of any department or any officer concerning the division of the traffic; I am only offering a criticism of the conditions under which he sometimes has to work with the instructions he has.

Mr. McCULLOCH: Why make the distribution equal when there are so many more miles of C.N.R. track and so many more men working on the C.N.R.? Should it not be on a 60-40 basis?

Mr. FRASER: I do not know whether I made myself clear. The reason the department gave was that it was a great advantage to them to deal with one railway for as long a distance as they could, picking people up here and there, and probably by the time an eastbound train got to Montreal there would be quite a substantial crowd. They could gather these men all the way along the line and have them on one train all the way through and have only one conducting officer, and the larger proportion of the men who are so moving are moving from points closer to the Canadian Pacific than the Canadian National. That is the case, and at the moment I am not prepared to quarrel with it.

Mr. NICHOLSON: I understood the ministers who were here yesterday indicated that they would give favourable consideration to recommending to council that any orders that had been given suggesting that traffic should be divided on a 50-50 basis might be withdrawn, and I think the minister might give further consideration to having the order in the blue book as the only order that will be issued for his department. I mentioned last night that I had met a number of naval officers travelling across the country as I travelled back and forth to Ottawa, and some of those men are loyal to the Canadian National Railways, and I have met them on the C.P.R. trains because I travel by the most convenient trains always, and they have asked why it is necessary for them to transfer their baggage at Montreal while travelling from Halifax to Winnipeg. It seems to me that in a movement from Halifax to Winnipeg the most sensible way to go would be to go by C.N.R., and if the naval authorities were instructed to move their men as quickly and as economically as possible that would be a fairly satisfactory way to do it and not have them bound to travel C.N.R. to Montreal and C.P.R. from Montreal to Winnipeg.

The CHAIRMAN: That is a matter which should come into the deliberations of this committee. Are we through with the witness?

Mr. NICHOLSON: I think the witnesses gave us some statement of their policy yesterday.

The CHAIRMAN: You could hardly expect a witness to give us any undertaking in this committee tonight.

Hon. Mr. MACDONALD: Are the men to whom you refer travelling by themselves or are they men in charge of drafts?

Mr. NICHOLSON: Men travelling by themselves.

Hon. Mr. MACDONALD: I think it is quite all right for them to go the other way. A man gets a simple warrant and he can travel any way he likes; the regulations apply only to drafts.

Mr. NICHOLSON: How about an officer travelling?

Hon. Mr. MACDONALD: He is given a general railway warrant which is good anywhere and he can select his own route to travel as I understand.

Mr. EMMERSON: Does not that warrant give a routing and is it not addressed to a certain form of transportation?

Hon. Mr. MACDONALD: I do not think so. I think they are given a general warrant and the man inserts in there the road which he is travelling over. Perhaps Mr. Fraser would tell you about that.

Mr. FRASER: I think the situation is this: any man travelling on leave or on furlough chooses any road he likes, but the department does reserve the right to route an officer or an individual, if they think fit, who is travelling on duty on a warrant issued. I think they reserve that right. Now, in practice the Department might leave it to the man, but it is understood that where there is a controlled movement the Department may and usually does issue the warrant to a named railway; but in any case where the man is paying for himself I understand he is free to do as he likes.

Mr. LOCKHART: I would like to ask the minister what would be the average number of men by and large included in movements or in groups from Halifax-west—would it be 50 or 100 approximately?

Hon. Mr. MACDONALD: You mean in a year?

Mr. LOCKHART: No; do they travel in groups of 50 or in groups of 100?

Hon. Mr. MACDONALD: Oh, it would vary. Some groups contain 500 and some 100. It would be difficult to say definitely without looking into the matter.

Mr. LOCKHART: Let us say the number would be 100, Mr. Chairman. What would be the amount of baggage that 100 men would carry in a movement of that kind?

Hon. Mr. MACDONALD: They carry their kit, their bag which they string on their shoulders.

Mr. LOCKHART: Reference has been to the transfer of baggage; does that baggage just include a kitbag?

Hon. Mr. MACDONALD: Yes, he will carry it over his arm or on his shoulder.

Mr. NICHOLSON: How about an officer being transferred from Halifax to Vancouver; is he not allowed to check his stuff?

Mr. EMMERSON: An officer does not carry his bag, he is not permitted to, is he?

Hon. Mr. MACDONALD: He would not carry a kitbag, no.

Mr. NICHOLSON: Is an officer travelling from Halifax to Vancouver not allowed to check his personal belongings?

Hon. Mr. MACDONALD: An officer? Yes.

Mr. NICHOLSON: Or ratings?

Hon. Mr. MACDONALD: Well, I suppose if there is nothing against it, he can check it in the baggage car. But they always have their kits with them. I have never seen them travel without their kits under their arms. It is a small bag something like the soldier's bag.

Mr. NICHOLSON: Yes, I am familiar with it. Those are the men who complain in the smoking cars and ask me why it is necessary for them to go by this route.

Hon. Mr. MACDONALD: You mean the ordinary men—the ratings?

Mr. NICHOLSON: Yes.

Hon. Mr. MACDONALD: Well, I do not know. I would say if that is the greatest hardship that has to be endured in the lives of sailors, they will be all right.

Mr. NICHOLSON: It is not a question of hardship. But we are discussing the distribution of traffic.

Hon. Mr. MACDONALD: Do you object to the present distribution from the point of view of the C.N.R.? It seems to me to be quite generous to the C.N.R., but if you want to have the thing opened up, I am quite willing to open it up. The proportion is more than two to one under the present arrangement, but if the committee wants to go into it and make it 60-40, I am prepared to consider that.

Mr. MAYBANK: I think the point of the C.N.R.—with which I am personally in agreement—is not 60-40 or 65-35. It is just to take off the restriction altogether and let the traffic move under that rule which you read first. That is a very fair statement of the position generally—not necessarily for naval matters only, but for everything else.

Hon. Mr. MACDONALD: That it move over the road that serves the navy best?

Mr. MAYBANK: Correct—whichever gives the best service. If the C.N.R. lose by that, it is because they do not give such good service, and vice versa.

Hon. Mr. MACDONALD: It could be done, yes.

Mr. MAYBANK: I mean, there cannot be any objection from the naval point of view to that, can there—route the traffic the way it suits you best?

Hon. Mr. MACDONALD: Quite right. I think that we would prefer, however, to have the thing separate. I think that is the whole purpose behind this order. That is, you make a decision that all traffic, say, moving from Winnipeg or Calgary to the coast will go C.P.R. They get accustomed to that route and so on. They prefer to move men over it. That is probably what lay behind the order in the first place. But we can strike out the consent order very easily and say “just follow the regulations.” Probably the result would be just about the same. They will probably follow this practice anyhow, the practice now existing.

Mr. MAYBANK: Captain Brock set out with the idea in his mind that they have got to make a 50-50 division, that the C.P.R. has to make 50 per cent. That was evidently in Captain Brock's mind.

Hon. Mr. MACDONALD: If he did so, it has not worked out that way.

Mr. MAYBANK: I think there is not any evidence very much one way or the other on that, Mr. Macdonald. Your figure of a million odd and \$500,000 only means that is where the money landed in the first place. It does not mean that is where it stays.

Hon. Mr. MACDONALD: I thought the railways were going to break that down.

Mr. MAYBANK: They were to do so, but at any rate we have not any information yet.

Mr. VAUGHAN: That will take some time. It will be a big job.

Mr. MAYBANK: That is what I thought last night, that you could not break that down.

The CHAIRMAN: Gentlemen, I am inclined to think that this discussion is a little out of order. We brought Mr. Macdonald here to give us certain testimony and he has given it. It is now for us to deliberate on what we have.

Mr. SHAW: Mr. Chairman, I believe I was the one to introduce the question yesterday of men on leave being free to choose whatever routes they wished. When the minister answered the question first this evening, I felt that he was quite positive that they were free. But later on he more or less modified his language and used the term, “I believe”. Then Mr. Fraser used the expression, “I think”, which leaves me more or less unanswered yet. I should like to know definitely whether they are free to travel whichever way they desire or travel part way on one line of rail and part way on another?

Hon. Mr. MACDONALD: I think Mr. Fraser's statement—although he can speak for himself—was that with regard to men on duty, the service reserved the right—and naturally it would reserve the right—to say to the man, "You are going on leave and you are going C.N. or C.P." They reserve that right.

Mr. SHAW: That is quite understandable, yes.

Hon. Mr. MACDONALD: But I do not think that either of us said that, as to men on leave, there was any such reservation on routing at all. I think we said that men on leave are perfectly free, because they are contributing part of the cost of that transportation and have consequently the right to select their own railroad of travel. But I shall be quite glad, Mr. Chairman, if the Committee has any recommendations to make whatever on this point, to fully consider them and act on them if they can at all be worked out.

The CHAIRMAN: Gentlemen, I imagine that you are through with this inquiry. I do not know that we need to delay Mr. Macdonald any longer. I must advise the committee, or remind them, that we have to meet again tomorrow because we have indicated to someone who has telegraphed from the west that we would do so.

Mr. McCULLOCH: Tomorrow morning or tomorrow afternoon?

After discussion, the committee adjourned at 9.55 p.m. to meet again on May 6, at 10.00 a.m.

ADDENDUM

Report of the debate held on 4th May, 1942, before the Standing Committee on Railways and Shipping owned, operated and controlled by the government on the following motions of Mr. Shaw, a member of the said Committee:

- (1) That the members of the Board of Transport Commissioners who sat on the Board at the hearing of the case of the abandonment of 53·4 miles between Forth (near Red Deer) and Ullin, Alberta, and whose decision had been rendered in recent days, both assenting and dissenting members, be called to appear before the Committee on Railways and Shipping, in order to question them in connection with that decision.
- (2) That the C.N.R. members of the Joint Committee of the Canadian National Railway System and the Canadian Pacific Railway System, who had occupied on behalf of the Joint Committee before the Board of Transport Commissioners, be called before the Committee for examination.

The CHAIRMAN: Now, I think we had better clear up this matter which was raised by Mr. Shaw.

Mr. SHAW: Mr. Chairman, when we were discussing this matter before I asked if any of the C.N.R. members of the Joint Cooperative Committee who made application or who with similar officials of the C.P.R. made joint application are here today.

Mr. VAUGHAN: None of them is here.

Mr. SHAW: The matter I have in mind, Mr. Chairman, as I pointed out last Friday, came as a consequence of a notation on page 7 that "during the year application was made to the board jointly by the Canadian National and Canadian Pacific for permission to abandon 6·5 miles of the Canadian National and 53·4 of the Canadian Pacific between Forth, near Red Deer, and Ullin, Alberta; and decision is pending." I pointed out on Friday that a judgment had been rendered. Of the three members, two upheld the application, and

the third, Mr. Cross, the Chief Commissioner, voted against the application for right to abandon. Now, the first matter I should like to bring to the attention of the Committee is this: In the minority reports for judgment handed down by Mr. Cross he states this, on page 26: "Since the amendment was made to the Railway Act in 1933, chapter 47, by inserting section 165(a) a considerable number of applications has been considered by the board. In the consideration of such applications the board has laid down as a guiding principle that the issue in each case where abandonment is sought resolves itself into a question of whether the loss and inconvenience to the public consequent upon the abandonment outweigh the burden that continued operation of the railway line involved would impose upon the railway company."

Then he makes reference to a case. "Canadian National Railways vs. Tweed, 1935," and one or two other references. Now, he goes on: "In most of the applications for abandonment which have come before the board the loss sustained by the railway company arising from the operation of a particular line of railway has been manifest and in some cases quite serious." Now, this is significant. "In the present case it has not been shown or even suggested that the National company line is operating at a loss. The applicants did not choose to offer any evidence in regard thereto. The Pacific company's branch line for the three years for which figures were given shows an average yearly operating profit of \$71,000. The ground on which the application is based is that the proposed abandonments constitute part of the co-operative measure already referred to which the two companies propose to enter into with a view of effecting economies as directed under section 16 of the Canadian National-Canadian Pacific Act."

Now, the second point there, Mr. Chairman, is this, that apparently—I may be wrong—but apparently on the operation of those two lines of railway which had operated over twenty-five years no losses were sustained on the system. The C.N.R. offered no evidence in that regard and the C.P.R. admitted a profit, an average yearly profit of \$71,000. Now, as I pointed out on Friday, and as I would like to point out again, the right to abandon the line of rail, or at least part of the one line and part of the other, places upon the people of the communities affected, including the farmers and business people who operate businesses in those towns, in my humble judgment, a burden which far offsets the meagre estimated \$58,000 which is estimated to be the joint saving of the two roads by the abandonment. Now, when this line of rail is abandoned some of our towns, one at least, is going to be nine miles further from the new line of rail than it is at the present time, another will be $7\frac{1}{2}$ miles further, another will be $2\frac{1}{2}$ miles, another will be 7 miles, another will be $6\frac{1}{2}$ miles and another will be $6\frac{1}{2}$ miles. May I say this at the start: It is a well known fact that when the Canadian Pacific Railway contemplated the building of a line into that country—and I am not aiming to justify their action in running a race with the other company—they were subsidized by being given tracts of land which they sold to farmers with the understanding that that line of rail would operate.

The land values were necessarily placed higher as a consequence of the fact that a railway was promised to those who went in between 1901 and 1906. It was promised it would continue to those who purchased land up to as late as 1941. Now those farmers who purchased land since 1934 in there were not told by the Canadian Pacific or the Canadian National that they contemplated taking that line up if they got permission, and they contemplated it ever since 1934. Another thing, the Alberta—

The CHAIRMAN: Just a moment, Mr. Shaw. You are offering this in support of your motion; is that the idea?

Mr. SHAW: Right.

Mr. DONNELLY: We are not here to listen to argument.

The CHAIRMAN: No, but we have a motion before this committee and I suppose he is speaking to the motion. That is the only reason I can see for this argument.

Mr. DONNELLY: I appreciate that, but I do not see—

The CHAIRMAN: I do not believe it is necessary; however, we have a motion before the committee which was allowed to stand over, and the motion will be put. I believe the debate he is offering is in support of the motion.

Mr. SHAW: Thank you, Mr. Chairman. I just pointed out between 1934 and 1941 land was sold to those farmers in that area without any indication being given to these farmers that the railroad contemplated abandoning the line if it could secure permission; and I say it was contemplated ever since 1934.

Now, here is another thing. In 1937 the Alberta Pool Elevators built an elevator. I believe it was at Condor—I am not just sure of that—at a cost of \$15,000. They were not told that the railroad companies contemplated abandonment. I say in both these cases they broke faith with the people of those communities. I should like to give one more reference, Mr. Chairman, to the acreages sold by the railroads to these farmers. There were 128,581 acres of land that can be cultivated, and approximately 9,323 acres of bush land. Not only did they sell land to the farmer, but they also sold town lots to people who built homes there and in many cases established businesses, all with the firm belief that the railroads would continue to function.

It is an important fact that the most important agricultural land in that area lies south of the Canadian Pacific line which they contemplate abandoning. North of the Canadian National line, which in turn runs north of the Canadian Pacific—

Mr. DONNELLY: How far are they apart?

Mr. SHAW: They vary as much as six or seven miles to approximately no distance. In one place, from the Rocky Mountains west they run over the same line of road for a short distance. I say that when you abandon the Canadian Pacific line you are taking the railroad away from the main agricultural areas west of Red Deer.

With respect to the taking away of these services it has been estimated, and all the commissioners agreed, I believe, that the cost of marketing wheat only would be increased by approximately \$17,000 to these farmers. Land values would be reduced by anywhere from \$1 to \$12 an acre. These people in that country send wheat to Calgary to be milled. Because of the increased distance they are going to have to pay approximately five cents per 100 pounds of grain more than they did before. Cattle shipped out of that area are going to have to go down to Drumbheller, an added haulage of approximately 60 miles which, it is estimated, will cost them about \$9 a car more. With respect to cattle I may say that the extra cost of feeding and watering which will be necessitated as a consequence of the change will make up that amount.

West of Rocky Mountain House we have, I believe, three sawmills owned and operated by the Atlas Lumber Company. The Atlas Lumber Company, in turn, built lumber yards along the line of railroad. The Atlas Lumber Company estimated, and there was no evidence to prove they were incorrect in their conclusion, that it would cost them from \$5 to around \$15 a car more to ship their lumber out of there; and I believe they shipped approximately 500 cars last year, with the result, I think, they say, "We are going to have to close down our mills and take them out of that country and also close down our lumber yards."

I think you can readily appreciate the serious effect that is going to have upon that part of the country.

May I say another thing—

Mr. DONNELLY: Do you think it would have been better to abandon the Canadian National and allow the C.P.R. to run?

Mr. SHAW: Mr. Chairman, both systems have shown a profit. There must have been a reason for building them in the first place. Personally I see no justification for abandoning either one of them.

I say it is definitely breaking faith with the people and you are allowing our country to go backward instead of forward in so doing.

Mr. JACKMAN: May I ask Mr. Shaw where the evidence was given to show that the railroads intended to abandon these lines in 1934?

Mr. SHAW: The Judgment as handed down is here; it may take me just a moment to find it, but it is in here, Mr. Chariman. It is in the minority report handed down by the Chief Commissioner, Mr. J. A. Cross, and it will take me a little time to find it. It is in there and I shall find it and show it to you afterwards.

Now, Mr. Chairman, may I refer to another matter with regard to the road situation lying between the Canadian Pacific Railway line and the Canadian National Railway line. There we have one of the most difficult areas to travel over by car or truck that you could hope to find in any agricultural community. It has been estimated by engineers there that it would take as much as \$2,500 in each case to put those roads in running condition from the sites of the elevators that are going to have to be abandoned or dismantled to the sites of the new railroad and that means increased taxation for the people of those areas, on land which is necessarily going to depreciate in value.

I say that is unfair at this particular time with so many calls being made upon our people to suddenly have them faced with a situation like that. You are going to take away several thousand dollars—approximately \$13,000—in taxes away from those areas that have been paid there. When the municipalities find themselves without that revenue they are going to have to increase the taxation upon the people there in order to make it up and in order to carry on. I do not think there is any doubt about that at all.

Mr. Chairman, it is also said that approximately thirty men are going to be put out of work as the result of this line of road being abandoned. These thirty employees are on the railways. It might be all right for someone to say they can easily find other employment; but that is an expression that is easier said than carried out. In time some of these men may be given consideration because of their seniority rights; but I say "may." There is no guarantee anywhere that they will be given that consideration. The evidence submitted stated "may."

Mr. LOCKHART: Do any of them own their own homes?

Mr. SHAW: I am not sure, as far as they are concerned, but some of them have been there a good period of time. I anticipate undoubtedly they would own their own homes. I do not care to take too much of the time of this committee, Mr. Chairman, but I should like to say this, the grain that has gone out over that Canadian Pacific Railway line from these farmers who farmed south of it, the cattle and other products—and after all this is a very fine mixed farming area—are going to have to go out by truck, providing that tires and gasoline can be procured. Let me read what the Chief Commissioner, Mr. Cross, said in this regard: "There is another matter of which, I think, we should take notice. That is the changing conditions created by the war, now grown into a world conflict, and in which Canada is an active participant. Already we have a material curtailment in gasoline for use in private motor cars, and almost total restriction in respect to rubber (tires) for renewal or repair purposes on such vehicles. The manufacture of automobiles for private use is entirely or almost entirely forbidden. The situation in respect to motor trucks, buses and public-owned transport is, as yet, much less restricted. While one cannot safely predict the future, present indications point to more restricted use of motor transport. Very little was said of the necessity of the Pacific company line for passenger service, but for the reasons mentioned this may assume greater importance. From what

was stated at the hearing I am satisfied that because of the longer haul to the alternative shipping points a number of the farmers would require trucks to market their products. These they may be unable to procure."

Now, Mr. Chairman, apart from all the other things I have said, I think it ill becomes anybody to force, if it is a fair term, persons to utilize services of more trucks, more cars if they can get them, at a critical time like this when all of us have been told how we must conserve gasoline and rubber. I think that is an extremely important point.

Now the Post Office Department protested against the granting of this application because of this fact, as stated by Mr. Farren, Superintendent of the Postal Service for the Calgary district. In part he said: "At the present time the Post Office Department has a baggage car mail service on the Canadian Pacific and Canadian National, the Canadian Pacific between Red Deer and Rocky Mountain House, on the train frequency. At present Eckville and Rocky Mountain House get a daily service, one service by the Pacific Company and one by the National Company. The abandonment would reduce the service for these two points to one-half of what they are at present receiving." Rocky Mountain House has a population of approximately 1,000 people and it will lose mail service for three days of the week. There was no evidence to the contrary, I may say.

Now Mr. Farren of the Post Office Department goes on and states: "If the applications are granted it will be necessary for the Post Office to institute a mail stage service to the points that would be left without train service. This class of service is not, generally speaking, as satisfactory or regular at all seasons of the year. It would occasion some inconvenience to both the public concerned and the Department. Mail stage service is not new and the Post Office Department can be relied upon to see that, at least, a fairly reasonable service is provided to the communities." But I dare say the service will not be as satisfactory or nearly as satisfactory as it was before.

Mr. Chairman, I do not want to take up very much more time, but I do feel I have a responsibility in this regard. I do feel that these several thousands of people who went into that country in good faith and who are producing the very things that Canada requires to-day in the nature of foodstuffs and so forth, should not be forsaken at this time and allowed to slip back twenty-five years.

Mr. Cross also stated this: "How the public will be affected is one of the first matters for consideration when the Board is asked to approve the abandonment of the operation of a line of railway. Section 165A of the Railway Act and Section 2 (3) of the Canadian National-Canadian Pacific Act, 1933, place upon the Board the duty of approving or refusing such applications for abandonment, and in the performance of this duty the Board must have regard to the rights and interests involved, which include the public concerned, as well as the railway company." Then, after a few lines he goes on: "Having regard to all the facts and circumstances surrounding the applications I am unable to find that the burden which may be imposed upon the applicant companies through continued operation of their lines of railway in question will prove greater than the loss and inconvenience to be suffered by the public as a result of abandonment. I feel satisfied that the preponderance of loss and inconvenience would be on the public." That is the chief commissioner making that statement. He said:—

"The Pacific Company Branch Line is a profitable branch and it is not shown that the National Company Line is not also profitable. Such burden as the companies may suffer by refusal of the applications is that they will not have the benefit of the additional profit that would accrue from the anticipated saving. In any event, and in view of the conditions prevailing, the added burden to the community that would result from abandonment is, I consider, greater than it should be required to bear at this time."

That is exactly my contention, Mr. Chairman. It is the contention of thousands of other people, not only people who reside in that area but people who feel that these people are not being given just consideration. The information that I have put before the committee, Mr. Chairman, may have been put forward in a disjointed manner. Personally, as I said Friday, I wish to register the strongest possible objection against this particular course of action. I would ask the committee to support me in appealing to the Minister of Transport, and through him to the government—that may not be the proper method of procedure; I do not know—to have this action held up, at least until after the cessation of hostilities, and I say even after that, unless the company making the application can put up a stronger case than they have, in my judgment, made thus far.

Mr. LOCKHART: How many thousand people are served, did you say?

Mr. SHAW: I just used the term "several thousand"; and not only are the people living in there served but many thousands living outside of there are served by institutions which function in that area.

Hon. Mr. CARDIN: I sympathize very much with these views expressed by Mr. Shaw. I have a particular reason to sympathize with him in a matter of that kind, because in my own region, in my own constituency, lines have been abandoned by the C.N.R. with the result that a number of farmers have suffered very materially as a result of the abandonment of those lines. But the question has been brought before the Board of Transport Commissioners, which fulfils a judicial duty and which, I submit, Mr. Chairman, is quite beyond the powers and the jurisdiction of this present committee. When the Board of Transport Commissioners have rendered a decision, there is an appeal which can be made to council, meaning the government, by any party who is dissatisfied with the judgment rendered by that board. Presently there are several appeals of a similar character already pending before the government. My suggestion would be that the proper course to be followed would be for my friend, Mr. Shaw, and those interested in the same matter, to make an appeal. There is no special form provided for that. It can be written in any form of document.

Mr. SHAW: Would you pardon me just a moment, Mr. Cardin? I wrote to you in this regard, and through you I appealed to the government. Would that constitute an orderly appeal?

Hon. Mr. CARDIN: No. It should be addressed to the secretary of the privy council.

Mr. SHAW: Thank you.

Hon. Mr. CARDIN: But I could transfer your letter and your complaint to the board. However, it might be preferable to follow the ordinary course, which is a letter or a petition of some sort sent to the Governor in Council, appealing against the decision of the Board of Transport Commissioners. That is the practice that is followed. Although, as I said, I sympathize with a case like the one you have just indicated, I would not like very much to have the Board of Transport Commissioners called upon to answer questions or to be criticized upon the decision that they have rendered, probably in good faith, even though there is a minority report. After all, they are judges, and we have got to accept their decision just as an ordinary man has to accept the decision of the court when all the judges do not agree on the point at issue. My suggestion would be that it would be much more proper if a petition were sent to the Governor in Council, appealing from the decision that has been given, stating the particular reasons and asking to be heard by the Governor in Council, meaning the government. You will be given, or any person interested will be given an opportunity to be heard by the government. That would be my suggestion. It would meet your request. Suppose we bring the Board of Transport Commissioners here. We would get nowhere, because we have no jurisdiction here to reverse the decision that has been given by the Board. The only authority having that jurisdiction is the Governor in Council.

Mr. SHAW: Mr. Chairman, in view of Mr. Cardin's statement, I am perfectly willing to have rescinded that motion which would have called the Board of Transport Commissioners here. I have learned a great deal about the method of an approach on this question. If I make an appeal to the Governor in Council, and am then granted permission to be heard by Council, would that also enable any others to be heard?

Hon. Mr. CARDIN: Yes.

Mr. SHAW: There is one other matter I should like to bring up. Our C.N.R. was a party to this application for abandonment. I do not want to use any unfair expression, but my first idea is to condemn them for that action. I feel that my motion to the effect that the C.N.R. members of this joint co-operative committee be summoned to appear before this committee, to endeavour if possible, to justify their actions in this regard, should be acted on favourably. I am not sure, Mr. Chairman, whether I moved that before or not.

Mr. MAYBANK: Or to express penitence.

Mr. SHAW: Or to express penitence, as Mr. Maybank has suggested.

The CHAIRMAN: As I understand it, Mr. Shaw, you are withdrawing this former motion?

Mr. SHAW: Having to do with the Board of Transport Commissioners?

The CHAIRMAN: Yes, because we have no competence to force them to come here. We could only request them to come.

Mr. SHAW: I did not hear that, Mr. Chairman.

The CHAIRMAN: I say we have no competence to force them to come here. We could only request them to come.

Mr. SHAW: It was only a matter of language. Whatever the language was, I am perfectly willing to withdraw.

The CHAIRMAN: Then the first motion of yours is withdrawn. Are you making another motion?

Mr. SHAW: Yes. I am moving that the C.N.R. members of that Joint Co-operative Committee be summoned to appear before this committee. I think that is sufficient.

Mr. DONNELLY: Why do you want them here?

Mr. JACKMAN: He wants to change their minds.

Mr. VAUGHAN: I should like to point out that these men have been carrying out instructions under the Canadian National-Canadian Pacific Act with a view to co-operation and effecting economies; and I presume they felt, when they placed their evidence before the Board of Transport Commissioners, that the matter would be weighed properly and a judgment given in accordance with the evidence submitted.

Mr. SHAW: Mr. Chairman, I may not be fair in making this statement; but you have a three-man commission and the chief commissioner voted against the application for abandonment. Now, I say that is significant.

Mr. JACKMAN: That is ground for appeal.

The CHAIRMAN: Let us not waste any more time about this. We have another motion. Does anybody want to speak on it? If not, I am going to put it.

Mr. DONNELLY: We are not here as a judicial body to bring people before us and to condemn them or to acquit them. We are here to look into the affairs of the Canadian National Railways, and its financial statement.

Mr. SHAW: Mr. Chairman, as a member of this committee, I have presented certain evidence, I believe; and if for no other reason than to give these men an opportunity possibly to place before the members of this committee another phase of the case, then I think it should be done. I think we are sitting as a committee to examine into certain matters such as this. If not, why such a committee? Why do we sit?

Mr. HAZEN: The majority of the court held that these men were right.

Mr. SHAW: I question that, and that is naturally grounds for appeal.

Mr. DONNELLY: Question.

The CHAIRMAN: Moved by Mr. Shaw that the members representing the C.N.R. on the joint C.N.R.-C.P.R. committee be requested to appear before this committee—the C.N.R. members of the joint C.N.R.-C.P.R. committee who presented the evidence before the Board of Transport Commissioners, be requested to appear before this committee to give evidence or for questioning.

Hon. Mr. CARDIN: Mr. Chairman, may I ask Mr. Shaw if he does not himself think that it would be somewhat unfair and inequitable to have brought before this committee just the representatives of the C.N.R. on that joint board? If the request has been made or representations have been made by the joint board, I do not think it would be fair to bring before us for criticism just the persons or the representatives of the C.N.R. upon whom we have some jurisdiction. Besides, that joint board is not supposed, according to law, to act only when they are seeking to avoid losses. They are empowered and they are forced by the law to co-operate, even to practise economies. That is the law upon which they are exercising their powers. There is no doubt that by the method that I suggested to Mr. Shaw a moment ago the result that he wants to obtain will be obtained just the same; because application having been made by that board for the abandonment of that line, they will certainly appear before the Governor in Council to oppose your representation and your request to have set aside or to have quashed, if the word is correct, or changed, the decision of the board. You will have them before the proper tribunal. Having them here would lead us nowhere, because they have no authority to change anything. They have made their argument. They have placed the facts, according to their judgment, before the court. The court has decided. What can we gain by having them here before us now and criticising their action? We cannot render any judgment that would meet your request. The committee cannot meet your request by criticising these men. But it may be that when you have the second opportunity of having the matter discussed before the proper authority, the Governor General in Council, you will have better results. These people are going to appear there, and then you will be at liberty to cross-examine them before the proper authority. It is another appeal, another opportunity that is being given to you; and that opportunity will give you a greater scope and may bring you better results than having them here when we have no jurisdiction to impose upon them any decision at all. I do not know if I make myself clear. I do not know whether I have made myself clear or not.

Mr. SHAW: My object in the first place in mentioning the C.N.R. was the fact that I did not believe we had the authority to summon the C.P.R. members of that board. In the second place, I have been favourably impressed by the words of the Minister of Transport (Hon. Mr. Cardin) and I am prepared to let it rest in the light of what he has said and leave it to the future. I am not a lawyer.

Hon. Mr. CARDIN: Well, Mr. Shaw, you might be a lawyer. I would grant you a certificate any time.

Mr. MAYBANK: I think there is one thing he overlooked; I think you probably might have got an acknowledgment from the Minister of Transport that he would be prepared to go and speak for you before the council.

Some hon. MEMBERS: Carry on.

Mr. SHAW: In view of the minister's explanation, and to expedite the business of the committee, I will withdraw that resolution.

Mr. JACKMAN: Might I ask, Mr. Chairman; is the right to appeal absolute, or discretionary with council?

Hon. Mr. CARDIN: Oh, it is absolute.

SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE
ON
RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 5

WEDNESDAY, MAY 6, 1942

WITNESSES:

Mr. H. R. Moore, Brotherhoods of Locomotive Engineers and Firemen.
Mr. R. C. Vaughan, President, Canadian National Railway System.
Mr. N. B. Walton, Vice-President of Operations, Canadian National
Railway System.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942

REPORT TO THE HOUSE

WEDNESDAY, May 6, 1942.

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

SECOND REPORT

Your committee has considered the following items of the estimates referred to it on April 29, 1942, and approve of same, viz.:—

400 Maritime Freight Rates Act, Canadian National Railway Eastern Lines.....	\$3,350,000
401 Maritime Freight Rates Act—Railways other than Canadian National Railways.....	900,000
410 Canadian National (West Indies) Steamships Limited—Capital—Advances.....	20,000
411 Prince Edward Island Car Ferry and Terminals Deficit, 1942.....	400,000

All of which is respectfully submitted.

J. P. HOWDEN,
Chairman.

MINUTES OF PROCEEDINGS

Room 277, House of Commons,

WEDNESDAY, May 6, 1942.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 10.00 o'clock a.m. Mr. J. P. Howden, the chairman, presided.

Members present: Messrs. Bercovitch, Bradette, Donnelly, Emmerson, Ferland, Gray, Hanson (*Skeena*), Hazen, Howden, Jackman, McCulloch, Maybank, Nicholson, Sanderson, Shaw, Sissons.

In attendance: The following officials of the Canadian National Railways: R. C. Vaughan, President; N. B. Walton, Vice-president of Operations; Alistair Fraser, Vice-president of Traffic; W. M. Armstrong, Assistant Chief of Research and Development; T. H. Cooper, Comptroller; W. S. Thompson, Director of Public Relations. Mr. H. R. Moore, Chairman of Committees, C.N.R. Brotherhoods of Locomotive Firemen and Brotherhood of Locomotive Engineers.

Mr. H. R. Moore was called. The witness was examined at length and afterwards permitted to retire.

During this witness's examination, Mr. Vaughan and Mr. Walton were asked a few questions regarding Mr. Moore's submission.

The chairman, on behalf of Mr. Mayhew, M.P., fyled with the Committee a telegram from T. H. Guy, Chairman of Brotherhood of Locomotive Firemen of Lake Cowichan, B.C., and E. Duncan, B.C., in which representations are made in connection with the division of Government controlled business between the C.N.R. and the C.P.R.

Four similar telegrams addressed to him were fyled personally by Mr. J. Gordon, member for Moose Jaw, Sask., viz:

- G. A. Huffman, Chairman, Commercial Telegraphers Union, Moose Jaw;
- Chairman, Brotherhood of Locomotive Engineers, Moose Jaw;
- J. Rogan, secretary and J. A. Magrath, chairman, Lodge 521, B.L.F. and E., Moose Jaw;
- W. S. Knox, chairman, Brotherhood Railway Carmen of America (Moose Jaw Lodge No. 204.)

Mr. Bercovitch moved, seconded by Mr. Gray, that the telegrams be not recorded in the printed report but that they be noted in the minutes of proceedings.

And the question being put on the said motion it was agreed to, on division.

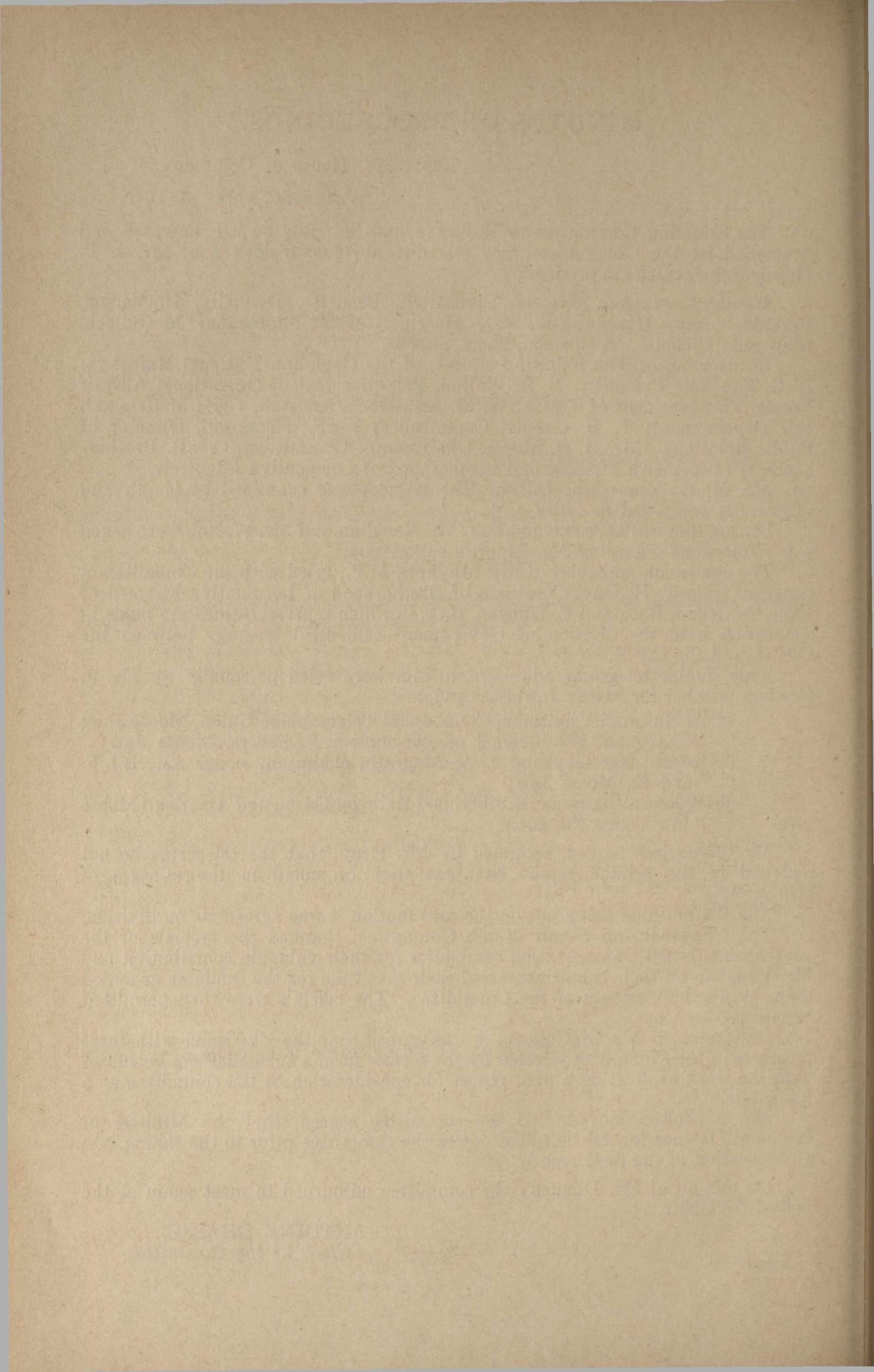
The Chairman, on behalf of the Committee, thanked the officials of the government-owned transportation companies for their valuable contribution and Mr. Vaughan on their behalf expressed their gratitude for the kindness accorded them by all the members of the Committee. The officials were then permitted to retire.

On motion of Mr. McCulloch, it was agreed that the Chairman with three members of the Committee selected by the former form a subcommittee entrusted with the work of drafting a final report for consideration of the committee at a later date.

Mr. Nicholson moved, and the committee agreed, that the Minister of National Defence for Air be called before the committee prior to the taking into consideration of the final report.

On motion of Mr. Donnelly the committee adjourned to meet again at the call of the Chair.

ANTOINE CHASSÉ,
Clerk of the Committee.



MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

May 6, 1942.

The Select Standing Committee on Railways and Shipping met at 10 o'clock, a.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: Order, gentlemen: We have a quorum, and we have only an hour. We have with us this morning Mr. H. R. Moore from the west representing the Brotherhood of Locomotive Firemen and the Brotherhood of Locomotive Engineers, who wired this committee several days ago asking for permission to address the committee. We will not use up any further time in remarks but will ask Mr. Moore to present his case to the committee.

Mr. H. R. MOORE: Mr. Chairman and honourable gentlemen, we have a condition on our hands at the present time that is possibly without parallel in that, during a time when we feel that conditions are such that we should be operating at a maximum rate, we find that we are at a very low level as far as employment is concerned. This condition came about, or the commencement of it was about one year ago. We were operating at capacity as far as our personnel was concerned. The business started to fall off in the month of September, and from that on to the 20th of December last year our men with twenty years' seniority could not work. Since that time, they have had about two weeks' work; that is, steady work. It has been necessary in the past at various times during the year for these men to move around from one territory to another in order to fill in their entire time and make an annual salary. But at the present time they are not able to go to any spot in the western seniority district and hold any employment. This condition did exist, prior to the date I have mentioned, on the C.P.R.

Mr. MAYBANK: Excuse me, Mr. Moore. Here is a letter that came to me and which I was asked to deliver to you. It is some additional information for you.

Mr. MOORE: I shall not delay you, gentlemen; I will just continue. What we wish to do is to lay the bare facts before you with the idea of correcting this situation, if we can.

Mr. MAYBANK: Mr. Chairman, I think it would be more convenient if the witness were up at the front; and also I do not think any other witness has stood up, unless he desired to speak that way.

The CHAIRMAN: We discussed that matter and thought perhaps this arrangement was best.

Mr. MAYBANK: I beg your pardon. I did not mean to be covering ground that has already been covered.

The CHAIRMAN: I did not discuss it with the witness, but we discussed it among ourselves and thought that he would speak to better advantage over there where he would be better heard.

Mr. MAYBANK: That is all right.

The CHAIRMAN: Go ahead, Mr. Moore. Do whatever you wish. If you wish to sit down, sit down.

Mr. MOORE: Thank you. I would like to consider the seventh seniority district of the C.N.R. as an example that would give you a better idea as to just exactly what the situation is. This district extends from the lake head

to Wainwright. On that district there are 1,383 men. At the present time there are 473 of them not working. On our personnel in the western region, we have between 800 and 900 men who are experienced railway men with over fifteen years' rights who are not working. Many people, when you tell them this, can hardly credit it. Nevertheless, those facts can be borne out and substantiated. This condition of having 473 out of 1,383 out of work at the present time commenced in December and has continued up to date, with the exception of two or three weeks. The only employment that these men were able to gain during the time that they were out of service on the C.N. was with the C.P. or the C.N. in eastern lines. Many of our men from the west have gone to the C.N. eastern lines. We, as a brotherhood, find that we have a condition where you can to-day have too much seniority to work, from the fact that the younger men were called back to protect their seniority, with the result that they were able to remain away on the jobs that were offered to them by other railroad companies and with the C.N.R. eastern region where our seniority does not extend.

I should like to make a particular plea for our men, who are young men. They are good men and they are the kind of men that we need during war time. They are efficient, and efficiency means a saving of time and expense, which is a great asset in trying times like these. Each one of these men has an insurance book in his pocket which tables him as a railway employee. When they are asking for a job elsewhere and an employer sees that they are railway employees, they are undesirable. They are undesirable from the fact that they must go back to their work when called. This makes it very unsatisfactory for getting employment. The condition that I have outlined that exists on the C.N.R. to-day is precisely what existed on the C.P.R. a year and six months ago. As a matter of fact, twenty years' seniority will not hold you a job on the seventh district. A year and six months ago that condition obtained on the C.P.R. but to-day they have men working who were hired this year; so that we feel something is taking place to correct conditions elsewhere where facilities are such that possibly more business goes to one road on account of adjacent tracks to industrial plants. There are many reasons that we can see for it. But we would urge this body to see if there is not something that could possibly be done so that these men's services can be utilized at a time like this when we know that they are so sorely needed. It will also allow a lot of younger men who have been hired to do this work, to be free to follow other lines in war services. Railway men are considered to be engaged in a necessary service in time of war, and with that in view it was considered that they would be exempt from military service, and I believe it is so. The men I am speaking of have sons who are in the army, but they are not young enough to be there themselves any more, many of them having served in the last war. When the young fellows that are going away, and the young men that are holding jobs, see conditions existing like this, where the father is unemployed, being a veteran himself, and when the government states that they will have their jobs returned to them when they return after serving, it creates a bad effect, not only in their minds but in the public mind.

Our men that we have working are of high moral character. They see these things, and at a time like this they do not wish to give them a public airing. We felt that possibly a pamphlet outlining this thing, distributed amongst the men so that they would be able to offset any rumors that were not correct and not allow anyone to circulate anything that was contrary to the welfare of the country in general, would be an ideal thing. Since that time we have hesitated, and when this body was so kind as to give us permission to state our case here, we deemed that the first thing and possibly to the greatest advantage. If we are able to correct this condition in any way, we will then feel that we are amply repaid and we wish that you will be repaid in like kind by the fact of the results that are obtained.

The CHAIRMAN: Would you restate some of these figures for the benefit of the members who were not on hand?

Mr. MOORE: Yes.

The CHAIRMAN: You said you had how many men working a year ago and who are not working now?

Mr. MOORE: 473. That is in one seniority district only.

Mr. MAYBANK: Which one?

Mr. MOORE: The seventh.

Mr. BERCOVITCH: To what do you attribute unemployment at the present time?

Mr. MOORE: There are many things that contribute to it. It may be necessary that traffic be routed in certain routes that fail to pass over our tracks. We really have three main lines leading into Winnipeg from the West.

Mr. DONNELLY: Are these 473 out of 1,300 men in Winnipeg?

Mr. MOORE: No. That is not in Winnipeg.

Mr. DONNELLY: That is not in Winnipeg. Where is it?

Mr. MOORE: That is from Port Arthur to Wainwright.

Mr. BRADETTE: What about the principle of universal promotion? Does that not apply to your section of the line?

Mr. MOORE: Yes.

Mr. BRADETTE: What about men of 25 years seniority? Can they bump off some men in the eastern section if they want to?

Mr. MOORE: No. It only applies in the seventh district from Port Arthur to Wainwright.

Mr. BRADETTE: You have universal promotion within that circle only.

Mr. MOORE: Yes.

Mr. BRADETTE: And you cannot bump off from the east to the west?

Mr. MOORE: No. When I stated that younger men were able to go away and get a job on the eastern lines where business has certainly increased—our business on the eastern lines has increased; there is no question about that—when they went away they were not needed and they were not called back. The result is that they are working steadily the year around, whereas the older men are affected more; and when I say 473, I mean they are unemployed in that district. A few of the younger men—we have 52 men at the present time working on the C.P.R.—are beginning to be cut off now. They are gradually filtering back and these men too will be out of jobs.

Mr. BERCOVITCH: You have not answered my question as to what the cause is for the lesser number of men.

Mr. MOORE: I feel that this commission, being in possession of all the facts, would be better able to answer that question. I would be pleased to know that myself.

Mr. DONNELLY: Is not a lot of this due to crop failure over that line of railway during the past year from Port Arthur through to Wainwright?

Mr. MOORE: No sir, you cannot blame it on seasonal fluctuation.

Mr. BERCOVITCH: Perhaps they had too many men before and the result is now, with greater economy, some men have to be let off.

Mr. MOORE: We have not hired anyone for fifteen years.

Mr. BERCOVITCH: Do you know the total number of employees to-day on the C.N.R.?

Mr. MOORE: Yes.

Mr. BERCOVITCH: Is it greater or less than it was, say, two years ago?

Mr. MOORE: I only have the figure from the *Canada Year Book* this year; but then, you mean the locomotive employees, that is, the running trades, or the total personnel?

Mr. BERCOVITCH: I would like to have both if you can give them to me.

Mr. MOORE: It is 78,000 at the present time.

Mr. BERCOVITCH: To-day?

Mr. MOORE: To-day. That is the *Canada Year Book*.

Mr. BERCOVITCH: What was it two years ago?

Mr. MOORE: I could not tell you.

Mr. VAUGHAN: We have many more men employed on the system to-day than we had on the system in the last two or three years. It has been going up each year since 1938.

Mr. DONNELLY: It does seem to me that we have more men employed on the railroads, and we have a shortage of men in many sections of the railroad. This is one section where there is a surplus. There must be something in that region causing that surplus of men. I know, for example, that in the northern part of Saskatchewan there was a crop shortage last year.

Mr. GRAY: Would not that apply to the C.P.R. also?

Mr. DONNELLY: There are certain sections in western Canada where the C.P.R. would have the same thing.

Mr. VAUGHAN: The biggest part of the crop last year was produced along the Canadian Pacific line. Their crop conditions were better last year than were those along the lines of the Canadian National. That is an unfortunate situation, but it simply means that the traffic is not there to move and when it is not there, of course, we cannot employ the men.

Mr. GRAY: Could not these men be utilized in some other district?

Mr. VAUGHAN: Some of them, as Mr. Moore says, have gone to the east. The seniority conditions are governed largely by the men themselves.

The CHAIRMAN: What is the mileage from Port Arthur to Wainwright?

Mr. WALTON: It is approximately 1,050; it is 414 to Winnipeg from Port Arthur and it is about 660 from Winnipeg to Wainwright.

The CHAIRMAN: What percentage is that of the total transcontinental mileage, approximately one-third?

Mr. WALTON: It would not be a third. The mileage from Halifax to Vancouver is 3,800 on our line; and when I speak of that mileage from Port Arthur to Wainwright that includes the branch lines and other lines running off the main system.

Mr. MOORE: I can give you the comparative figures of working assignments for the C.N.R. and the C.P.R. as of the date of March 23. Perhaps that would help to answer your question.

Mr. DONNELLY: Yes, all right.

Mr. MOORE: On March 23, out of 1,383 engineers on the C.N.R. on the seventh district, 946 were working and 437 were not working. Of the 993 employed by the C.P.R., 917 were working and only 76 were not working. Now, the 76 actually were working because the youngest man on the district was a C.N.R. man and he has never come back to us. He must have got good mileage for that particular year.

Mr. BERCOVITCH: How do these figures compare with the C.N.R.?

Mr. GRAY: Give Mr. Bereovitch that first figure again.

Mr. MOORE: Of the 1,383 employees in the C.N.R.

Mr. BERCOVITCH: That is C.P.R.?

Mr. MOORE: No, that is C.N.R. 1,383 employees on the C.N.R. against 993 on the C.P.R.; and you must consider that the C.P.R. extends from Fort William to Port Arthur only, whereas we go on a little further, to Wainwright.

Mr. DONNELLY: From Winnipeg to Broadview they had a good crop last year.

Mr. MOORE: Yes.

Mr. DONNELLY: A very heavy crop, and that meant a lot of wheat to move and a lot of freight and all busy; whereas the northern part of Saskatchewan up to Wainwright had a crop failure practically last year. That is just what I referred to. There is no crop to move out of there.

Mr. MOORE: Well, the car loadings were checked, it shows 38 per cent to the C.N. and 62 per cent to the C.P. Now, mind you, you cannot really arrive at any conclusion on that particular point; but then that is a mere appraisal of the actual tonnage which moved. We feel that the tonnage which is being moved over the paralleling lines at the present time would give all experienced firemen a job without the men that were hired this year and last year. So that our grievance as a brotherhood is that we would like our old men to work before the younger men work; otherwise we have a condition on our hands that to us is more or less unbearable, and we cannot actually go back to the men and give them any excuse for it, men who have understood for years that they had only to try to maintain the service that was expected of them from the company, and maintain their seniority, they have known in the past that when they arrived at a certain date of seniority they would be protected for life; now they find that if they have too much seniority it is working against them.

Mr. NICHOLSON: How old would these men be?

Mr. MOORE: They would be around 38 to 56.

Mr. NICHOLSON: And they would have seniorities of around 20 years or more?

Mr. MOORE: Around 20 years; yes, from 15 to 20 years.

Mr. McCULLOCH: And you say there have been none taken on during the last 15 years?

Mr. MOORE: Yes, not for the last 15 years.

Mr. McCULLOCH: Then the youngest taken on must be around 35 or 40 years of age?

Mr. MOORE: Thirty-eight, I would judge.

Mr. SHAW: Do your men feel that they are getting their share of the government business?

Mr. MOORE: To be quite frank with you, sir; no, they do not. That is another issue, and we feel that we have confidence in this committee and we would like just to give you the bare facts as they are and let you know the conditions. It is a condition that can bring about bad morale, and I don't believe there is better morale anywhere than there is amongst our personnel.

Mr. MAYBANK: What are these bare facts in respect to government business which you mention?

Mr. MOORE: Well, in tabulating the average of business and making a curve—and in that is included passenger business, way freight business and the like which continues throughout the year—we know how many employees that will carry. Then, there is a peak business that comes during the crop season. We have made a study of that and we have also used the charts of the railway commission throughout our findings. We find that that curve is fairly unreliable, it might come a little earlier or a little later. What we mostly consider is the increased tonnage on account of war operations and our regular business; and we can practically see, and an individual man can see for himself, just about where he should stand on a working basis.

Mr. McCULLOCH: It must have been a good deal worse 15 years ago than it is now?

Mr. MOORE: That was a big year for us.

Mr. SHAW: Were you taking on any men at that time?

Mr. MOORE: We had barely enough business for the men that we had.

Mr. BERCOVITCH: Is not this falling off in business the cause of the employment of a smaller number of men?

Mr. MOORE: Yes, the falling off in our business.

Mr. EMMERSON: That does not necessarily mean that the business of the railway is falling off?

Mr. MOORE: No.

Mr. EMMERSON: You are getting more miles as you run the trains faster, and the locomotives are hauling larger loads and you do not require as many train crews to-day to handle the same amount of business that were required some years ago.

Mr. MOORE: That is quite true, but we have had a lot of superannuations.

Mr. DONNELLY: Have you a list of your unemployed and the number of men you have had during the last 10 years?

Mr. MOORE: You mean, year by year?

Mr. DONNELLY: Yes, year by year.

Mr. MOORE: Year by year—I can supply you with that.

Mr. DONNELLY: Just so the committee can know whether it has got better or worse.

Mr. BRADETTE: I will ask Mr. Moore to enlarge on this a bit. Your brotherhood, I understand, covers the whole of Canada and it is organized in a series of locals or branches to cover various sections of the system throughout the country?

Mr. MOORE: Yes.

Mr. BRADETTE: Apparently some of your officials might have been a little lax in not having made other sections of the brotherhood familiar with the labour situation. You have travelling officers who are experienced men. That surplus of men could have been absorbed at some other place on the line. That would be the only solution to your problem, even to-day. It would have been a solution to your problem a few years ago even. I make that statement because on many many sections of the line they have been taking on new men. I know it is true in our part of the country. There must be something wrong with your organization.

Mr. MOORE: Many of these men have been absorbed elsewhere in our system, but it rests with the men individually to decide whether they will be better off after 15 years of service in the territory in which they started or by starting over new in a new territory and losing their seniority rights.

Mr. BRADETTE: I mean that for the last 15 years it should have been possible for your brotherhood to have arranged through its organization for the men who were not being taken care of in one district to have been re-absorbed into other sections of the organization.

Mr. MOORE: Of course, that has always been considered that a man would remain in his own territory. Such a thing was never thought of until this peak business came on. It was never thought that any of us would be required to move from there.

Mr. BRADETTE: What would be the reason for that?

Mr. MOORE: There is no dollar value placed on seniority, but a man with 10 years seniority would value it highly.

Mr. BRADETTE: That would be the argument of all of the rest of the system too; but, surely it is a matter that could be arranged.

Mr. MOORE: It would be rather hard to arrange. Speaking personally, if I had remained in Toronto I would now have had one of the best passenger runs out of that point, had I remained there instead of going to Winnipeg. To-day I could not hold anything. That is the problem, there is no question about that. If I were to move down there again I would have to start all over at the bottom or it would mean that I would be displacing someone who has already established certain seniority rights, I would be displacing him.

Mr. BRADETTE: I know it is being done on some sections of the line in the north country. I know that we have had labour men brought into our section displacing men who had been there for some time and they were brought all the way from Quebec city and the lake St. John region. It seems to me that it should be possible for the brotherhood to be a little more elastic in some of their regulations. That is the way I feel about it.

Mr. MOORE: That is only one district, is it not?

Mr. BRADETTE: I am merely mentioning one district with which I happen to be familiar. The main trouble however is more universal, and I think it should be possible to make some arrangements whereby it would be possible to utilize the surplus of men at one point in another section of the country.

Mr. MOORE: My only answer to that is that under normal conditions the men are satisfied; but as things are to-day there is the feeling that there is something there that should be corrected, that there is a lot of business there that they are not getting and that they should have a share in it; that they should have a chance to do some of this work instead of younger men being hired to do it.

Mr. BRADETTE: That is what I mean. That is my viewpoint, that they should be re-absorbed by the railway taking some of the surplus from your district and using them somewhere else on the system. It seems to me that there must be some lack of elasticity in your set-up somewhere.

The CHAIRMAN: I would like to suggest to the committee that the witness is here for interrogation and not for argument. We have very little time at our disposal this morning.

Mr. BRADETTE: I appreciate that, Mr. Chairman, we are trying to get a solution to this.

Mr. DONNELLY: What solution are you suggesting?

Mr. MOORE: We have tried a solution. We have 52 men working on the C.P.R. We have something in the neighbourhood of 50 or thereabouts working on the C.N.R. Many of them still maintain that they will return to the western region. They won't be satisfied with that job. But the fact that the company has not called them back to date enables them to retain their seniority in both districts. I myself worked out of Toronto and if I had merely kept on there I would have been well advanced up that list at the present time. But after 20 years it is pretty hard for a man to decide to do a thing like that.

Mr. VAUGHAN: I think I might make an explanation, Mr. Chairman, in connection with the traffic situation. On western lines there is not much difference between the mileage of the Canadian National and the Canadian Pacific. They have slightly more mileage than we have, but there are certain commodities which are tributary to their line which move in large quantities, which we have not got. I might mention three in particular. First of all there is the grain business. In the last two years the grain crop has been heavier or

their line than it has been on our line. They get most of the lumber business from the Pacific coast because most of the mills have been established there many years and are located on the Canadian Pacific lines. They were established there before the National lines reached the Pacific coast in many cases. Then they get more commercial coal than we do. We have difficulty in getting sufficient steam coal on the most of our own lines to take care of our own requirements; whereas they have more commercial mines producing coal in the Crow's Nest and elsewhere and the result is they get a substantially larger movement of commercial coal than we do. The reason for the situation mentioned by Mr. Moore—and we are very sympathetic with him—is the Canadian Pacific are in western Canada getting much more business than we are. But that is due to the conditions referred to.

They have some very large industries on their lines, for example, they have the Consolidated Smelters at Trail, which gives them a tremendous amount of business. I see what Mr. Moore is driving at. I had no conversation with him on the subject; in fact I did not know he was coming here until the chairman mentioned it. They see all the passenger troops and freight movement going over the Canadian Pacific, and C.P.R. men employed to a greater extent than the Canadian National men are employed. The Canadian Pacific have conditions more favourable to the men for the reasons I have stated. I presume Mr. Moore feels if more of that war traffic was going over the Canadian National more of our men would be employed.

Mr. BERCOVITCH: That would mean, Mr. President, that the Canadian Pacific would employ less employees?

Mr. VAUGHAN: Quite so.

Mr. BERCOVITCH: Somebody would be out of a job, then, on the Canadian Pacific.

Mr. NICHOLSON: Mr. Moore mentioned the C.N.R. had 38 per cent of car loadings as compared with 62 for the Canadian Pacific. What year would he be speaking of?

Mr. MOORE: That is as published in the *Free Press* for the month of March and three days later.

Mr. NICHOLSON: What year?

Mr. MOORE: I cannot tell you.

Mr. VAUGHAN: That would probably be for the entire western region from the head of the lakes to Vancouver and Prince Rupert.

By Mr. Nicholson:

Q. I wonder if Mr. Moore could give us any idea of the percentage of traffic from Winnipeg east over the C.N. and the C.P. We have had nobody here in the committee representing the C.P., and the C.N.R. officials have not a very close approximate percentage to give us. Would you have any information along those lines from your Brotherhood?—A. I can tell you what my personal experience has been.

Q. What has it been?—A. Of hauling troops over the C.P. I have contacted men of both the army and the air force who have made seven and eight trips across the continent and have never ridden on the C.N.R.

Q. My experience has been when travelling east that there are more extra trains on the C.P.R., more coaches, and it seemed to the casual traveller that the C.P. did a great deal more business east of Winnipeg than the C.N.R. Would your Brotherhood have any information on that?—A. We did not make an effort to get that.

Mr. BRADETTE: I see only two solutions to the problem. The first one is to equalize the traffic in that zone, and the second one is to have a distribution of the man-power. Apparently that is not possible, and if it is not possible

under the present conditions there is no way to solve it. The other solution I think of is, if the men were willing to be changed and sent to some other sections of the country it would help.

The CHAIRMAN: Gentlemen, I think we should get through with the witness, get through with the interrogation, because we have not got all morning.

By Mr. Gray:

Q. Mr. Moore, how many of those 453 men that you speak of own their own homes in that particular section?—A. Not very many of them. It has been nip and tuck with them for years. The fact that a man is unemployed for a certain period in the year, when he does work he has pretty well got to use all he receives to pay back debts. So it has been a pressing problem for many of them are in hard circumstances.

Mr. GRAY: May I ask Mr. Vaughan this—having heard Mr. Moore, it does not seem to me it is a problem for this committee particularly—is it possible that some solution could be worked out, or would the railway be agreeable to giving very serious consideration to the problem that has been raised?

Mr. VAUGHAN: This matter has been given a good deal of consideration by us, and I think, as Mr. Moore states himself, the seniority board has had the opportunity of coming east where there was work for them to do. That is as far as we can go, to offer them work on some other part of the system where we may need men. As far as seniority is concerned, that is controlled by the men themselves to a very large extent.

Mr. BRADETTE: By their Brotherhood?

Mr. VAUGHAN: By their Brotherhood, yes.

Mr. EMMERSON: Mr. Chairman, may I ask the president this: should not action be taken to remove the restriction on the movement of traffic as far as the war problems are concerned? Would not that alleviate the conditions somewhat, or might it not?

Mr. VAUGHAN: In the ordinary course of events the Canadian National Railways get considerably more business in the east than in the west. The Canadian Pacific gets more business in the west. That has always been the case and I presume always will be the case on account of the location, the geographical location of the larger towns and cities in the west and industries like the Consolidated Smelters, the lumber mills and the coal mines. That is the situation, as I see, which cannot be corrected. There might be more troops sent over our lines, more lumber, and things of that kind, but I think we are on very difficult ground discussing these matters here.

Mr. McCULLOCH: Could these men not be given employment in some of the shops, and not lose their seniority?

Mr. VAUGHAN: Shopmen all have seniority within their group. Shopmen in many cases are qualified mechanics.

Mr. McCULLOCH: Some shops are manufacturing munitions of war?

Mr. VAUGHAN: Yes, they are.

Mr. McCULLOCH: They will require skilled help, though.

Mr. VAUGHAN: Yes.

The CHAIRMAN: I have a telegram here which a member of the House of Commons has delegated a member of this committee to place before the committee.

Mr. SANDERSON: Whom is the telegram from?

The CHAIRMAN: The name is T. H. Guy, Local Chairman B. of L.F. and E., Duncan, B.C.

Mr. ROSS (*Moose Jaw*): I have four wires here, if I may be permitted—

The CHAIRMAN: Let us deal with this wire first, to see what we are going to do with it. What is the wish of the committee?

Mr. NICHOLSON: On a point of procedure, I think there are hundreds of these telegrams that come to nearly every member of the house.

Mr. McCULLOCH: I do not think any of them should be put in.

Mr. JACKMAN: Certainly they should; why not?

The CHAIRMAN: We will have at least dozens that will have to come before the committee.

Mr. BERCOVITCH: I received one yesterday.

Mr. JACKMAN: If there is a contrary proposition why should not we hear it?

The CHAIRMAN: There is no antagonism or anything of that kind. If you are going to receive one you will have to receive them all.

Mr. NICHOLSON: On a point of procedure, we are questioning this witness here and before we discuss the question of filing telegrams we should dispose of the witness.

The CHAIRMAN: All right.

Mr. NICHOLSON: I wonder if Mr. Moore can give the committee any information as to the 993 on the Canadian Pacific who are working and who have less than eight years' seniority.

Mr. MOORE: 223 have twenty-three years' service. Wait a minute. I must make a correction, hired in 1923.

By Mr. Nicholson:

Q. You say 993 Canadian Pacific employees worked at the head of the lakes to Broadview. My question was how many of these 993 would have less than fifteen years' seniority?—A. Oh! I would not like to make a rash statement on that, but many, many men were hired this year and last year.

Q. Have you any idea of the number hired with less than five years' seniority?—A. I would state less than two years roughly one hundred, possibly two hundred. You see, I could not answer that question because day and date is not worked on the seniority list; but that can be easily found out. Little terminals on the C.P.R. have hired 40 to 60 men and utilized at the same time 18 or 22 of ours.

Mr. MAYBANK: Are there not war plants of some kind on the Canadian National and Canadian Pacific that divide up their business?

Mr. VAUGHAN: There are not very many large munitions plants in the west.

Mr. MAYBANK: What about airports?

Mr. VAUGHAN: The largest one, I think, is at Trail on the Canadian Pacific. Then there is the one at Calgary and the cordite plant at Transcona. These are three of the largest plants in the west.

Mr. MAYBANK: Airports?

Mr. VAUGHAN: Yes, there are more airports on the Canadian Pacific in the west; I think, though, that there are probably more in the east on our lines.

Mr. MAYBANK: Some of the airports are jointly served?

Mr. VAUGHAN: Oh, yes.

Mr. MAYBANK: Take Neepawa.

Mr. VAUGHAN: Yes, many of them are jointly served.

Mr. MAYBANK: It is jointly served, is it? How do you do out of places like that?

Mr. MOORE: I have a communication here, Mr. Chairman, that I would submit to the committee or let the committee decide.

The CHAIRMAN: It is part of your testimony?

Mr. MOORE: It has been sent to me.

The CHAIRMAN: Perhaps you had better read it in the record if it is sent to you. If you want to use it you had better read it in.

Mr. MOORE: I will leave it to you to decide. I receive many of these. Many I turn down entirely because I cannot prove the fact; I do not know whether it is a fact or not.

(After hearing the communication read it was decided that it would not be placed in the record.)

Mr. McCULLOCH: Does the same union control the C.P.R. and C.N.R. employees?

Mr. MOORE: Yes.

Mr. McCULLOCH: What is the matter with the union that they have not looked after this matter?

Mr. MOORE: That is entirely a matter that is up to the company. It was impossible for them to get men without employing our men and just at the time they needed them we still required a certain number of them and we thought the business would revive. There are many reasons for that. It tapered off during the summer, then during the winter it fell off entirely to December 20 and has not come back since. But this is a condition that arose in the last year and six months. I can safely say that in the last year and six months all this has come about. Prior to that our traffic was satisfactory to the men themselves.

Mr. MAYBANK: May I interject one question to Mr. Vaughan with reference to that telegram that was referred to a short time ago. Have you taken any steps to have similar telegrams or dissimilar telegrams to that one remitted here?

Mr. VAUGHAN: No, sir, we have done nothing of the kind.

Mr. MAYBANK: If you had done so do you know what the result would be?

Mr. VAUGHAN: There would be a great many telegrams coming here.

Mr. MAYBANK: You have not fired any telegrams?

Mr. VAUGHAN: Absolutely not.

Mr. BERCOVITCH: It would not be necessary for you to fire any telegrams because we are all here listening to the testimony, and there is no occasion to send telegrams. The C.P.R. is not here and they are not represented. I for one have not any prejudice one way or another but before anything is done we should consider this matter. Before anything is done we should give the C.P.R. a chance to be heard.

Mr. NICHOLSON: Mr. Bercovitch mentioned a short time ago that giving a larger percentage of business to the C.N.R. would result in C.P.R. employees being laid off. I wonder how many of the C.P.R. employees who would be affected have been employed for, say, ten years or more. It seems to me that these men—437 in number—with fifteen years or more seniority are in a slightly different category to men who have been employed for the last year or two. Have you any idea of the percentage of the C.P.R. employees who might be affected by giving the C.N.R. a larger percentage of the business?

Mr. MOORE: Merely those who were hired in the last year I would say.

The CHAIRMAN: Gentlemen, have you any further questions to ask of the witness; if not I shall thank Mr. Moore for his presentation.

Mr. MOORE: Mr. Chairman, and gentlemen of the committee, I thank you for hearing me.

The CHAIRMAN: Now, gentlemen, what are we going to do about this matter of receiving telegrams? Are they to be admitted to the record of the meeting?

Mr. NICHOLSON: In view of the effort to conserve paper I would suggest that no action be taken in regard to those telegrams.

The CHAIRMAN: I am going to put the matter to the committee. I am not going either to admit or exclude them.

Mr. BERCOVITCH: I move that the telegrams be excluded.

Mr. GRAY: I second the motion.

(Motion agreed to).

Mr. ROSS (*Moose Jaw*): Mr. Chairman, I realize that the committee has decided to exclude these telegrams from the record, but as a member representing a constituency which has a very large number of employees of the Canadian Pacific Railway in it I feel it is my duty to see that these telegrams get to the committee. We realize that they have come from different brotherhoods of railway trainmen, telegraphers, etc., in that part of the country. I, therefore, would like to be able to present these telegrams to the chairman of the committee so that during your deliberations they might be read to the members of the committee and that the viewpoint of these people be put before the members.

The CHAIRMAN: As I say the committee has excluded the entrance of those telegrams to the record of the committee. You could leave them with the chairman and they can be read to the committee at another time.

Mr. DONNELLY: We have already received telegrams.

Mr. BRADETTE: No one can have any objection to those telegrams forming an appendix.

Mr. ROSS (*Moose Jaw*): I will present them to the committee.

The CHAIRMAN: The reception of those telegrams will be noted in the minutes.

Now, gentlemen, there is still other business for this committee to do. We have to draft a report after studying the minutes, and the drafting of that report is usually left to a subcommittee. With all due respect I do think that the members of this committee should devote a little time to the study of the minutes if they are not already fully cognizant of what they contain, and decide what their attitude will be to the report. To expedite matters I suggest that a small committee might be appointed for the purpose of drafting a report and submitting it to the general committee.

Before we conclude our sitting I wish to express the thanks of this committee—and I am sure I have the endorsement of all members of the committee—to the officers from the president down of the Canadian National Railways for their patience and courtesy while appearing at these meetings.

Mr. VAUGHAN: Before we leave I should like to express on behalf of the officers of the Canadian National Railways and myself, to you, Mr. Chairman and members of the committee, our appreciation for the courtesy and consideration you have shown us during these sittings of the committee. The Canadian National Railways is a very big problem and it is difficult sometimes to have answers to all the questions that are asked of us, but we do the best we can, and if any member of the committee wants any question answered at any time and we have not got the answer with us we shall always be glad to get it.

Mr. EMMERSON: Are we giving up the idea of hearing from the R.C.A.F.?

The CHAIRMAN: Well, you know as much about that as I do. We have asked them to appear. It was quite hopeless, however, for Mr. Ralston to come yesterday and it has been hopeless to have Mr. Power before the committee. We will have to have one more meeting of the committee anyway and

if you want to have somebody else before us at a future meeting you had better decide.

Mr. EMMERSON: I think we should have.

The CHAIRMAN: Let us settle about the matter of the appointment of a subcommittee before we close today.

Mr. SANDERSON: Mr. Chairman, I think before you decide on the matter of a subcommittee we should hear someone testify from the Air Force—you have authority to do that—or drop the matter.

The CHAIRMAN: That matter is before the committee. I have not excluded it. It is something to be settled.

Mr. McCULLOCH: I move that the chairman appoint a committee of three to act with him in the preparation of a report to be presented to the committee.

Mr. NICHOLSON: I support the idea suggested by Mr. Sanderson that we hear the Minister for Air. We should meet at the call of the chair as soon as possible to hear the Minister of National Defence for Air, and after we hear him we can appoint a subcommittee.

The CHAIRMAN: We have two motions before us. I shall put the first one which is that the chairman be delegated to select a committee of three to assist him in the drafting of a report for submission to the committee.

(Motion carried).

The CHAIRMAN: Now, we have before us the motion of Mr. Nicholson with regard to hearing somebody from the Department of Air.

Mr. NICHOLSON: I think before the report of the subcommittee is submitted we should hear from the Department of Air. I move that the chair arrange to have the Minister of National Defence for Air meet this committee at a convenient time.

Mr. DONNELLY: I would suggest that the chairman appoint his committee to draft a report and that when we meet again we can hear representations from the Department of Air.

The CHAIRMAN: We will have them here.

Mr. DONNELLY: I would move then that we adjourn to the call of the chair, and at the next meeting when we consider the report of the subcommittee that the chairman have a representative from the Department of Air to meet the committee.

Mr. SANDERSON: Mr. Chairman how can you go on and prepare a report before you have someone here from the Air Force to testify?

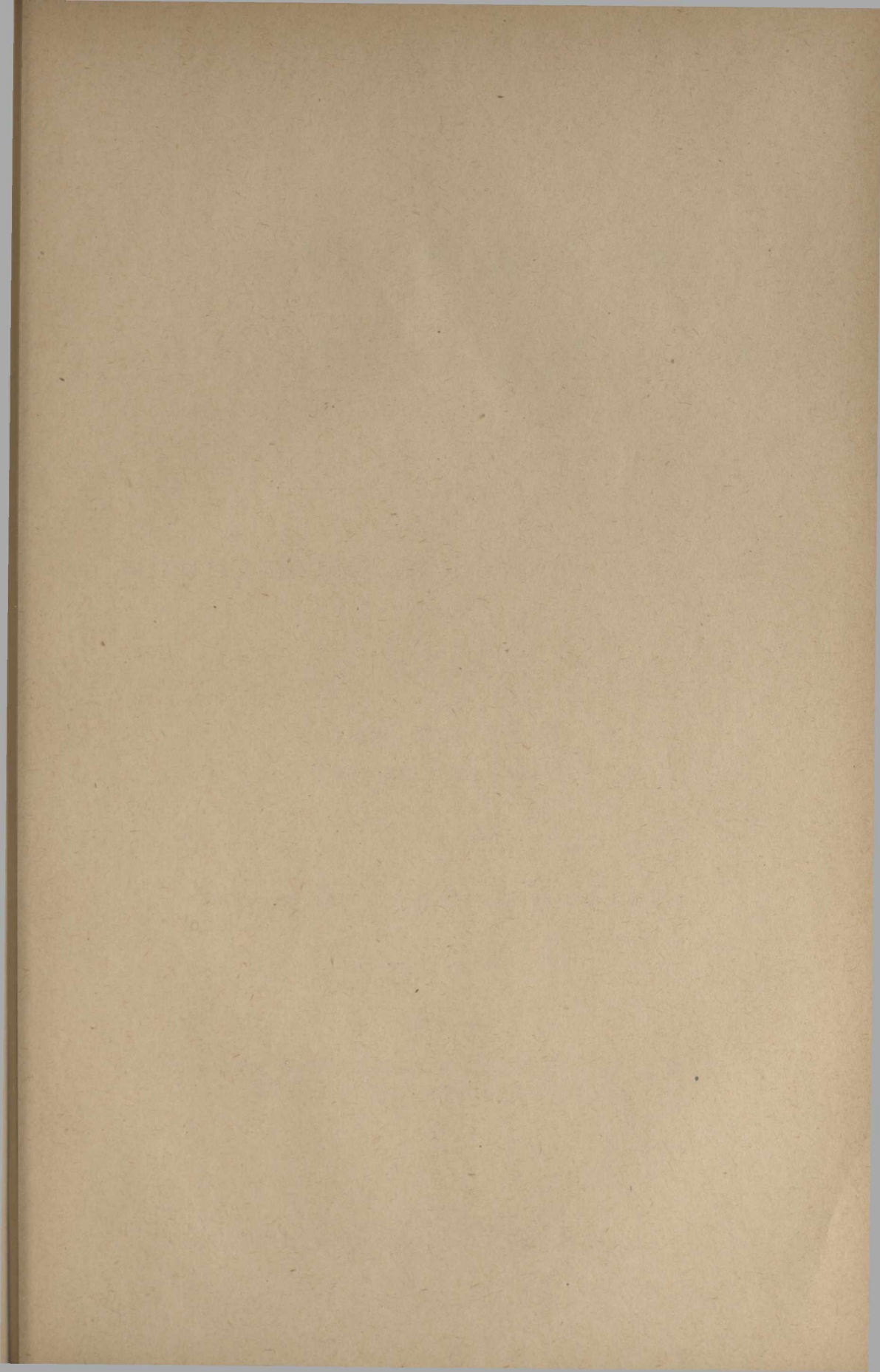
The CHAIRMAN: We can think about a report.

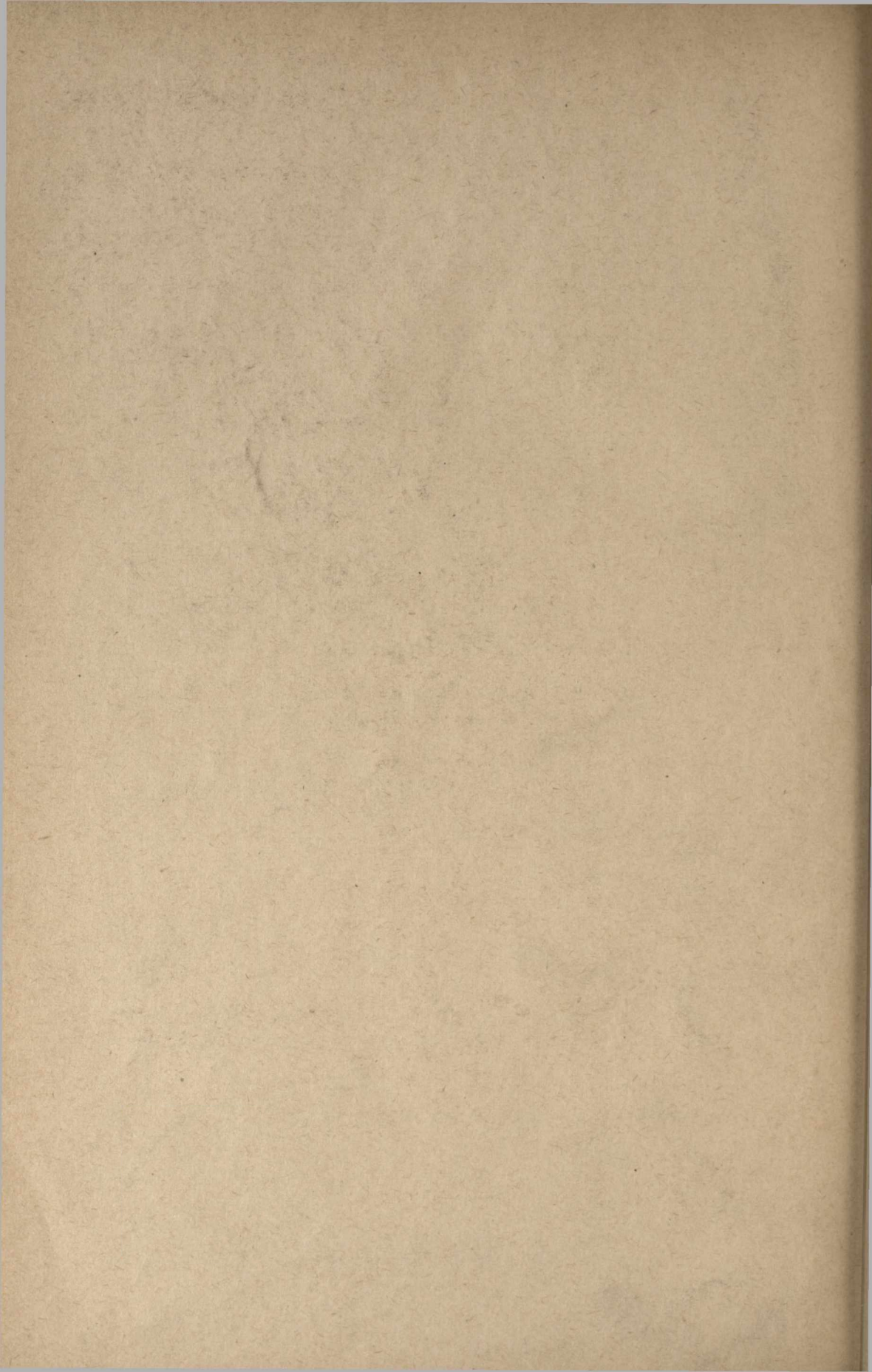
Mr. SANDERSON: Yes, we can do that, but I do not think your report will be correct or right unless you have somebody here from the Air Force and get his evidence first.

Mr. DONNELLY: We will get the Air Force man to give his evidence before we consider the report, and we can make whatever changes may be necessary in the report.

(Motion carried).

The committee adjourned to the call of the chair.





SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE
ON
RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 6

Friday, May 15, 1942
Tuesday, June 2, 1942

Including the Third Report to the House

WITNESS:

Major the Honourable C. G. Power, M.C., K.C., M.P.,
Minister of National Defence for Air.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277,

FRIDAY, May 15, 1942.

The Standing Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 10.00 o'clock a.m. The Chairman, Mr. J. P. Howden, presided.

Members present: Messrs. Donnelly, Emmerson, Hanson (*Skeena*), Hazen, Howden, Jackman, McCulloch, Nicholson, Shaw, Sissons—10.

In attendance: Commodore C. P. Edwards, Deputy Minister of the Department of Transport; Mr. M. F. MacLennan, Chief Treasury Officer; Mr. F. K. Hollyman, Traffic Manager, R.C.A.F.

The Chairman informed the Committee that a number of communications with respect to the division of government-controlled business between the C.N.R. and the C.P.R., addressed to the Prime Minister and to the Minister of Transport, had been filed with the Committee and were available for the information of the members. These emanated from the following organizations:—

Lodge 122, International Association of Machinists, Winnipeg.
British Columbia Commercial Telegraphers Union, C.P.R. Division No. 1, Vancouver, B.C.
Electoral Workers, C.P.R., Montreal, P.Q.
Brotherhood of Railway Carmen, Local 236, Kenora, Ont.
Ste. Marie Lodge, 234, BRCOF A, Montreal, Que.
Pipefitters, Canadian Pacific Railway, Montreal.
C.P.R. Federated Trades Council, Winnipeg, Man.
Machinists Apprentices and Helpers, C.P.R., Montreal.
Commercial Telegraphers Union, Moose Jaw, Sask.
International Brotherhood of Boiler Makers and Helpers, Montreal.
B.C. Commercial Telegraphers Union, C.P.R. Division No. 1, Vancouver, B.C.
Order Railroad Telegraphers, Winnipeg.
Brotherhood of Railroad Trainmen, Winnipeg, Man.
C.P.R. System, Division No. 1, Winnipeg, Man.
C.P.R. System Federation No. 125, Montreal, Que.
C.P.R. Maintenance of Way Employees, Norwood, Man.
Employees, Canadian Pacific Lines East, Smiths Falls, Ont.
Alberta District Commercial Telegraphers Union, Calgary, Alta.
Division 657, B. of L.E., Revelstoke, B.C.
C.P.R. System, Division No. 1, Winnipeg, Man.
C.P.R. System Federation No. 125, Montreal, Que.
Commercial Telegraphers Union, Alberta District, Calgary, Alta.
International Brotherhood Firemen and Oilers, Toronto, Ont.
Brotherhood of Locomotive Firemen, Local 309, Montreal.
International Unions, C.P.R., Toronto.
Brotherhood of Locomotive Engineers, C.P.R., Montreal.
Brotherhood of Locomotive Engineers, Division 528, London, Ont.
Lodge 134, Brotherhood of Locomotive Firemen and Enginemen, Farnham, Que.
General Chairman, C.P.R. System, Montreal, Que.

Commercial Telegraphers Union, Eastern District, C.P.R., Division No. 1, Montreal.

Brotherhood of Railway Carmen, Lodge No. 239, Farnham, Que.

International Unions, C.P.R., Toronto, Ont.

C.P.R. Order of Railway Conductors, Toronto, Ont.

Commercial Telegrams Union, Ontario District, C.P.R., Toronto.

Commercial Telegraphers Union, C.P.R., Saint John, N.B.

Brotherhood of Locomotive Engineers, Montreal, Que.

Order of Railroad Telegraphers, Winnipeg, Man.

Telegraphers Union, Ontario District, C.P.R., Toronto.

Federated Trades, C.P.R., Vancouver.

Revelstoke Board of Trade, Revelstoke, B.C.

C.P.R. Order Railway Conductors, Toronto, Ont.

Brotherhood of Railway Carmen, Lodge 234, Montreal, Que.

C.P.R. System, Division No. 1, Atlantic District, Commercial Telegraphers Union, Saint John, N.B.

Brotherhood of Railway and Steamship Clerks, Montreal.

International Association of Machinists, Montreal.

International Sheet Metal Workers, Montreal.

Brotherhood of Locomotive Engineers, Kitchener Division No. 562, Schreiber, Ont.

Order of Railroad Telegraphers, C.P.R. Division 7, Montreal.

International Association of Machinists, Victoria Lodge 111, Montreal.

W. H. Hughes, General Chairman, Blacksmiths, C.P.R., Montreal.

Brotherhood of Locomotive Engineers, North Bay, Ont.

Major the Honourable C. G. Power, M.C., was then called.

The Minister of National Defence for Air was assisted by Mr. F. K. Hollyman, Traffic Manager for the Department. The Minister furnished the Committee with certain figures pertaining to the division of government-controlled business between the Canadian National Railways and the Canadian Pacific Railway. He was examined at some length and after being thanked by the Chairman for attending before the Committee he retired.

The Committee then continued their sitting in camera to take into consideration the Report of the Committee to the House.

At 11.00 o'clock a.m. the Committee adjourned to meet again at the call of the Chair.

HOUSE OF COMMONS, ROOM 277,

TUESDAY, June 2, 1942.

The Committee met in camera this day at 10.00 o'clock a.m. The Chairman, Mr. J. P. Howden, presided.

Members present: Messrs. Bradette, Donnelly, Emmerson, Ferland, Gray, Hanson (*Skeena*), Harris (*Danforth*), Hazen, Howden, Jackman, Lockhart, McCulloch, Maybank, Nicholson, Pouliot, Ross (*Middlesex East*), Sanderson, Shaw.

The Chairman informed the Committee that a number of telegrams and other communications with respect to the division of government-controlled business between the C.N.R. and the C.P.R., addressed to the Prime Minister and to the Minister of Transport, had been filed with the Committee and were available for the information of the members. These emanated from the following organizations:—

International Brotherhood of Firemen and Oilers, Lovel, 929, Moose Jaw, Sask.

International Brotherhood of Firemen and Oilers, Regina, Sask.

Brotherhood of Locomotive Engineers, Lodge 258, and International Brotherhood of F. & O., Lodge 335, Montreal, P.Q.

Brotherhood of Railroad Trainmen of Quebec Central Railways, Sherbrooke, P.Q.

Order of Railway Telegraphers, Quebec Central Railways, Sherbrooke, P.Q.

Order of Railway Conductors, Québec Central Railways, Sherbrooke, P.Q.

Brotherhood of Locomotive Engineers, Quebec Central Railways, Sherbrooke, P.Q.

Brotherhood of Locomotive Firemen and Enginemen, Quebec Central Railways, Sherbrooke, P.Q.

International Association of Machinists, Victoria Lodge 111, Montreal.

C.N.R. System Federation No. 11, Railway Employees Dept., A.F. of L., London, Ontario.

The Committee considered the proposals submitted for the Report to the House.

On motion of Mr. Gray, paragraphs 1 and 2 were adopted on division.

On motion of Mr. Hazen, paragraph 3 as suggested by Mr. Gray was adopted on division.

Mr. Donnelly then moved that the proposal submitted by Mr. Shaw be deleted.

And the question being put on the said motion it was resolved in the affirmative on the following division: Yeas, 11; Nays, 4.

On motion of Mr. Jackman paragraph 4 of the Report was adopted on division.

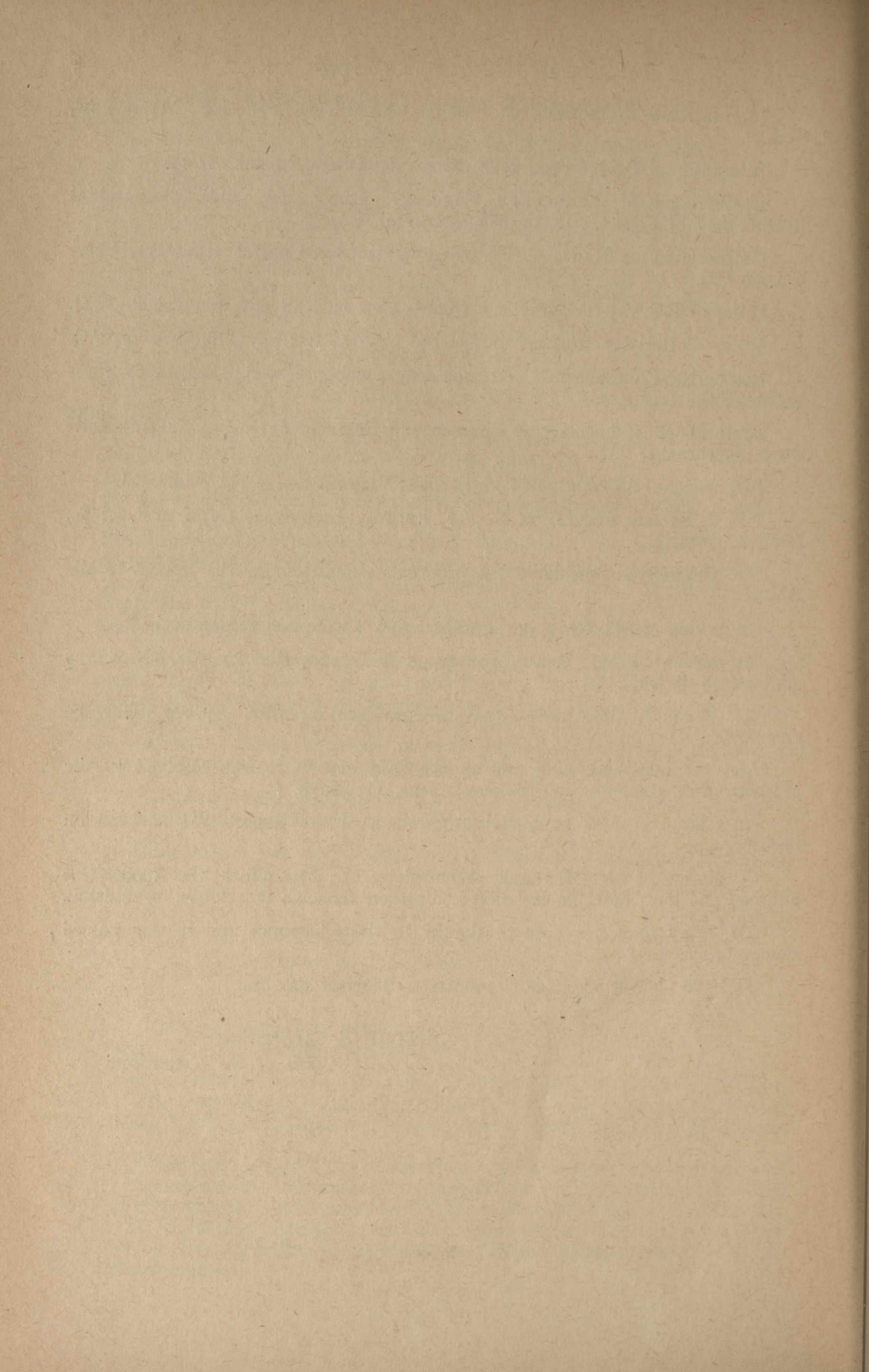
On motion of Mr. Maybank, seconded by Mr. McCulloch, the Report was adopted and the Chairman instructed to present same to the House, on division.

Mr. Gray moved a vote of thanks to the Chairman and it was passed unanimously.

At 11.05 o'clock a.m., the Committee adjourned *sine die*.

ANTOINE CHASSE,

Clerk of the Committee.



MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277

May 15, 1942.

The Select Standing Committee on Railways and Shipping met this day at 10 o'clock a.m. The Chairman, Mr. J. P. Howden, presided.

The CHAIRMAN: Gentlemen, I do not think the chairman needs to make any announcement as to why we are meeting this morning; there is a dual purpose: first to hear the Hon. Mr. Power on some testimony with regard to the division of government business as between the railways so far as his department is concerned, and then to consider our report. I think Mr. Power understands why we want him here and I will ask him to say a word or two in regard to the matter of the distribution of business between the railways, and probably we will save a lot of questioning.

Hon. Mr. POWER: What is it you wish to know?

The CHAIRMAN: We would like to know how you divide the railway business so far as your department is concerned?

Hon. Mr. POWER: I have a statement here concerning the payments made to the Canadian National Railways and the Canadian Pacific Railway for transportation, express, freight and telegrams during the fiscal year 1941-42 on account of Air Force services, and I shall put this statement in the record.

STATEMENT OF THE PAYMENTS MADE TO THE CANADIAN NATIONAL RAILWAYS AND THE CANADIAN PACIFIC RAILWAY FOR TRANSPORTATION, EXPRESS, FREIGHT AND TELEGRAMS DURING THE FISCAL YEAR 1941-42 ON ACCOUNT OF AIR FORCE SERVICES

1941-42	C.N.R.	C.P.R.
	Transportation	
April 1 to June 30/41.....	\$ 269,994 41	\$ 409,904 69
July 1 to September 30/41.....	537,675 61	627,211 51
October 1 to December 31/41.....	1,566,627 92	1,315,022 94
January 1 to March 31/42.....	1,407,369 34	1,343,744 26
	\$3,781,667 28	\$3,695,883 40
	50·6%	49·4%
	Express	
April 1 to June 30/41.....	\$ 3,036 43	\$ 12,607 30
July 1 to September 30/41.....	8,495 34	19,328 34
October 1 to December 31/41.....	26,497 83	29,562 30
January 1 to March 31/42.....	79,331 23	53,144 97
	\$ 117,360 83	\$ 114,642 91
	50·6%	49·4%
	Freight	
April 1 to June 30/41.....	\$ 394,787 78	\$ 139,189 11
July 1 to September 30/41.....	745,200 46	173,155 23
October 1 to December 31/41.....	605,241 61	266,050 70
January 1 to March 31/42.....	514,122 21	403,453 31
	\$2,259,352 06	\$ 981,848 35
	69·7%	30·3%
	Telegrams	
April 1 to June 30/41.....	\$ 29,354 28	\$ 21,229 45
July 1 to September 30/41.....	47,719 57	37,736 67
October 1 to December 31/41.....	53,709 94	43,953 75
January 1 to March 31/42.....	53,664 25	36,124 33
	\$ 184,448 04	\$ 139,044 20
	57%	43%
	C.N.R.	C.P.R.
Total Payments.....	\$6,342,828 21	\$4,931,418 86
	56·3%	43·7%

Mr. NICHOLSON: As regards transportation you gave the percentage as 48·4 per cent.

Hon. Mr. POWER: It is 49·4 per cent—50·6 per cent as against 49·4 per cent.

The CHAIRMAN: Do you wish to interrogate the minister?

Mr. NICHOLSON: I should like to ask the minister something with regard to the policy of the department.

Hon. Mr. POWER: I am not very clear on the last policy, but I think I can remember it. They are all in our files.

I have here a memorandum of June 11, 1940, from the executive assistant, a copy of which I shall file if the committee will permit me to do so: It reads:—

As pointed out by the A.M.E.S. in his memorandum the attached file raises a question of policy.

I do not remember just what it was but I am advised that it was on a question of routing airplanes from the seaboard to Camp Borden and Trenton.

The question is whether instructions should be issued that the C.P.R. should, wherever possible, be given a share of the business of hauling aircraft to the various aerodromes.

Could a decision be given on the question of policy, please?

(Sgd) Terence Sheard,
Executive Assistant.

I have the reply here:—

Convenience of facilities and cost of shipment are of course the first considerations. After that, we should endeavor to allocate the business on about a 50/50 basis.

C.G.P. 11/6/40.

Since that time, speaking now purely from recollection, the parliamentary committee on War Expenditures by resolution expressed the desire that the war services departments should give a greater percentage to the C.N.R. than to the C.P.R., and I have some recollection, although it is rather vague, that the deputy minister questioned me as to whether he should follow that policy or not, and I believe that some time last summer I said: "Go ahead."

Mr. JACKMAN: That is this committee?

Hon. Mr. POWER: No; the Committee on War Expenditures last year. I said: "Go ahead and follow that as far as you can, always taking into consideration the efficiency of the service"; and it may be that as the result of that the figures balanced more towards the C.N.R. than the C.P.R. The only thing I have in writing is what I have read here. My deputy is out west and will not be back until tomorrow, when I will have to check with him. My understanding from the officers is—I do not remember exactly whether that is in the report of this committee—that they recommended splitting 65-35 in favor of the C.N.R.; that is subject to correction.

The CHAIRMAN: We did not, in our report.

Hon. Mr. POWER: I am speaking of the War Expenditures Committee, not yours.

Mr. DONNELLY: Did you ever hear of any instruction that the railway business should be divided 50-50?

Hon. Mr. POWER: No; but I have sat in this committee many years, and my impression is that we always had that in mind, during the time I was a member of this committee, to give an equal break as far as possible to both

railways. That seemed to be the policy that we were endeavoring to promulgate at that time.

Mr. CHAIRMAN: That seemed to have been a recognized and accepted principle at the time.

Hon. Mr. POWER: It seems to me that the matter was stated in the House by different railway ministers, off and on, that that should be the policy.

Mr. DONNELLY: It has been reported that instructions were sent out in 1938 that their business would be divided 50/50.

Hon. Mr. POWER: We did not exist then.

Mr. JACKMAN: I suppose when both railways were laying off men in 1933 the reason for going on a 50/50 basis would be to minimize unemployment.

Hon. Mr. POWER: At that time the government was advancing money to the C.P.R. and paying heavy deficits on account of the C.N.R.

Mr. HAZEN: I think the matter must have come prominently before the government in 1931, 1932 and 1933. I went down to the Library recently and noted that in 1933 the Canadian National-Canadian Pacific Act was passed, and the 50/50 basis must have been adopted then, only, I would think, after very careful consideration by the government, and that it was not any matter of hit and miss. The matter must have come fully before them before they decided on that ratio.

Hon. Mr. POWER: My view is that even before 1933 it was a kind of an unofficial policy; that is my understanding of it.

Mr. HAZEN: I do not understand the War Expenditures Committee making a recommendation like this.

Hon. Mr. POWER: Neither do I. Here is the memorandum. Do you want it read in the record?

Mr. HAZEN: Yes.

Hon. Mr. POWER: The memorandum is dated December 6, 1941, and is addressed to A.M.S., or the Air Member of Supply:—

I quote from the report of the War Expenditures Committee of the House of Commons, pages 584 and 585 as follows:—

Regarding war expenditures in connection with transportation, freight, express and telegraph service the departments concerned should carefully consider possible economies by the more extended use of the government-owned-and-controlled railway system.

I presume that due regard is given to this suggestion and would appreciate if you would advise me what steps have been taken to see that use is made of the government-owned-and-controlled railway system where such is possible.

(Sgd.) N. G. NORMAN,
Financial Adviser—B.C.A.T.P.

Then there is a minute to the D.S.A., or the Director of Supply and Administration:—

What is our present practice as regards division of traffic between C.P.R. and C.N.R.? My last recollection is of a 50/50 split between the two in respect of traffic available to both.

(Sgd.) S. G. TACKABERRY,
A/Cdre A.M.S.

8/12/41.

Mr. SISSONS: That recommendation was put in after a very lengthy debate.

Mr. JACKMAN: Do you think that is an infringement of our jurisdiction? We are not recommending how to conduct their committee.

Mr. DONNELLY: The actuating principle with reference to the business of the two railways is service and cost.

Hon. Mr. POWER: So far as I am concerned if the government decides on a policy, we will follow it, provided we can get instructions.

Mr. HOLLYMAN: Cost does not enter into the transaction because the roads are all competitive when the traffic is moving to and from competitive points.

Mr. NICHOLSON: In these figures furnished by the minister I noticed that for the C.N.R. the figure for April 1 to June 30, 1941 is \$269,994.41 and for the C.P.R. \$409,904.69. Then for July 1 to September 30, 1941, the figure for the C.N.R. is \$537,675.61 and for the C.P.R. \$627,211.51. I notice a change in the percentage there. Is that due to an accident, or have you tried deliberately to give them a larger share?

Hon. Mr. POWER: That is personnel movement. Personnel movement is undertaken by the Air Member for Personnel; but I would not hesitate to say that after he checked his figures for a certain period he would say: "Let us bring this up and square it away as much as possible."

Mr. NICHOLSON: When the other cabinet ministers were here they were asked if they would give consideration to allowing the railways to compete on a service basis, withdrawing any instructions with regard to 50-50 distribution of business. Would the minister be good enough to indicate what the views of his branch of the service on that matter are?

Hon. Mr. POWER: I have told you what the policy of the government is in this regard. Providing we can get efficiency we are quite satisfied. Whatever policy the government indicates, we will follow that out; we are there as servants of the state.

The CHAIRMAN: Gentlemen, Mr. Power has an important meeting at 11 o'clock and unless there are further questions to proffer I think we should release him.

Mr. HANSON: I think he has given us all the information we require.

The CHAIRMAN: I think so too.

Hon. Mr. POWER: Mr. Hollyman is here, if you want to get any further details.

The CHAIRMAN: I think not.

Mr. NICHOLSON: I have one more question, Mr. Chairman; in connection with a point like Moncton, for example, where you have a very good train service; how do you distribute your business from that point?

Mr. HOLLYMAN: As far as freight and express traffic are concerned that all moves exclusively over Canadian National in and out of Moncton.

Mr. NICHOLSON: What about telegrams?

Mr. HOLLYMAN: I am not familiar with telegrams.

Mr. DONNELLY: Some of these arrangements seem rather ridiculous to us; for instance, we have a man going from Melville down to Halifax and we are told that he would travel from Melville which as you know is a Canadian National point over that railway, and that he would take the C.P.R. to Montreal from Winnipeg, and then the Canadian National from there down to Halifax. That seems ridiculous to us.

Hon. Mr. POWER: The present routings are made in accordance with government policy. I do not make government policy, I only see that it is carried out.

The CHAIRMAN: Thank you, Mr. Power.

(The committee continued its deliberations in camera.)

REPORT TO THE HOUSE

TUESDAY, June 2, 1942.

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

THIRD REPORT

Your Committee notes with satisfaction the continued and material improvement in all branches of the transportation system.

Extension of the Trans-Canada Airways to provide service with Newfoundland and subsequently with the Yukon Territory is also viewed with pleasure by your Committee. In this regard, however, some concern is felt in that a competing company at present in control of extensive branch lines from coast to coast, may seek the right to operate a trans-Canada service. With any such suggestion the Committee is in disagreement.

In the opinion of your Committee there should be no departmental instructions as to the routing of traffic but every transportation company should be allowed to compete on its merits.

Your Committee recommends that standardized accounting practices be made applicable to all Canadian railways at the first opportune time.

A copy of the printed evidence taken is tabled herewith.

All of which is respectfully submitted.

J. P. HOWDEN,
Chairman.

