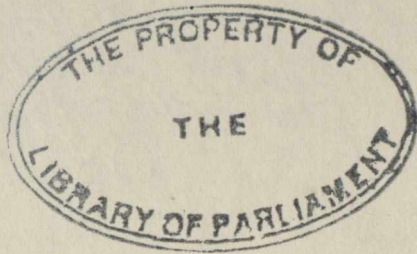






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Owned, Operated and Controlled  
by the Govt, 1949.



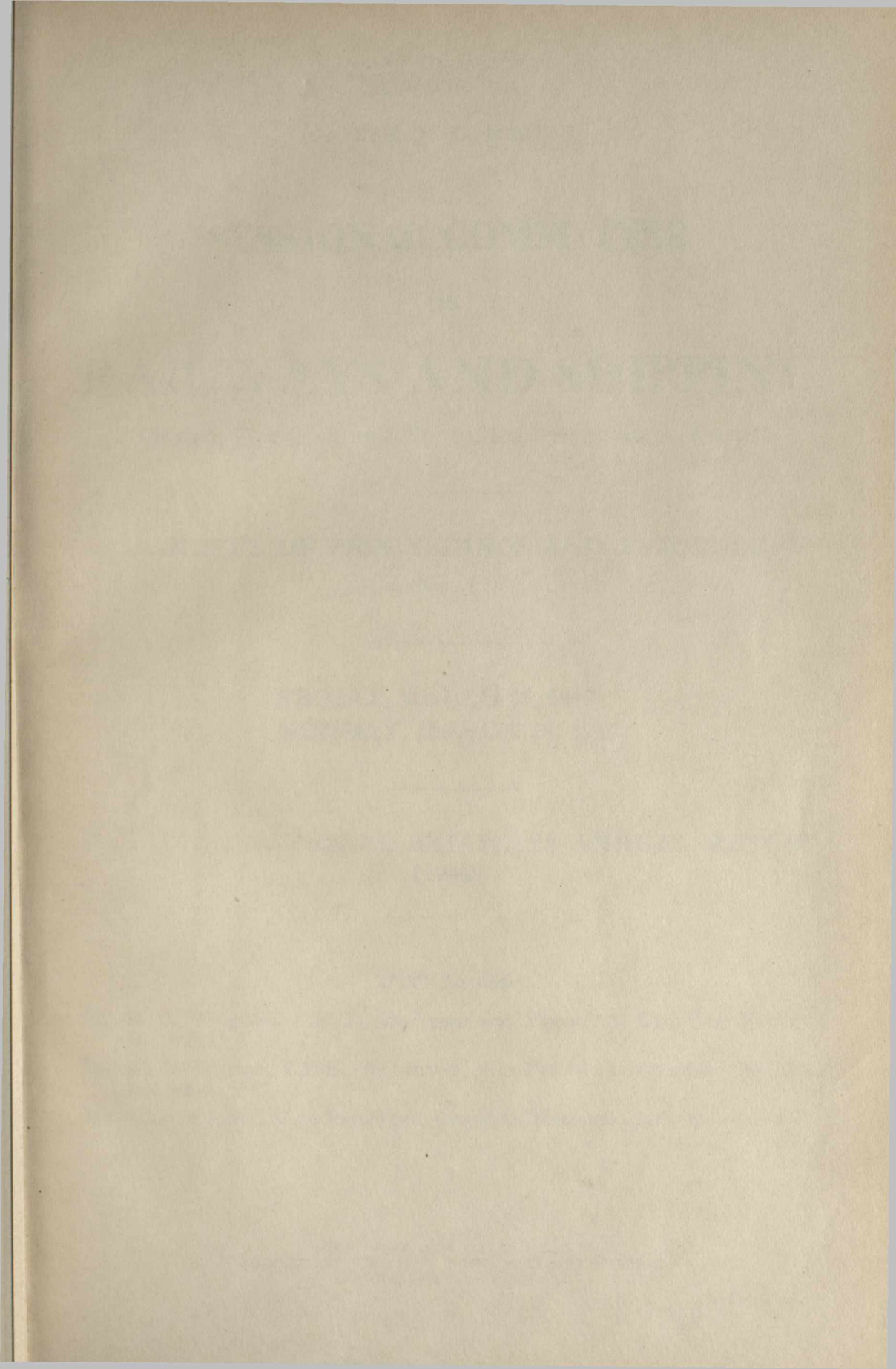
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SESSION 1949

HOUSE OF COMMONS

## SESSIONAL COMMITTEE

ON

# RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

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FRIDAY, MARCH 25, 1949

MONDAY, MARCH 28, 1949

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CANADIAN NATIONAL RAILWAYS ANNUAL REPORT  
(1948)

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### WITNESSES:

- Mr. R. C. Vaughan, C.M.G., Chairman and President, Canadian National Railways;
- Mr. N. B. Walton, C.B.E., Executive Vice-President, Canadian National Railways;
- Mr. T. H. Cooper, Vice-President, Canadian National Railways.





## ORDERS OF REFERENCE

HOUSE OF COMMONS

MONDAY, 21st March, 1949

*Resolved*,—That a Sessional Committee on Railways and Shipping owned, operated and controlled by the Government, be appointed to consider the accounts and estimates and bills relating thereto of the Canadian National Railways, the Canadian National (West Indies) Steamships, and Trans-Canada Air Lines, saving always the powers of the Committee of Supply in relation to the voting of public moneys; and that the said Committee be empowered to send for persons, papers and records and to report from time to time, and that notwithstanding Standing Order 65, in relation to the limitation of the number of members, the said Committee consist of Messrs. Bourget, Chevrier, Clark, Emmerson, Fulton, Gibson (Comox-Alberni), Hatfield, Hazen, Hlynka, Jackman, LaCroix, Lafontaine, Lockhart, Maybank, McCulloch (Pictou), McLure, Moore, Mutch, Nicholson, Picard, Pouliot, Reid, Warren.

TUESDAY, March 22, 1949.

*Ordered*,—That the Annual Report of the Trans-Canada Air Lines for the year ended December 31, 1948, and the Auditors' report to Parliament for the year ended December 31, 1948, in respect to Trans-Canada Air Lines, tabled this day, be referred to the said Committee.

*Ordered*,—That the Budget of the Canadian National Railways and the Canadian National (West Indies) Steamships, Limited, for the calendar year 1949, and the Annual Report of the Canadian National Railways Securities Trust for 1948, tabled this day, be referred to the said Committee.

*Ordered*,—That the Annual Reports for 1948 of the Canadian National Railway System, the Canadian National (West Indies) Steamships Limited, and the Auditors' Report to Parliament in respect to the Canadian National Railway System and the Canadian National (West Indies) Steamships Limited, tabled on March 18, 1949, be referred to the said Committee together with the following items of estimates for 1949-50:

Vote 488—Maritime Freight Rates Act, Canadian National Railways;

Vote 489—Maritime Freight Rates Act, Railways other than Canadian National;

Vote 556—Prince Edward Island Car Ferry and Terminals, deficit 1949;

and that the Resolution passed by the House on March 14, 1949, referring certain estimates to the Committee of Supply, be rescinded in so far as the said Resolution relates to Votes Nos. 488, 489 and 556.

THURSDAY, March 24, 1949.

*Ordered*,—That the name of Mr. Beaudry be substituted for that of Mr. Lafontaine on the said Committee.

FRIDAY, March 25, 1949.

*Ordered*,—That the said Committee be empowered to reduce its quorum from 12 to 8 members, and that section 3 of Standing Order 65 be suspended in relation thereto.



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

*Ordered*,—That the said Committee be given authority 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.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

## REPORT TO THE HOUSE

FRIDAY, March 25, 1949.

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

### FIRST REPORT

Your Committee recommends:

1. That it be empowered to reduce its quorum from 12 to 8 members, and that section 3 of Standing Order 65 be suspended in relation thereto.
2. That it be granted leave to sit while the House is sitting;
3. That it be given authority 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.

All of which is respectfully submitted.

S. M. CLARK,  
*Chairman.*

The said report was concurred in this day.



## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430

FRIDAY, March 25, 1949

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 10.15 o'clock a.m.

*Members present:* Messrs. Beaudry, Chevrier, Clark, Emmerson, Fulton, Hatfield, Hlynka, Maybank, McCulloch (*Pictou*), McLure, Moore, Mutch, Nicholson, Reid, Warren.

The Clerk of the Committee invited nominations for the position of Chairman.

Whereupon, on motion of Mr. Emmerson, Mr. S. M. Clark, member for Essex South, was elected Chairman.

Mr. Clark took the Chair and after thanking the members for the honour bestowed upon him he read the Order of Reference.

On motion of Mr. McLure, Mr. McCulloch, Member for Pictou, was elected Vice-Chairman.

The Committee then proceeded to its organization.

On motion of Mr. McCulloch (*Pictou*),

*Resolved:* That the House be asked to reduce the quorum of the Committee from 12 to 8 members.

On motion of Mr. Warren:

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

On motion of Mr. Maybank:

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

After some discussion it was agreed that the Committee would hold its next sitting at 10.30 o'clock a.m., Monday, March 28, 1949, at which time the officials of the Canadian National Railways would attend.

It was ordered that First Report of the Committee be presented to the House forthwith.

At 10.50 o'clock a.m., the Committee adjourned to meet again at 10.30 o'clock a.m., Monday, March 28, 1949.

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HOUSE OF COMMONS, Room 430,

MONDAY, March 28, 1949.

The Committee met this day at 10.30 o'clock a.m., Mr. S. M. Clark, Chairman, presided.

*Members present:* Messrs. Chevrier, Clark, Emmerson, Gibson (*Comox-Alberni*), Hazen, Hlynka, Lockhart, Maybank, McCulloch (*Pictou*), McLure, Moore, Mutch, Nicholson, Pouliot, Reid, Warren.



*In attendance:* Messrs. R. C. Vaughan, C.M.G., President; N. B. Walton, C.B.E., Executive Vice-President; T. H. Cooper, Vice-President; of the Canadian National Railways; Mr. J. C. Lessard, Deputy-Minister of Transport.

The Chairman greeted the officials of the Canadian National Railways and invited Mr. Vaughan to read his personal annual report of the operations for the calendar year 1948.

Mr. Vaughan read the said personal report and was afterwards questioned thereon. In this he was assisted by Messrs. Walton and Cooper.

On motion of Mr. McCulloch (*Pictou*), the said report was adopted:

At 1.05 o'clock p.m., the Committee adjourned to meet again in the afternoon at 4.00 o'clock p.m.

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HOUSE OF COMMONS, Room 430,

MONDAY, March 28, 1949

The Committee met again at 4.00 o'clock p.m., the Chairman, Mr. S. M. Clark, presided.

*Members present:* Messrs. Chevrier, Clark, Emmerson, Fulton, Gibson (*Comox-Alberni*), Hazen, McCulloch (*Pictou*), McLure, Moore, Mutch, Nicholson, Pouliot, Warren.

*In attendance:* The same officials as are listed as in attendance at the morning sitting.

The Committee resumed the adjourned study of the Annual Report of the operations of the Canadian National Railways for the calendar year 1948.

Messrs. Vaughan, Walton and Cooper were questioned at length on the Consolidated Balance Sheet at 31st December, 1948, and various related accounts.

At 6.00 o'clock p.m., the Committee adjourned to meet again at 4.00 o'clock p.m., Tuesday, March 29, 1949.

ANTOINE CHASSÉ,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 28, 1949.

The Sessional Committee on Railways and Shipping met this day at 10.30 a.m. The Chairman, Mr. S. M. Clark, presided.

The CHAIRMAN: Gentlemen, I believe we have a quorum, a full quorum this time. I think we are all pleased to get back here; at least I would think so, judging from the appearance of everyone going around and shaking hands with the railway officials and others. I think the procedure we generally adopted was to have the president read his report and make any statements he wishes to make, then perhaps we could start the questioning. If that is agreed to, I would ask Mr. Vaughan to read his report and make any statements he wishes to the committee.

Mr. R. C. VAUGHAN, C.M.G. (*President, Canadian National Railways*): Thank you, Mr. Chairman. I shall now read the annual report.

MONTREAL, March 10, 1949.

The Honourable LIONEL CHEVRIER, K.C., M.P.,  
Minister of Transport,  
Ottawa.

Sir:—The following report is submitted of the operations of the Canadian National Railways for the calendar year 1948.

Reflecting the continued high level of the country's diversified business, the national railway system was again called upon to transport a very heavy traffic, only slightly lower in volume than that of 1947, which was the busiest peacetime year in the history of the system. The number of tons of freight carried, 85,240,738, was 980,541 tons or 1.14 per cent below the figure for the previous year. Passengers carried, 20,083,064, were 1,143,825 or 5.39 per cent down, continuing the trend of the post-war years. Patronage dropped somewhat at the company's hotels. Express and telegraph business was heavier than in 1947.

Notwithstanding the somewhat lower over-all traffic, gross revenue was the highest in the company's history as a result of rate increases which became effective during the year. But the increased revenue on that account was more than offset by the further large increases in labour and material costs; and in consequence there was a deficit after all charges of \$33,532,741 as compared with the deficit of \$15,885,194 in 1947.

Operating conditions were again abnormal, taxing the energy and resourcefulness of the staff. Maintenance programs were hampered by shortages of materials, appertaining particularly to track work and equipment repairs. About the middle of April there commenced on the Prairies a series of unprecedented and disruptive floods which were to affect every division of the railway between Winnipeg and the Pacific coast. The floods in British Columbia, which started about a month later, at times completely cut off rail service to Vancouver and Prince Rupert. Through service to Vancouver was interrupted from May 29 to June 29. Not only did the railway lose traffic, but the cost of rehabilitating the damaged tracks and structures necessarily had an effect upon operating expenses. On August 23 the large and important Bonaventure freight sheds in Montreal were destroyed by fire, involving a loss of about two million dollars



and increased operating expenses due to the use of temporary facilities. The new and permanent freight terminal at this point, construction of which has been commenced, will conform to the city's plans for the widening and realignment of streets in the vicinity.

The financial returns for the year were as follows:

|   | 1948             | 1947             |
|---|------------------|------------------|
| Operating revenues .....                              | \$491,269,950.00 | \$438,197,980.00 |
| Operating expenses .....                              | 464,739,970.00   | 397,122,607.00   |
| Net operating revenue .....                           | \$ 26,529,980.00 | \$ 41,075,373.00 |
| Taxes, equipment rents, and other income accounts.... | 15,232,870.61    | 13,136,222.82    |
| Available for payment of interest .....               | \$ 11,297,109.39 | \$ 27,939,150.18 |
| Interest on bonds held by the public .....            | 23,202,817.69    | 23,821,909.61    |
| Available for payment of Government interest .....    | \$ 11,905,708.30 | \$ 4,117,240.57  |
| Government interest .....                             | 21,627,032.82    | 20,002,434.85    |
| Deficit .....   | \$ 33,532,741.12 | \$ 15,885,194.28 |

The full income statement follows:

### RESULT OF 1948 OPERATIONS

#### CONSOLIDATED INCOME ACCOUNT

|  | 1948                    | 1947                    |
|--|-------------------------|-------------------------|
| <b>RAILWAY OPERATING REVENUES:</b>                   |                         |                         |
| Freight .....  | \$393,544,359.00        | \$342,582,002.68        |
| Passenger .....                                      | 41,562,141.00           | 43,017,689.66           |
| Mail .....   | 4,761,629.31            | 4,583,160.69            |
| Express .....  | 23,410,761.19           | 21,251,783.81           |
| Commercial Telegraphs .....                          | 7,885,346.57            | 7,701,419.90            |
| All other .....                                      | 20,105,712.93           | 19,061,923.26           |
| <b>TOTAL OPERATING REVENUES .....</b>                | <b>\$491,269,950.00</b> | <b>\$438,197,980.00</b> |
| <b>RAILWAY OPERATING EXPENSES:</b>                   |                         |                         |
| Maintenance of Way and Structures .....              | \$ 86,012,266.45        | \$ 75,250,984.34        |
| Maintenance and Depreciation of Equipment .....      | 98,339,520.24           | 79,770,248.07           |
| Traffic .....  | 8,724,581.87            | 7,708,115.19            |
| Transportation .....                                 | 245,351,741.35          | 210,440,476.20          |
| Miscellaneous Operations .....                       | 5,211,242.46            | 4,261,831.12            |
| General .....  | 21,100,617.63           | 19,690,952.08           |
| <b>TOTAL OPERATING EXPENSES .....</b>                | <b>\$464,739,970.00</b> | <b>\$397,122,607.00</b> |
| <b>NET OPERATING REVENUE .....</b>                   | <b>\$ 26,529,980.00</b> | <b>\$ 41,075,373.00</b> |
| Taxes .....  | 10,318,631.31           | 9,887,322.86            |
| Equipment Rents—Net Debit .....                      | 5,712,481.95            | 7,038,883.51            |
| Joint Facility Rents—Net Debit .....                 | 323,237.04              | 438,543.41              |
| <b>NET RAILWAY OPERATING INCOME .....</b>            | <b>\$ 10,175,629.70</b> | <b>\$ 23,710,623.22</b> |
| <b>OTHER INCOME:</b>                                 |                         |                         |
| Income from Lease of Road and Equipment .....        | \$ 67,280.34            | \$ 64,069.27            |
| Miscellaneous Rent Income .....                      | 976,052.87              | 944,114.61              |
| Income from Non-transportation Property .....        | 601,501.13              | 662,834.32              |
| Hotel Operating Income .....                         | 915,175.07              | 1,290,719.90            |
| Dividend Income .....                                | 298,558.40              | 224,761.00              |
| Interest Income .....                                | 2,914,998.49            | 3,507,008.43            |
| Miscellaneous Income .....                           | 470,583.87              | 641,333.47              |
| <b>TOTAL OTHER INCOME .....</b>                      | <b>\$ 6,244,150.17</b>  | <b>\$ 7,334,841.00</b>  |
| <b>DEDUCTIONS FROM INCOME:</b>                       |                         |                         |
| Rent for Leased Roads and Equipment .....            | \$ 720,599.32           | \$ 748,013.72           |
| Miscellaneous Rents .....                            | 538,872.22              | 531,079.00              |
| Miscellaneous Taxes .....                            | 126,386.98              | 125,458.94              |
| Results of Separately Operated Properties—Loss ..... | 973,613.68              | 600,251.68              |
| Interest on Unfunded Debt .....                      | 282,713.40              | 295,863.51              |
| Amortization of Discount on Funded Debt .....        | 508,564.04              | 1,057,669.28            |
| Miscellaneous Income Charges .....                   | 2,277,975.57            | 457,917.93              |
| Profit and Loss Items—Net Credit .....               | 306,054.73              | 709,940.02              |
| <b>TOTAL DEDUCTIONS FROM INCOME .....</b>            | <b>\$ 5,122,670.48</b>  | <b>\$ 3,106,314.04</b>  |



|  |                         |                         |
|--|-------------------------|-------------------------|
| NET INCOME AVAILABLE FOR PAYMENT OF INTEREST . . . . | \$ 11,297,109.39        | \$ 27,939,150.18        |
| Interest on Funded Debt—Public . . . . .             | 23,202,817.69           | 23,821,909.61           |
| Interest on Government Loans . . . . .               | 21,627,032.82           | 20,002,434.85           |
| <i>Deficit</i> . . . . .                             | <u>\$ 33,532,741.12</u> | <u>\$ 15,885,194.28</u> |

The Fixed Charges of the System included in the above statement are as follows:

|   |                        |                        |
|---|------------------------|------------------------|
| Rent for Leased Roads and Equipment . . . . .   | \$ 720,599.32          | \$ 748,013.72          |
| Interest on Unfunded Debt . . . . .             | 282,713.40             | 295,863.51             |
| Amortization of Discount on Funded Debt . . . . | 508,564.04             | 1,057,669.28           |
| Interest on Funded Debt—Public . . . . .        | 23,202,817.69          | 23,821,909.61          |
| Interest on Government Loans . . . . .          | 21,627,032.82          | 20,002,434.85          |
|   | <u>\$46,341,727.27</u> | <u>\$45,925,890.97</u> |

OPERATING REVENUES for 1948 were \$491,269,950, the increase being \$53,071,970 or 12·1 per cent over 1947.

FREIGHT REVENUES amounted to \$393,544,359, representing 80·1 per cent of total operating revenues. The increase over 1947 was \$50,962,356 or 14·9 per cent. Increases in freight rates (Canada and United States) during the year produced approximately \$53,670,000 additional revenue, which was offset to the extent of \$2,707,644 by reduced traffic volume. The tonnage figures for all commodities are shown on pages 34 and 35.

Freight rates were a matter of vital concern to the railway in 1948 and continue to be such. During the early months of the year Canadian traffic moved at the same rate level as that of 1921, whereas United States traffic was being carried at rates averaging about 39 per cent over those in effect less than two years previously. Subsequent increases brought the average over-all increase in United States rates up to 51·7 per cent. Increases authorized by the Interstate Commerce Commission during 1948 were responsible for additional freight revenues of \$9,367,000 on the United States lines of the Canadian National System.

As mentioned in the 1946 annual report, the Canadian railways, in an effort to cope with their rapidly mounting costs of operation, applied to the Board of Transport Commissioners for a general increase of 30 per cent in the freight rates within the jurisdiction of the board, with a graduated increase on coal and coke rates. The resultant order of the board, issued on March 30, 1948, authorized a general increase of 21 per cent as from April 8, 1948, with certain exceptions. A uniform increase of twenty-five cents per ton was granted on coal and coke. Rates on western grain and grain products being beyond the jurisdiction of the board were not raised. International and related traffic was excluded, as the rates on such traffic had already been increased in conformity with decisions of the Interstate Commerce Commission with respect to United States rates. Excluding the last-mentioned traffic the effect of the board's order was to increase the Canadian freight revenues of the National System by an average of 18·2 per cent. As from September 15, certain competitive rates (i.e., depressed rates previously reduced by the railways below normal to meet highway and water competition) were increased by 15 per cent. The foregoing increases on purely Canadian traffic resulted in increased revenues during 1948 of \$30,442,000. Adding the rate increases on international and related traffic the gross increase in Canadian lines freight revenues for the year, due to rate adjustments, amounted to \$44,303,000 or 21·6 per cent.

The board's order authorizing the 21 per cent increase in April, 1948, failed to produce the results intended, and did not provide a sufficient amount of additional revenue to offset the still-rising costs of operation. A general wage increase of seventeen cents per hour was granted employees in Canada with effect from March 1; prices of materials and supplies continued their upward course. On the Canadian National System as a whole, increased revenues of \$53,670,000 due to rate increases in 1948 were overtaken by increased operating



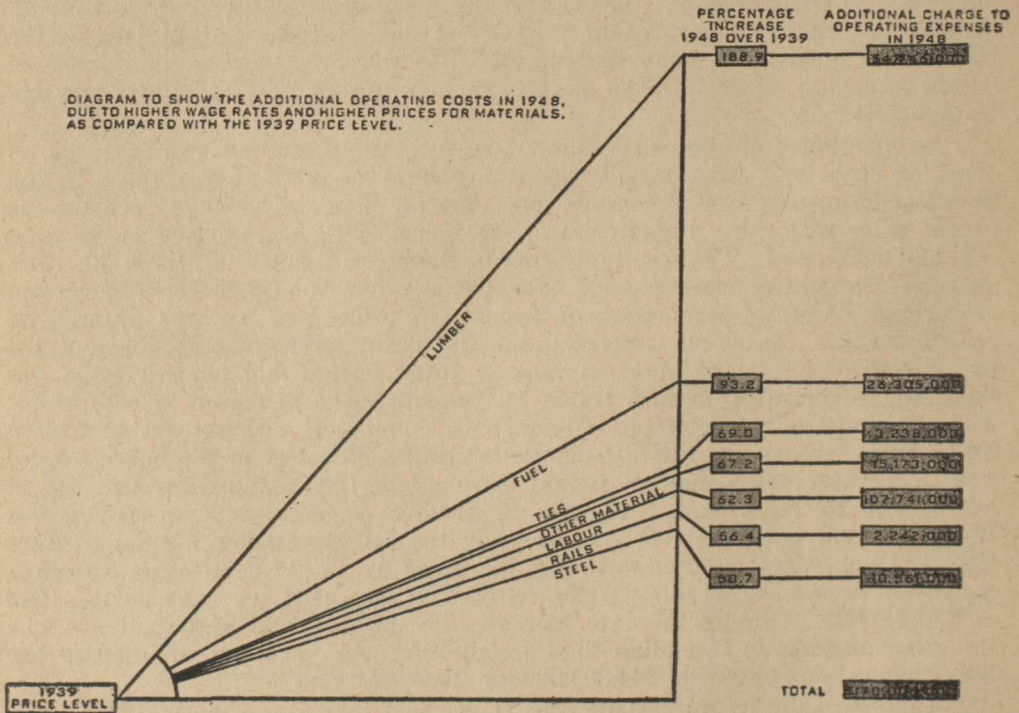
expenses of \$67,617,363, of which \$39,100,000 represented increased labour costs and \$20,906,000 higher costs for materials; the remainder of the increase including the cost of repairing flood damage, increased depreciation, and sundry other items.

The Canadian railways, through the Railway Association of Canada, filed an application with the Board of Transport Commissioners on July 27, 1948, for a further general advance of 20 per cent on rates within the jurisdiction of the Board. An interim increase of 15 per cent was requested. Hearings on the application are now being conducted. Concurrently the board, pursuant to direction by the Governor in Council, is reviewing its order granting the 21 per cent increase.

The following summary shows, in round figures, the effect on the operating results of the system of the changes in the wage and price levels, 1948 as compared with 1939:

|   | Lines in Canada | Lines in U.S. | System        |
|---|-----------------|---------------|---------------|
| Additional revenues due to increases in freight rates ..... | \$ 56,980,000   | \$ 17,550,000 | \$ 74,530,000 |
| Additional costs due to increases in wage rates.....        | \$ 93,555,000   | \$ 14,186,000 | \$107,741,000 |
| increases in material costs.....                            | 55,597,000      | 6,668,000     | 62,265,000    |
|   | \$149,152,000   | \$ 20,854,000 | \$170,006,000 |

The additional costs are shown in graphic form on the accompanying chart.





The increase in labour costs is given in greater detail in the following tabulation:

|   |             |                      |
|---|-------------|----------------------|
| 1948 Number of hours worked .....                   | 261,736,695 |                      |
| Average hourly rate.....                            | \$1.073     |                      |
| Labour charged to operating expenses.....           |             | \$280,749,000        |
| 1939 Number of hours worked .....                   | 170,187,536 |                      |
| Average hourly rate .....                           | \$0.661     |                      |
| Hours worked in 1948 at the 1939 average rate ..... |             | \$173,008,000        |
| Increase .....                                      |             | \$107,741,000—62.28% |

Since 1939 the average annual compensation per employee has increased from \$1,566 to \$2,750, or 76 per cent.

The increased material costs reflected by the above chart are based upon average prices. It will be informative to compare the unit prices paid at the end of the years 1939, 1947, respectively, for some of the more important materials used by the railway, viz.:

|                              | Unit      | December<br>1939<br>Price | December<br>1947<br>Price | December<br>1948<br>Price | % Increase<br>1947<br>over<br>1939 | 1948<br>over<br>1939 |
|------------------------------|-----------|---------------------------|---------------------------|---------------------------|------------------------------------|----------------------|
| Ties, softwood .....         | each      | \$ 0.59                   | \$ 1.35                   | \$ 1.51                   | 128.8                              | 155.9                |
| Ties, hardwood .....         | each      | 0.72                      | 1.45                      | 1.67                      | 101.4                              | 131.9                |
| Rails .....                  | gross ton | 47.52                     | 71.37                     | 77.41                     | 50.2                               | 62.9                 |
| Coal, for locomotives .....  | ton       | 4.09                      | 7.50                      | 8.56                      | 83.4                               | 109.3                |
| Axles, freight car .....     | cwt.      | 4.21                      | 5.67                      | 6.32                      | 34.7                               | 50.1                 |
| Couplers, freight cars ..... | each      | 70.47                     | 110.81                    | 120.96                    | 57.2                               | 71.6                 |
| Steel castings .....         | cwt.      | 11.07                     | 18.79                     | 19.87                     | 69.7                               | 79.5                 |
| Steel plates, firebox .....  | cwt.      | 3.10                      | 4.54                      | 5.18                      | 46.5                               | 67.1                 |
| Tires, locomotive .....      | cwt.      | 5.83                      | 8.86                      | 9.50                      | 52.0                               | 63.0                 |
| Car decking .....            | mfbm      | 29.00                     | 68.50                     | 55.00                     | 136.2                              | 89.7                 |
| Car sheathing .....          | mfbm      | 33.00                     | 117.00                    | 137.00                    | 254.5                              | 315.2                |
| Bridge timber .....          | mfbm      | 18.00                     | 62.00                     | 75.00                     | 244.4                              | 316.7                |
| Track bolts .....            | cwt.      | 5.24                      | 7.29                      | 7.83                      | 39.1                               | 49.4                 |
| Frogs .....                  | each      | 158.44                    | 264.60                    | 309.53                    | 67.0                               | 95.4                 |
| Rail anchors .....           | each      | 0.23                      | 0.28                      | 0.31                      | 21.7                               | 34.8                 |
| Track spikes .....           | cwt.      | 3.35                      | 4.70                      | 5.08                      | 40.3                               | 51.6                 |
| Switches .....               | each      | 197.21                    | 277.83                    | 324.00                    | 40.9                               | 64.3                 |

The average cost of all materials charged to operating expenses in 1948 was 16.84 per cent higher than in 1947; 75.19 per cent higher than in 1939. The purchase cost of coal alone was \$18,255,000 in 1939, \$56,112,000 in 1947, \$60,871,000 in 1948. There were, of course, fluctuations in consumption as between the years, but if the 1948 requirements had been purchased at the average price for 1939 the 1948 coal bill would have been \$29,368,000, or about \$31 millions less than it was.

It was considered desirable to deal at some length with these matters in order to bring out the disequilibrium which exists between the return on service rendered and the cost of providing that service.

PASSENGER REVENUES in 1948 amounted to \$41,562,141, representing 8.5 per cent of total operating revenues. This was a decrease of \$1,455,548 or 3.4 per cent from 1947, and 40 per cent below the peak year of 1944. Whilst ordinary traffic continued to decline, there was an increase in the number of immigrants and displaced persons carried, an upward adjustment of week-end and other reduced fares, and increased revenue resulting from higher fares authorized by the Interstate Commerce Commission in the United States, which were extended to related traffic in Canada. There was again a heavy tourist business.

EXPRESS REVENUES amounted to \$23,410,761, the highest on record and being an increase of \$2,158,977 or 10.2 per cent over 1947. About 44 per cent of the increase was due to increases in competitive rates made effective on April 8 and September 15. The total number of shipments handled was 21,461,807, an increase of 4.4 per cent over 1947.



TELEGRAPH REVENUES were \$7,885,347, an increase of \$183,927 or 2.39 per cent over 1947. A decline in message traffic with the United States, due principally to trade restrictions, was offset by increases in other branches of the business.

OPERATING EXPENSES in 1948 totalled \$464,739,970, an increase over 1947 of \$67,617,363, attributable principally to increased wage rates, vacation allowances, and higher material prices.

After protracted negotiations before Boards of Conciliation in respect of applications by employees' organizations in Canada for a wage increase of thirty-five cents per hour jurisdiction in the dispute was assumed by the Department of Labour, resulting in a settlement being concluded on the basis of seventeen cents per hour as from March 1, 1948. This increase was extended to employees not covered by wage agreements. The resultant increased charge to operating expenses for the ten months was \$33,000,000. Increased vacation allowances for certain employees added \$2,400,000, and wage adjustments on the United States lines of the System \$3,700,000, producing a total increased labour cost for the year of \$39,100,000. For a full year the cost of the changes in wages and working conditions which took place in 1948 would amount to \$47,257,000.

The average number of employees throughout the year was 111,072, and their total compensation amounted to \$305,397,747. Pension costs for the year were \$10,386,893.

Material prices continued to advance and the resultant increase in operating expenses was \$20,906,000. Depreciation on rolling stock amounted to \$17,834,783, an increase of \$913,854 due solely to the acquisition of additional equipment. Eight million dollars was taken from the Deferred Maintenance Reserve and credited to expenses, the amount remaining in this reserve at the end of the year being \$17,000,000. Flood damage in Western Canada was responsible for additional expense of \$2,419,000. A considerable amount of rehabilitation work remains to be done, so that there will be further expense on this account.

OPERATING PERFORMANCE. As indicated by the statistical data given on page 27 heavy demands were again made on the railway organization to meet the continuing high traffic volume. Freight trains operated about 45 million miles, and the tonnage movement exceeded 35,856 million net ton-miles.

NET OPERATING REVENUE (revenues less expenses) was \$26,529,000. In 1947, with \$53,000,000 less revenue, net earnings were \$14,000,000 more. The following table shows how the net operating revenues for the two years divided as between the Canadian and United States lines of the System:

|                            | Canada              | United States       | System              |
|----------------------------|---------------------|---------------------|---------------------|
| 1948 .....                 | \$14,523,939        | \$12,006,041        | \$26,529,980        |
| 1947 .....                 | 30,403,329          | 10,672,044          | 41,075,373          |
| Increase or Decrease ..... | <u>\$15,879,390</u> | <u>\$ 1,333,997</u> | <u>\$14,545,393</u> |

TAXES increased by \$431,308 to a total of \$10,318,631.

EQUIPMENT RENTS (largely hire of freight cars) decreased by \$1,326,402, reflecting a larger ownership of freight equipment and the expeditious return of the cars of other roads.

HOTEL OPERATING PROFIT decreased by \$375,545. Increased operating revenues of \$567,911, due principally to higher rates for rooms and meals, were not sufficient to offset the increase of \$943,456 in operating expenses.

INTEREST ON BONDS held by the public decreased by \$619,092 and interest due the government increased by \$1,624,598; the net increase being \$1,005,506.

THE NET INCOME DEFICIT for the year was \$33,532,741.



## CAPITAL EXPENDITURES

Capital expenditures during 1948 amounted to \$64,989,132, details of which are shown on page 20.

The cost of new equipment was \$49,184,949. The most important items were 34 diesel-electric locomotives, 6,606 freight cars, 28 first-class coaches, 10 baggage cars, 10 mail and express cars, 50 express refrigerator cars, 28 work cars, one tug and one barge. Included in this expenditure also are 56 sleeping cars, in service on certain lines of the System in Canada and the United States, which were purchased from the Pullman Company at depreciated values.

New equipment on order, delivery of which is expected in 1949, will cost about \$38,195,000. This includes 20 diesel-electric locomotives, 3,499 freight cars, 25 first-class coaches, 20 sleeping cars, 50 baggage cars and 50 express refrigerator cars, representing the balance of the 1948 program, and 18 diesel-electric locomotives and 68 refrigerator cars, being the balance of the 1947 program.

Additions and betterments to equipment included the rebuilding of eight compartment-observation cars and nine standard sleeping cars. These cars were modernized and the accommodations changed to meet present day requirements. The work of rebuilding twelve additional standard sleepers is in progress, and the 1949 program contemplates the rebuilding of eleven more compartment-observation cars. All of this work is being done in the Company's shops.

Construction of the International Aviation Building adjoining the Montreal Central Station is nearing completion, and it should be ready for occupancy in July, 1949.

The branch line in Quebec from Barraute northerly towards Kiask Falls has been built to Mile 39.2 and was placed in operation on February 28, 1949. In 1949 it is proposed to complete station buildings and enginehouse facilities, and to install additional ballast on the line.

## FINANCE

The capital debt of the Railway increased \$72,397,373 during the year. Details are given on page 22. The increase is due to the financing of new equipment purchases, the 1947 capital budget, and additional working capital.

## GENERAL

A noteworthy feature of the 1948 operations was the introduction of multiple-unit diesel-electric locomotives in freight service between Montreal and Toronto. It is hoped to obtain further power of this kind in 1949. Its use on certain sections of the system offers substantial advantage and economy. The use of diesel-electric switchers, already firmly established in yard service, was extended.

The new steamship "*Prince George*" entered the service between Vancouver, Prince Rupert and Alaska on June 10th. The vessel proved satisfactory in every way, and was popular with the passengers. It will be of great assistance in promoting tourist traffic in the coastal area.

The Department of Research and Development continued its active role in the field of industrial expansion. There have been a number of inquiries from British firms seeking to establish plants in Canada, following some relaxation of the restrictions on the release of capital for such purpose.

The Company's Department of Colonization and Agriculture played its part in the immigration program of the year. Some 125,000 persons entered Canada in 1948.



Land sales totalling over a million dollars were made during the year. This included 28,000 acres of prairie lands and a large amount of miscellaneous inactive railway property.

On December 29, 1948, a Royal Commission was appointed to inquire into and report upon the general subject of transportation in Canada. The officers of the Company will render every assistance to the Commission in this important investigation.

Record is made with regret of the death on February 8, 1949, of Mr. J. F. Pringle, Vice-President of the Central Region of the System, a capable and valued officer who had had a distinguished career with the Railway.

The directors pay tribute to the fine service rendered by officers and employees during a year which made unusual demands upon them.

I may say, gentlemen, that we are not very proud of the financial results as indicated in the report. We regret and deplore these losses, but we have no apology to make for them. The people of Canada get the cheapest railway transportation in the world, notwithstanding the very difficult conditions under which we operate. If the railways of Canada are not permitted to charge adequate rates to enable them to provide that service without loss then deficits will result, and the people of Canada will have to pay those deficits in some other way; that is through taxation. There is no other solution.

The CHAIRMAN: Gentlemen, in other years it has been our practice to take up the report page by page.

Mr. VAUGHAN: I think it is now in order to turn to Mr. Cooper, who will read the financial report.

The CHAIRMAN: Yes. Are there any questions which you would like to ask Mr. Vaughan?

Mr. REID: Yes. I have one or two particular questions I would like to ask the president. Mr. Vaughan will remember, no doubt, that last year I asked him if his company had been taking note of the new, modern, streamlined fast trains that were being put into operation in the United States. I am particularly interested in the new engines and trains which are being operated on the Great Northern between Vancouver and Seattle, and I am also interested in the fast trains which are operating into and out of Toronto over the United States lines. My question today is as follows: Have you or any of your officials looked into the point as to whether traffic has increased on the United States lines because of that new equipment?

Mr. VAUGHAN: We have tried to get as much information as we could about that, Mr. Reid, we know that particular train picked up a lot of traffic. From the reports we get is that it is difficult to tell whether or not the other trains of the Great Northern have been affected by loss of traffic. Probably some of them have been. It has been the general experience in the United States that these fast streamlined trains have brought back to the railways some of the traffic they had lost to the highways. Over there the situation is entirely different from what we have in that they have a greater number of cities with large populations where they can put these streamlined trains into use and thereby meet the competition of the highways.

Mr. REID: I know they have. I am seriously concerned about the cost of operating your trains. You show your general train cost figure there, but I would like to know whether really you are making money where the cost has dropped to that amount. A lot of people travel in the day coach, as I do on occasion. I am not finding fault with that, but sometimes I think it would be a good thing for you and others associated with you to travel in ordinary day coaches and find out what the public are thinking.

Mr. VAUGHAN: I do that very frequently.

Mr. REID: I am speaking at the moment particularly about high-cost meals.



Mr. VAUGHAN: The cost of providing that service has been increasing right along. Our dining car service is operated at a very serious loss to the railway, as is the case with nearly all dining car services on railway lines in the United States. I believe there are only one or two railways in the United States which show a profit on their dining car service, but I would say that 95 per cent of them show a loss on that service. I think the C.P.R. also is showing a loss on its dining car service. So we are really not charging the public what it costs us to give the service.

Mr. POULIOT: Mr. Vaughan, I wonder if you could tell me this: is there a profit on the dining car service where the sale of liquor is permitted; is there a profit where liquor is sold?

Mr. VAUGHAN: In some cases, yes.

Mr. POULIOT: But you are not allowed to do that on your railway?

Mr. VAUGHAN: On some parts of our service we are able to sell beer and wine. On other parts, we are not.

Mr. POULIOT: I did not want to interfere with Mr. Reid's question, but I thought I should ask that.

Mr. WALTON: I have some figures here which may be of interest to Mr. Reid and the committee: Breakfast on the train cost \$1 back in 1939 and now a similar breakfast costs \$1.50; a luncheon which then cost \$1.00 is now \$1.75; and a dinner which cost \$1.25 in 1939 now costs \$2.00. There are some other prices but those are typical of the three principal meals per day; and in spite of that, in spite of these increases in the price of meals to the public, we are losing money on our dining cars.

Mr. NICHOLSON: I wonder if you could tell me how your costs worked out in 1939 as compared to the present time; was there a greater loss then?

Mr. WALTON: The cost of providing meals in 1939 was \$1.23; and, using the same items in calculation at the end of 1948 the cost was \$1.86; that is \$1.23 as compared with \$1.86.

Hon. Mr. CHEVRIER: Mr. Walton, I wonder if you would put on the record the total receipts and expenses shown in your report here—1948 as compared with 1939. I think that tells the story.

Mr. NICHOLSON: Would you please complete those figures?

Mr. WALTON: That figure of \$1.23 in 1939 compares with the figure \$1.86 at the end of 1948. That is the average cost of providing all meals. We do not separate the cost as to meals.

Mr. MUTCH: I wonder if Mr. Walton could tell the committee to what that rise in cost is due? Is it due to the fact that proportionately more people are eating meals at increased prices? I know fewer people are traveling; but I was wondering if there are more people eating snacks or bringing their own lunches with them rather than pay the higher unit costs now being charged for meals. Would the cost in part be due to that, or to the fact that fewer people are eating in dining cars?

Mr. WALTON: I suppose it would be difficult to say definitely how much of the trend is due to the increased prices; but our people in charge of the dining car department feel at the moment that the prices are high, but not so high as seriously to drive people away from the dining cars.

Mr. MUTCH: I wonder if we could have the number of meals served. For instance, take lunches—

Mr. VAUGHAN: You want to get the number of meals served?

Mr. LOCKHART: And what are they paying for similar meals across the line?

Mr. WALTON: Do you mean the same meals in comparison with certain other countries? The prices which have been given are the top prices in each



case. There are three prices usually in connection with each meal and that allows some variety in choice.

Mr. LOCKHART: A couple of years ago we were given certain information about things like snack-bar cars and the possibility of some of the present stock being remodelled, made over for that purpose. Has anything ever been done about that, Mr. Vaughan?

Mr. VAUGHAN: We have not done anything about the snack-bar car. We have some of the café cars in operation on some lines now.

Mr. LOCKHART: Where are they operating? You do not have them on the main lines.

Mr. WALTON: We have some of them operating in the summertime between Toronto and Muskoka, and there have been some operating on the Montreal to Boston run, jointly with the Boston & Maine.

Mr. LOCKHART: My question is this: Has any thought ever been given to the system used on American railways where they have meals at about three different prices which are offered in the diners? For instance, when you are traveling on the New York Central you have that opportunity. If you don't want a \$2 meal you can get a \$1.35 meal; and you can go and order a la carte on the trains. I am only passing on what people say when they come to me. They say to me: you do not get anything when you order a la carte. This is from comments of the kind I am receiving all the time. What I want to know is this: Has any thought ever been given to the suggestion that perhaps you should have three varieties of meals that could be supplied, let us say at \$1, \$1.35 and \$2.

Mr. WALTON: Actually there are three prices at the present time, with breakfast starting as low as 75 cents.

Mr. LOCKHART: I am speaking more particularly of dinners.

Mr. WALTON: They run all the way from \$1.75 and \$2 to the steak dinner for \$3.

Mr. REID: Following up what Mr. Lockhart has said, even when you order a la carte you do not get anything for your money. For instance, not long ago I went into the diner and ordered a la carte. I had some ham and eggs. They cost me \$1.65. I cannot understand why the price should be that high. Just imagine having to pay \$1.65 for ham and eggs, which are not included on the menu. The next day I ordered two muffins and a cup of coffee and an orange. That cost me 70 cents. People can't afford to pay such prices, and yet you say you are trying to encourage traffic and travel. These things enter directly into the question of travel. The price of food is important, and I am wondering if your officials are really going into this matter and studying it, trying to get prices down; or whether they are just planning to keep this up and charge all the public will pay for the service they have to offer.

Mr. McCULLOCH: You will pay more in the hotels than you do on the railways; a dinner usually costs you \$2.50.

Mr. HAZEN: And the way it works out is that the more meals you serve on your dining car service the more you lose?

Mr. WALTON: The more meals we serve, the greater our loss.

Mr. REID: I am wondering whether it would not be better just to have snack bars to serve people travelling between cities. It seems to me that the health of people would be better if they did not eat too much, particularly when they are travelling on trains.

Mr. VAUGHAN: The manager of our sleeping and dining car service is continually studying this service, not only from the standpoint of asserting what the public want but also by travelling on other railroads and seeing what



they are doing. We are constantly endeavoring to improve our service. At the moment, however, we cannot see that we can improve the situation very much without adding to our costs.

Mr. MUTCH: There is something in what Mr. Reid has said, that the average dining car serves too much food per meal. I know members of the committee will say it is a most unusual complaint to come from me because I am a very hearty eater. But that is a point worth considering—that meals on the dining cars are much more substantial than they need to be, and that a good many people would get along quite well on a little better than half of what is being served as a meal at the present time. I know on occasion I have had the steak dinner on the train at \$3, and half of what they serve would have been adequate for the ordinary person anyway, and I would venture the observation that about half of what is served on the average meal on the dining car is just thrown out.

Mr. VAUGHAN: It is very difficult to arrive at a satisfactory average when serving meals. We have to plan our service to suit the public and we try to arrive at a meal which will be satisfactory to everybody; and that is a very difficult thing to do.

Mr. REID: I am just wondering why the snack-bar car has not been developed and used.

Mr. VAUGHAN: We have studied the matter very carefully and some time ago the manager of our sleeping and dining car department, after having gone into it carefully with all concerned, came to the conclusion that it would not be feasible on our line.

Mr. McCULLOCH: And, of course, your wages and salaries have increased for that service.

Mr. VAUGHAN: It is the cost of the service that gives us concern. We have gone into it very carefully. There is always room for improvement. We do not say that anything is perfect and cannot be improved.

Mr. REID: There is another question which I have in mind which I would like to ask and that relates to the cost of sleeping car accommodation. A lower berth costs me \$24 to come to Ottawa.

Mr. VAUGHAN: And, of course, you use that by day too.

Mr. REID: I know. When a passenger pays his fare he is entitled to sit in the train, in the day coach. Travelling the other way is costing him a certain amount of money. For the use he makes of a berth at night you charge him more than if he had to stay at a hotel. You can stay at the Chateau Laurier for \$6 a day.

Mr. VAUGHAN: These services cannot be provided without expense, and we think our losses are big enough at the present time without reducing our charges.

Mr. REID: I am thinking of encouraging travel.

Mr. VAUGHAN: We are thinking of that also, and we have done a lot to encourage trade and travel; and our rates, of course, are standard rates with other lines.

Mr. GIBSON: Are you losing money on the sleeping car service now?

Mr. VAUGHAN: We are not making money.

Mr. GIBSON: What are your losses?

The CHAIRMAN: They are set out in the report.

Mr. COOPER: I think you asked as to what the result of operation of the dining car service was in 1948 as compared with 1939. In 1939 the revenues were \$798,000 and after deducting expenses the loss was \$401,000; the 1948



revenues were \$2,920,000, and the loss was \$1,387,000. For sleeping car services, our revenues in 1948 were \$3,161,000, and our operating expenses were \$2,539,000.

Mr. NICHOLSON: Have you got the 1939 figure there?

Mr. COOPER: For 1939, for sleepers, the revenue was \$1,118,000, and the expenses were \$796,000.

Mr. VAUGHAN: How much have you got in there for interest, depreciation of equipment, and so on?

Mr. COOPER: There is nothing included for such factors.

Mr. HAZEN: I think you told us that you have never figured out exactly what you have made or lost on the dining car service?

Mr. COOPER: What I have given you in both cases is what we call the inside revenue and the inside expense. The cost of hauling the cars and the cost of repairing the cars, including interest and depreciation, is not included in the figures. If we were to charge these other items to each of the different services and also to report them in the maintenance, interest, and depreciation accounts, we would be giving the cost twice over.

Mr. GIBSON: I wonder if you could give us the figures for Trans-Canada Air Lines to show how their service compares with your dining car service.

Mr. COOPER: You want to know what meals cost on Trans-Canada Air Lines?

Mr. GIBSON: And how it compares, how much less it would be than the \$1.86 charged for the average meal on your dining car service. I understand it is less?

Mr. COOPER: Yes, I think it is, but they do not give the same kind of meals which you get in the dining cars, not by any means.

Mr. REID: That is just the point. They give you plenty and it is a nice meal. I have not had any complaints about their meals.

Mr. LOCKHART: There is just one little general observation I would like to make before I go. Mr. Vaughan knows that I am a bit critical in comparing lines across the border with our own.

Mr. VAUGHAN: Yes.

Mr. LOCKHART: There are just two things I want to deal with, relating very directly to the line which I travel frequently, coming up across the border from the States. As is well known, I travel the railroads quite regularly, every week-end as a matter of fact, and I go down to the States a great deal. The first thing with which I want to deal, Mr. Chairman, is the question of meals; and I want to point this out to Mr. Vaughan and his officials, that people travelling to points like Pittsburgh and New York, and other points in the United States, are not using the a la carte service for the reason that the cost is so high, the ultimate cost of the meal a la carte will be a couple of dollars or more. However, immediately across the line you can get a good meal anywhere from \$1.10 to \$1.15 or \$1.20, you can get all the food you require. One might say, the meal is styled to suit the purse.

Now, the second thing which I wish to bring to your attention is this, that people continue to talk about the old, antiquated pieces of equipment which are used on this line. Despite the fact that you have good equipment on these trains that good equipment is not open to the travelling public; they have to use the old antiquated dilapidated equipment. The American people on those trains do not understand that sort of thing. I want to give you the results of a conversation I had with two men, one of whom was from Pittsburgh and the other from Schenectady, who were travelling to Montreal. You had a fairly good coach on that train, but your officials would not let anyone in that reconditioned coach at the back. The passengers rode in those old cars, equipped with what might be called slat board seats. They rode to Toronto in those seats and then went into the



streamlined train to Montreal. The Americans were grouching and kicking like everything about it. I have some of the car numbers with me. No. 3544, a car at the back of that train, was completely shut off. It was a very comfortable reconditioned car, painted up nicely and well equipped. The other cars, 4202 and 5092, were abominable.

Mr. VAUGHAN: Was there any reason given for the refusal which you mentioned?

Mr. LOCKHART: No, but it was said the coach was being cut off at Hamilton. That reason was given by the trainman.

Mr. Vaughan, that is the type of thing which I want to bring to your attention and to the attention of officials. I have complained about it every year. My first point is the suggestion by travellers that they should be able to get three different types of meals, perhaps from \$1.10 to \$2.00 depending on the amount of food desired. The second complaint is about the awful equipment running between Toronto and the United States border points.

Mr. VAUGHAN: We will go into those things. I was down in the United States last week myself and I rode on a number of coaches and dining cars but I could not find any of those cheap meals. It seemed, in fact, that the meals were more expensive than they are in Canada and the condition of some of the coaches was deplorable.

Mr. WALTON: I have the numbers which you gave and we will check into the matter, Mr. Lockhart.

Mr. LOCKHART: The first car, 3544 was reconditioned, in good shape, nicely painted and upholstered. It was not air-conditioned, though. The other two cars, numbers 4202 and 5092 were the ones about which the Americans complained. They asked "why in the world—" they used even stronger language—and wanted to know why in hell they could not go back and sit in a decent coach instead of being forced to sit in the old plush-covered seats.

Mr. VAUGHAN: You may have noted from our reports that in recent years we have been ordering all of the equipment we could get with reasonable deliveries. The situation has been improving and it will improve still further. We have a large amount of passenger equipment on order and, as you know, during the war the building of passenger equipment was prohibited and we could not get any.

Mr. WALTON: The only reason I can think of for prohibiting the use of the good car, Mr. Lockhart, is that the car may have been going west to Hamilton and the other two to Toronto. However, we have a note of the numbers and we will find out what the answer is.

Mr. POULIOT: While we are on the subject of sleeping cars I would like to report the sleeping car "St. Jerome". I have had a berth on that car a few times and the separation board between the berths rattled so much that the porter and to use a towel to wedge it firmly. In addition, the snaps on the curtains were put on wrongly. The snaps on one curtain did not correspond with the snaps on the other curtain and there was a bulge in the curtain as a result. The air-condition apparatus was not working properly because it was impossible to close it. I have suffered other discomforts in that car and, as a matter of fact, I did report it. I do not know whether you received my report.

Mr. WALTON: That car has been reported and has come off the run and is being repaired.

Mr. POULIOT: Thank you. I will ask Mr. Vaughan another question. Why are the sleeping cars west of Montreal so much superior to those running between Montreal and Halifax?

Mr. VAUGHAN: Are you sure that is correct, Mr. Pouliot?



Mr. POULIOT: I know what the situation is. I have not traveled very far west lately but I have traveled between Montreal and Toronto and the berths on those trains are much superior to the berths on the trains running east of Montreal.

Mr. McCULLOCH: You cannot get much better cars than those on the Ocean Limited.

Mr. POULIOT: There is a noticeable difference between the equipment.

Mr. VAUGHAN: We are improving those sleepers.

Mr. POULIOT: I am wondering whether the difference lies in the fact that there is no competition east of Montreal?

Mr. VAUGHAN: That has nothing to do with it. We do not treat our non-competitive lines that way.

Mr. POULIOT: I hope not. The next time I have reason to complain I will write to you direct and I am sure the car will be repaired in a shorter time.

Mr. WALTON: The car is already in the shop for repairs.

It may be worth mentioning in passing that the Ocean Limited which runs through your territory is the only all-sleeper train which we run.

Mr. POULIOT: I know, but where there are sleeping cars on a train with passenger coaches there should be no difference in the equipment. Those who buy a ticket for a berth are entitled to sleep as well on the Scotia as on the Limited. It is not sufficient that the difference should be because there are only sleeping cars on the one train.

Mr. VAUGHAN: We are putting our coaches through the shops as quickly as possible so that they may be put in good condition. During the war they received hard service and as yet we have not been able to re-shop all of them.

Mr. EMMERSON: How many of the new type sleepers have been delivered to the railway?

Mr. VAUGHAN: Have you reference to cars which we are rebuilding in our own shops?

Mr. EMMERSON: I am referring to what they call new models.

Mr. WALTON: I think I have a note of that. Yes, 17 cars.

Mr. VAUGHAN: We have a number of roomette cars on order. They have been on order for two years but they will not be out until next fall.

Mr. EMMERSON: There were some delivered.

Mr. WALTON: We put them in service first on the continental run.

Mr. EMMERSON: There are none east of Montreal?

Mr. WALTON: No.

Mr. EMMERSON: They all go west of Montreal?

Mr. WALTON: Yes.

Mr. McCULLOCH: Some time ago the miners in Nova Scotia were granted an increase in pay of 50 cents per day. The Acadia Coal Company is the company which raised the wages 50 cents per day and the company increased the price of coal to the Canadian National Railways by 25 cents per ton. Since then the Canadian National Railways have not been taking any coal. There are 1,200 miners around Stellarton and district. They have only worked two days a week since the 1st of March, the date of the raise. The other mines are selling coal to the Canadian National Railways at the old price but I understand that those companies did not pay the increase of 50 cents per day.

The price of coal from the Dominion Coal Company in 1939 was \$4.49 per ton. Now the company wants \$7.80 plus 25 cents. I am just wondering if there is not some system which could be arranged to have the Acadia Coal



Company start supplying coal to the Canadian National Railways even if they had to do so at the old price. I understand that the Canadian National Railway will take the coal if it is sold at the old price?

Mr. VAUGHAN: Our business in the Atlantic region is less than it was a year ago. In the summer months we build up stocks of coal so that we will have it available in the winter months. There is as a rule a big demand by other customers for coal in the winter. Not having the same amount of business we found that we had an extraordinarily large amount of coal in stock and we have been reducing that stock. It has meant smaller orders to the mines. In addition, there is the difference in price and we felt that we should not be asked to pay higher prices. Every increase given to the men has been passed on to the railways and in some cases the increase in price exceeded the increase in wages. The Alberta operators have recently paid an increase in wages but they continue to supply us with coal at the old price and in some cases we have received a reduction. The price of coal in the United States is beginning to come down and we do not feel justified in paying more money than we have in the past to this company, the Acadia Coal Company. They advanced the price of coal from \$4.45 in 1939 to \$7.55 in 1947.

Mr. McCULLOCH: They advanced it to \$7.80.

Mr. VAUGHAN: In 1944 it was \$6.07; in 1945 it was \$6.40; and in 1947 it was \$7.50. It has been going up and up and up. Coal has gone so high in price that we cannot afford to pay more.

Mr. McCULLOCH: It does seem too bad that 1,200 miners are going to suffer for the sake of 25 cents a ton.

Mr. VAUGHAN: One reason that we have not been taking the usual quantity of coal is that we do not need it.

Mr. McCULLOCH: I understand that the railway would take it at the old price?

Mr. VAUGHAN: That would be some incentive at least.

Mr. POULIOT: What arrangements have you made with Newfoundland about the railway?

Mr. VAUGHAN: Newfoundland has not yet come into our system, Mr. Pouliot, but we will have to carry out whatever arrangement is made by the government and we will know of that arrangement when we receive the order in council.

Mr. POULIOT: Have you been to Newfoundland to inspect the railway?

Mr. VAUGHAN: I have not been there myself but we have sent a number of our officials, a number of our vice-presidents, and heads of departments to Newfoundland. I will go there in due course. We have been sizing up the situation so that we will have some knowledge of conditions when the line is turned over to us on April 1. As yet we have taken no part in the management.

Mr. POULIOT: Who owns the Newfoundland Railway?

Mr. VAUGHAN: The Newfoundland Government.

Mr. McCULLOCH: I have another question. Trains go three times a week from Sunnybrae to Ferrona Junction. There are 60 men who work in the steel plants in New Glasgow and they claim that when the line was taken over by the government they were promised a daily train. All they want is a jitney train out of Ferrona Junction, going to Hopewell. That train could call at Sunnybrae, Bridgeville, and Springville and it would take care of those 60 men. I do not think it would be a very expensive matter to put on a jitney service to cover the days of the week when no trains run under the present system.

Mr. VAUGHAN: I suppose, however, that in the summertime they would not use the railway anyway.



Mr. McCULLOCH: If they did not you could stop the service. I have told them that.

Mr. WALTON: Mr. McCulloch spoke to me about this matter before the meeting and I will look into it.

Mr. VAUGHAN: Have you finished with your questions about Newfoundland, Mr. Pouliot?

Mr. POULIOT: No, but I was glad to interrupt my questions for the convenience of Mr. McCulloch.

Will the Newfoundland railway be self-supporting with respect to the matter of coal? Will you be able to obtain sufficient coal from Newfoundland to supply the railway, or will you have to import it?

Mr. VAUGHAN: Coal for the Newfoundland Railway is supplied at present from Sydney.

Mr. POULIOT: Oh yes, and I suppose that will be continued.

Mr. McCULLOCH: There is no coal in Newfoundland.

Mr. VAUGHAN: No, there is not.

Mr. POULIOT: Has the Canadian National Railway had a report on the Newfoundland Railway?

Mr. VAUGHAN: We have had a report.

Mr. POULIOT: You have?

Mr. VAUGHAN: Yes.

Mr. POULIOT: And although the final take-over has not been made the situation has been studied by the Canadian National Railway officials?

Mr. VAUGHAN: The matter has been carefully studied by heads of departments.

Mr. POULIOT: And you have had full reports?

Mr. VAUGHAN: Yes.

Mr. POULIOT: Have you made any study of the Temiscouata Railway?

Mr. VAUGHAN: Yes, I have had many studies made of it.

Mr. POULIOT: And therefore you are familiar with the situation?

Mr. VAUGHAN: Yes, sir.

Mr. POULIOT: And you are well disposed towards that railway and you are trying to do the best you can?

Mr. VAUGHAN: We have done everything which we can do to assist that company by adjusting divisions and by per diem allowances.

Mr. POULIOT: And you have done that in the public interest?

Mr. VAUGHAN: Yes.

Mr. POULIOT: Mr. Vaughan, there is no definite conclusion which can be formed as a result of the studies you have made about that Temiscouata railway?

Mr. VAUGHAN: There is a definite conclusion which can be drawn, Mr. Pouliot. The Canadian National Railways has represented to the government that it would increase the cost of operation to the Canadian National Railways by a considerable amount if the line were acquired and purely from the standpoint of the Canadian National Railways it could not be justified. I think you must realize that these losses which we show are of a great concern to us and we are not in favour of anything that is going to increase them.

Mr. POULIOT: Yes, I know, and I do not wish you to be too concerned about anything. On the other hand, according to the reports you have on the Newfoundland Railway, does it show a profit at the present time?

Mr. VAUGHAN: No, sir, it does not.



Mr. POULIOT: What is the approximate loss?

Mr. VAUGHAN: Between \$1,500,000 and \$2,000,000 a year and the loss will be still greater when Canadian wage rates are applied.

Mr. POULIOT: Will you have some repairs to make on this railway when you take it over?

Mr. VAUGHAN: We have not surveyed the roadbed sufficiently to know, and we will have to wait until the snow goes.

Mr. POULIOT: What is the length of the railway.

Mr. VAUGHAN: It is approximately 500 miles.

Hon. Mr. CHEVRIER: 520 miles.

Mr. POULIOT: The matter is under advisement now? Is it being considered by your company?

Mr. VAUGHAN: Are you referring to the Newfoundland Railway or the Temiscouata Railway?

Mr. POULIOT: I am referring to the Newfoundland Railway.

Mr. VAUGHAN: We have not really determined what will have to be done there because we have not made a sufficiently careful examination of the line so far as the physical conditions of the property are concerned. We shall do that as soon as the snow is gone and the weather permits such investigation.

Mr. POULIOT: In the meantime the whole thing will be taken over at the time of confederation with Newfoundland.

Mr. VAUGHAN: The Newfoundland Railway comes to us on April 1st. After April 1st the manager of the Newfoundland Railway, now in St. Johns, will report to the Vice-President of the Canadian National Railways at Moncton and the Newfoundland Railway will be operated as a district of our Atlantic region.

Mr. REID: Will the report of the Newfoundland Railway be included next year as part of the report of the Canadian National Railways?

Hon. Mr. CHEVRIER: The agreement between the Canadian government and the delegates from Newfoundland provides that the government shall take over the Newfoundland Railway and operate it. The government intends to ask the Canadian National Railways, under the authority of the Canadian National Railways Act section 19 to operate the Newfoundland system.

Mr. POULIOT: The final adjustment has not been made.

Hon. Mr. CHEVRIER: No.

Mr. POULIOT: It will be a matter of discussion, Mr. Chevrier, between yourself and the company?

Hon. Mr. CHEVRIER: I would not say it is a matter of discussion. I think the discussion is over now, the agreement having been signed between Newfoundland and Canada as to the ownership of the railway. We take it over as of April 1st and I think I am safe in saying that an entrustment order has gone forward from the Cabinet authorizing the Canadian National Railways to operate the Newfoundland Railway as of April 1st.

Mr. NICHOLSON: Is there any commitment to put the Newfoundland Railway in as good shape as the Canadian National Railways?

Hon. Mr. CHEVRIER: That is one term of the agreement. We have also to pay some of the indebtedness outstanding on the part of the Newfoundland Railway and we have agreed to purchase certain new equipment.

Mr. POULIOT: Will these matters be attended to by Order in Council or by Act of parliament?

Hon. Mr. CHEVRIER: There is already an Act of parliament.

Mr. POULIOT: Final adjustment will be made by order in council?



Hon. Mr. CHEVRIER: The only adjustment is the matter of the entrustment order turning the Newfoundland Railway over to the Canadian National Railway for operation and that order has been submitted by the Cabinet.

Mr. POULIOT: Has it been decided upon yet?

Hon. Mr. CHEVRIER: I would think it has.

Mr. POULIOT: But you do not know if it has been forwarded?

Hon. Mr. CHEVRIER: That is the point, but I would imagine it has.

Mr. MUTCH: The entrustment order does not involve any financial adjustment?

Hon. Mr. CHEVRIER: I am sorry, I did not hear you, Mr. Mutch.

Mr. MUTCH: The entrustment order does not involve any further adjustment either financial or with respect to equipment matters? The government possesses the railway as of April 1?

Hon. Mr. CHEVRIER: That is right.

Mr. MUTCH: The entrustment order will simply turn over the railway on whatever terms have been agreed for administration by the Canadian National Railway.

Hon. Mr. CHEVRIER: That is correct.

Mr. MOORE: I understand that the Newfoundland Railway is a narrow gauge railway?

Mr. VAUGHAN: That is correct.

Mr. MOORE: Does the government intend to convert that railway to standard gauge?

Mr. VAUGHAN: We have not that intention.

Mr. REID: A moment ago I asked if for the following year the Newfoundland Railway will be shown in the balance sheet separately or just as part and parcel of the Canadian National System.

Mr. VAUGHAN: I think it will be shown as part and parcel of the Canadian National Railway. The Newfoundland Railway will be operated as a district of our Atlantic region and the accounts will be embodied in the Canadian National Railway accounts.

Mr. NICHOLSON: To return to Mr. Moore's question regarding the narrow gauge, I understand there was a commitment to give comparable service in Newfoundland to that given in the Maritime provinces.

Mr. VAUGHAN: I do not think that is quite correct. I think we were to give an adequate service; that is, one which was no worse than that given at the present time.

Mr. NICHOLSON: But I thought we were to give as good a service as that provided to the Maritime provinces.

Hon. Mr. CHEVRIER: The only commitments are those which are set out in the agreement and in the appendix to the agreement. I remember having said something, during the discussion in the House concerning it, but I have just forgotten the wording of it.

Mr. HAZEN: You said, Mr. Vaughan, that you were not very proud of the results of the year's operations, but that you had no apology to make.

Mr. VAUGHAN: Yes sir.

Mr. HAZEN: I think something was said to the effect that if the railways were not allowed to make proper charges for their services, then these deficits would continue and the taxpayers would have to make them up, to pay the difference.

Mr. VAUGHAN: Yes sir, that is what I said.



Mr. HAZEN: Now last year you got an increase of 21 per cent in the freight rates, as from April 8. How much would that bring in in additional revenue? Am I correct in saying that it would be \$30,449,000?

Hon. Mr. CHEVRIER: It is on page 6, I think.

Mr. COOPER: All the increases brought in approximately \$53,670,000, that is, for the system.

Mr. HAZEN: Then what do these words mean: "The foregoing increases on purely Canadian traffic resulted in increased revenues during 1948 of \$30,442,000?"

Mr. COOPER: Those are the revenues which resulted from the increase in competitive rates and the 21 per cent order. My figure of \$53,670,000 was a result of all the increases which we received during the year, not only in Canada but in the United States as well.

Mr. HAZEN: Then what does the next line mean: "Adding the rate increases on international and related traffic the gross increase in Canadian lines freight revenues for the year, due to rate adjustments, amounted to \$44,303,000 or 21·6 per cent."

Mr. COOPER: Under the Canadian Board of Transport's order in the 21 per cent freight rate case, we received increases amounting to \$28,804,000.

Now, we also received increases on the international traffic under orders which were issued by the United States Interstate Commerce Commission, supplemented by orders of the Canadian Board of Transport Commissioners.

Mr. HAZEN: And that brought it up to \$44,303,000.

Mr. COOPER: In addition, we increased our competitive rates by 15 per cent from September 15; so the three things in combination, the 21 per cent freight rate increase, the international rate increases, and the increase in competitive rates, aggregated, on the Canadian traffic only \$44,303,000.

Then, the increases on the United States lines amounted to—

Mr. HAZEN: That is, the increase in competitive rates that you are speaking of?

Mr. COOPER: No, Mr. Hazen. There are three things. The increase under the 21 per cent order. This amounted to \$28,804,000. Then, in addition, we had the increase on the international traffic \$13,861,000; and we had an increase with respect to the competitive traffic \$1,638,000; and these three things, in combination, added \$44,303,000 to the Canadian lines revenues. Then, in addition, on our United States lines, we had increases amounting to \$9,367,000. So that, all in all, the system received \$53,670,000 additional revenue as a result of the freight rate increases.

Mr. HAZEN: It says in this statement that the result of this 21 per cent increase was to increase Canadian freight revenue, on the Canadian National system, by an average of 18·2 per cent.

Mr. COOPER: That is correct.

Mr. HAZEN: Last year, if I remember correctly, I think either you or Mr. Vaughan told us that these increases, after all exemptions and specific rates are taken into account, bring about an over-all increase, on all the traffic, of only 13½ per cent. Was that figure wrong, or does it refer to something else?

Mr. VAUGHAN: It was correct with the explanation at that time.

Mr. COOPER: It was correct in this sense, that if you take the increase resulting from the 21 per cent freight rate orders, and you apply it to all the Canadian freight traffic you will get this figure of 13·6 per cent.

Now, if you take the increase resulting from the 21 per cent order and relate it to the Canadian freight traffic, excluding international traffic in Canada, you will get this increase of 18·2 per cent.



Mr. HAZEN: You filed an application, or perhaps I should say that the Canadian National Railways filed an application through the Railway Association of Canada, with the Board of Transport Commissioners on July 27, 1948, for further general advance of 20 per cent on rates within the jurisdiction of the board.

If that 20 per cent increase in rates is granted to you, do you think your revenue will then be sufficient to meet your expenses? In other words, will you show a profit instead of a deficit?

Mr. COOPER: We cannot show a profit in 1949 for the reason that any order given now could only apply to part of the year.

Mr. HAZEN: Yes; but looking ahead for 1950—I appreciate what you have said.

Mr. COOPER: My answer to your question is this. That the deficit which we anticipate in 1949 would be about offset if our application which is now pending before the Board of Transport Commissioners were to be granted in full and we had the benefit of that increase for a full twelve-month period.

Mr. VAUGHAN: And provided that we have no further increases in wages or in costs of materials.

Mr. HAZEN: It says that you have had a further general advance in rates. Do you mean freight rates or passenger rates? It does not say which.

Mr. COOPER: It is on freight rates, excluding the international traffic. It is the same traffic on which the 21 per cent increase was granted.

Mr. HAZEN: Yes, but does that include passenger rates.

Mr. COOPER: No, sir.

Mr. HAZEN: What is meant by The Railway Association of Canada?

Mr. VAUGHAN: The Railway Association of Canada comprises the following member lines:

- Algoma Central & Hudson Bay Railway
- Canadian National Railways
- Canadian Pacific Railway Company
- Central Vermont Railway
- Chesapeake & Ohio Ry. (Pere Marquette District)
- Great Northern Railway Company
- Michigan Central Railroad
- Midland Railway Company of Manitoba
- New York Central System
- Northern Alberta Railways
- Ontario Northland Railway
- Temiscouata Railway
- Toronto, Hamilton & Buffalo Railway
- Wabash Railroad Company

And in addition there are the following associate members:

- British Columbia Electric Railway Company
- Canada & Gulf Terminal Railway
- Canada Steamship Lines
- Essex Terminal Railway
- London & Port Stanley Railway
- Napierville Junction Railway
- Pacific Great Eastern Railway
- Sydney & Louisburg Railway

Mr. HAZEN: It was on July 27, 1948, that you made this application for the 20 per cent increase. What is your position now in respect to that application? Has the board held hearings, or is the board still holding hearings? When do you expect that these hearings will be completed? Have you any idea?



Hon. Mr. CHEVRIER: Perhaps I could answer that question. If you are referring to the 20 per cent application, Mr. Hazen, the evidence has now been heard, and the argument began today. It is expected that the argument will last all the week but if it is not completed at the end of this week, they may have to go into another week. I doubt if that will happen. That would complete the evidence and the argument in the 20 per cent case.

Mr. HAZEN: Has the Railway Association of Canada now made an application for an increase of 15 per cent in passenger rates, and would that application have to go before the board?

Mr. VAUGHAN: It would have to be dealt with by the Board of Transport Commissioners.

Mr. HAZEN: Has any date been fixed as yet?

Mr. VAUGHAN: No. That is a matter for the pleasure of the Board of Transport Commissioners.

Mr. HAZEN: Do they just decide? When one makes an application, do they just decide it?

Mr. VAUGHAN: They may have hearings, and we may have to go before them and justify that 15 per cent increase.

Mr. HAZEN: Near the end of your report, Mr. Vaughan, you say:

On December 29, 1948, a Royal Commission was appointed to enquire into and report upon the general subject of transportation in Canada.

Have you received notice to appear before that commission yet?

Mr. VAUGHAN: Not as yet, no sir.

Mr. HAZEN: Do you know if the machinery of that commission has got under way as yet?

Mr. VAUGHAN: No. I think they have held some organization meetings, but we have not been called into those meetings as yet.

Mr. HAZEN: Has your company rendered any assistance to the commission?

Mr. VAUGHAN: Not as yet, sir. We have not been asked to do so.

Mr. REID: I notice that the freight revenue constitutes 80 per cent of all your revenue, while the passenger revenue amounts to but 8.5 per cent of your total revenue, as outlined on page 6.

My question is this: In view of the fact that you are asking for an increase in passenger fares, have you any figures to show the cost of passenger trains as compared to freight trains?

The rating system is the same over a great number of years, except for the fact that conditions have changed and that you now have competition which you did not have at one time, such as truck and automobile, and a certain amount of competition by air.

I venture to say that once the Trans-Canada highway is completed, your revenue will go down further in respect to passenger traffic.

When you ask for freight increases, I ask: who is carrying the load? Is freight carrying the load for passengers? And if so, can you tell me what the passenger division is costing?

I see that your revenue from passengers amounts to only 8.5 per cent while your revenue from freight is 80 per cent.

You are making the freight carrier the pack-horse, as far as passengers are concerned. Has any thought been given to streamlining the passenger end of it? I submit that your freight is subsidizing your passengers, and that while freight may very well be paying its way, it is the passenger service which is causing the loss. Can you give us any figures in regard to that matter?



Mr. VAUGHAN: I think that matter has been thrashed out before the Board of Transport Commissioners in connection with the present application for an increase in freight rates.

The board asked for a division of costs as between passengers and freight business. But we have always contended that it was very difficult to give an accurate statement of costs, because we are unable to apportion the cost of maintenance of roadbed, let us say, between a passenger car and a freight car.

We do know after a long period of years, that passenger service has been very costly to the railways. There are a few trains which do make a little money; but there are other trains which lose money.

You are quite correct in saying that motor car travel and highway travel will take more business away from the railways. You will observe that our passenger traffic has been falling year by year since the war. We expect there will be a further decline in passenger traffic.

You raised a question as to streamlining this service. Let me say that we have on order some very modern cars for the transcontinental service, such as the duplex roomette car. But so far as modern streamlining of equipment is concerned, there is no company in Canada manufacturing it at the present time. It would be too costly to import that streamlined equipment.

Personally, I doubt very much if the streamlined equipment is any more comfortable. It may look nicer, but I do not think that a passenger gets any better ride in a streamlined car than in a standard car which is properly equipped with springs and upholstery and things of that kind.

Mr. REID: I am in sympathy with the railways and I realize they have a problem as to which no man has been able to find a solution.

I would refer now to the Trans-Canada highway. I know that bus lines, which carry passengers across the continent, carry those passengers at about one third of the cost of railroad travel. Now, when people travel they do look at the cost; and if they can travel for about one third of the cost, they will not travel by train.

I think we should find out whether we are subsidizing passenger service at the expense of freight service. We have been arguing about freight rates for four or five years and I would like to know the answer.

Mr. POULIOT: With respect to this question of freight revenue, I see that, in 1948, it amounted to \$393,544,359; while passenger revenue amounted to \$41,562,141.

It is my submission that those figures should be completed by providing the freight expenditures and the passenger expenditures so that we might have the complete picture and know what the freight service has cost us as compared to the freight revenues, and we would know what the passenger service has cost us as compared to the passenger revenue. My criticism is that the expenditure figures are lacking. Could they not be supplied to us?

Mr. VAUGHAN: It would be very difficult to give accurate figures. As I said a few minutes ago these figures were submitted to the Board of Transport Commissioners in an effort to show a division between our costs to the two services.

I do not know whether the Board of Transport Commissioners considers that our figures are worth anything or not. I would not say that they were guess work, because they were submitted as accurately as we could give them, having regard to the fact that we had to guess at some of the conditions and costs.

Mr. POULIOT: We have had this bulk policy over a number of years; and my complaint is that these figures do not show the freight expenditures and the passenger expenditures. Therefore I find it very difficult to discuss the question until we have some approximate idea about the expenditures.



Mr. REID: That is the crux of the whole problem and we should have these figures.

Mr. MUTCH: On that question, quite apart from guessing, as the president has quite properly said, how can anyone apportion maintenance costs, let us say, with respect to a piece of track between Winnipeg and Fort William as between a freight train hauling 60 cars of wheat, and a passenger train travelling at a higher speed, but very much lighter?

To do that would take you into the realm of fancy, if you try to decide which one wears out the ties faster and which one wears out the steel faster. And how can anyone apportion it, actually, with respect to labour cost. When you get into the question of maintenance, you verge upon pure fancy.

Mr. VAUGHAN: That is correct.

Mr. REID: Now, in the section out of Vancouver and New Westminster you have freights and you have through trains running. You have these freights running and you have these transcontinental trains running and you know they have to meet. You have the volume of traffic they are carrying, both passenger and freight. You know the costs of these trains. I suggest to you that it would not be very difficult to work out exactly what those trains cost to operate, and I think you could give us the actual operating cost of those trains.

Mr. VAUGHAN: So far as the general expense of operating is concerned, we could give you that. I think Mr. Cooper will be able to give you those figures.

Mr. POULIOT: Before you leave that point, I would like to mention one thing. There is a new train operating between Edmundston and Quebec City, and then on to Montreal, which is known locally as the Fraser Company train—I refer to the new trains Nos. 67 and 68. I would like to have full information about that train; the cost of operating it, the number of passengers carried on the sleeper, and so on. I want to know what the total cost comes to.

Mr. VAUGHAN: We can get that for you.

Mr. POULIOT: In addition to that I would like to know how many passengers have traveled from Quebec City to Montreal in a special sleeping car which is added to the C.N.R. train for the convenience of the Fraser Company. This is a new train which has been put into operation at the request of the Fraser Company and for the benefit of Edmundston and other points. I am told that the sleeping car is far from being filled and that a good deal of the service is not used, and I refer not only to the sleeping car service but other services as well. I would also like to know the cost to the railway caused by delays meeting other trains and waiting for the fast trains to pass. You have your transcontinental service over that line and there is a heavy freight service, and many times that train to which I referred has to stop to let the other trains pass. I would like to know what the cost of such meets is, and what it costs, or adds to the cost of operating that train.

Mr. VAUGHAN: In other words, you think there is an indirect cost on account of the delay in meeting other trains?

Mr. POULIOT: Yes, beside the cost of operating the train.

Mr. VAUGHAN: I would doubt if there is any.

Mr. POULIOT: That would depend on establishing the cost, the expenditure on account of the passenger service. It could very easily be done. You have the cost of your coal, the cost of your locomotive, the cost of your train crew; and you also have to consider depreciation and maintenance, the total amount spent on repair to locomotives and that sort of thing. You can do it by dividing the total amounts from the locomotive repairs or reconditioning by the number of locomotives which are in the shops. It is feasible and you can establish an average which will be a close enough approximation for my purpose.

Mr. COOPER: We could get the out-of-pocket figures for you.



Mr. VAUGHAN: We will get you all the information we can. I have never heard that run called the Fraser Company train before. We did have a lot of agitation from the citizens of Edmundston, including the Fraser Company, before we put it on.

Mr. POULIOT: I wonder if you would file such a study as I have asked for?

Mr. VAUGHAN: We will do that.

Mr. POULIOT: One other question. Are you going to operate the Fraser train in the summertime?

Mr. VAUGHAN: Yes, I think so. We have made no arrangements to take it off.

Mr. POULIOT: There is another very important thing to be answered. We will leave the Fraser train on then; and, of course, we always have the trains which stop at all the stations. They can pick up passengers for the sleeper which they use in traveling between Edmundston and Quebec City; and now that is cancelled but we will still have the Fraser Company train.

Mr. VAUGHAN: Mr. Pouliot, these trains are operated with a view to accommodating the public, and our objective, of course, is to give an adequate service at the lowest cost.

Mr. POULIOT: That is all right, Mr. Vaughan. You have told us that you have no authority for your statement. I agree with you, because you are supposed to go very carefully, and you are just one of the officials of the railways, just like one of us. You come here with a report of your operations every year, and every time you come here we are at home here and we go over all these matters. Don't take it for granted that a thing is right because you have done it. You may make your statement later; but I do not want you to be too confident that the thing is right because you have done it. You may have been mistaken, just as all of us here in parliament on occasion make mistakes.

Mr. VAUGHAN: We are all subject to correction. We do not claim to be infallible.

Mr. POULIOT: I know, but you said the Temiscouata Railway was an expensive operating proposition. Here we have this special train which was put on at the request of some tycoons of Montreal—and we know who those tycoons are—and I want to win my point and I will surely win it.

Mr. VAUGHAN: We will give you all the information you want.

Mr. POULIOT: I want it in the precise manner in which I have asked for it. You have given it for one train, you can give it for others. It is a matter of carelessness on your part not to have it before this committee. We should be given a full detailed picture and study of railway operating revenue and expenditures. You have it all on your desk and there is no reason why it should not be given to every member of this committee.

Mr. VAUGHAN: I do not think there is a railway on the North American continent which could give you information in that form. I am sure there is not.

Mr. POULIOT: There is no other railway which has to come to parliament. It is a very different issue. We are members of parliament and we are responsible to our people for the operation of their railways. I am ready to go the limit with you on this matter. I have told you what I want to know, and I want this whole matter to be cleared up, as well as other matters, before the committee. That is my point.

Mr. VAUGHAN: We will get the information as best we can.

Mr. POULIOT: Thank you.



Mr. REID: I have a question to ask in regard to page 10. Down there, the third paragraph under the heading "General", you say: "The Department of Research and Development continued its active role in the field of development expansion. There have been a number of inquiries from British firms seeking to establish plants in Canada, following some relaxation of the restrictions on the release of capital for such purpose."

I am wondering if you have any information regarding that very important and valuable industrial property on your line running between New Westminster and Vancouver. There has been a large demand for industrial property of that kind and there is a heavy demand for it at the present time. No doubt the matter has been taken up with your department. There you have hundreds of acres of valuable land, industrial sites. In my opinion this land should be made available to industrial firms from Great Britain who are eagerly seeking sites of that kind. I was wondering whether your Department of Research and Development is giving any special consideration to the use of that property.

Mr. VAUGHAN: My answer to that, in the first place, is that we do not own that line; that is owned by the Great Northern and we have running rights over it. We do own some property nearer to Vancouver and that is being rapidly developed. The property to which you refer, as I said, is owned by the Great Northern Railway, and we only have running rights over it. We are interested in encouraging new industries to locate on our lines. On our own part we have done a lot to build up the terminal property we have in Vancouver. But that property from our junction with the Great Northern on to New Westminster does not belong to us and we cannot do very much about it as we are only tenants of the Great Northern Railway.

Mr. GIBSON: Mr. Vaughan, do you own the mineral and oil rights on your prairie land?

Mr. VAUGHAN: Generally speaking, we do. We have lost some mineral rights on lands but we are trying to redeem them. We still own considerable land with oil and mineral rights.

Mr. GIBSON: Are they quite substantial acreages?

Mr. VAUGHAN: Yes.

Mr. GIBSON: They will all be used eventually?

Mr. VAUGHAN: Yes.

Mr. REID: Another matter, relating to telegrams. It has been drawn to my attention that on telegrams from the east to any point in Vancouver or New Westminster going over the C.P.R. telegraph lines the C.P. will pay the phone part of delivery where the C.N. charge for the telephone call. The practice with the C.N. telegraph is to call the receiver up and ask if he will accept the call before they phone the message. The C.P. does not do that and that gives a considerable advantage to the C.P.

Mr. VAUGHAN: I will certainly look into that. I have never heard of that before. We are certainly doing everything we can to build up our business and we accept many collect messages.

Mr. REID: If a telegram is sent to a certain point, say eight miles out from the city of Vancouver or New Westminster, it arrives at the office in New Westminster or Vancouver and in order to get it to the person to whom it is to be delivered they have phone it.

Now, if it is the C.P. they phone the message out, and if it is the C.N. they say: there is a telegram here for you, will you accept the call charge for whatever the cost of the call may be, 10 cents or 15 cents—and if it goes by C.P. the C.P. actually deliver the telegram to the addressee.

Mr. VAUGHAN: I will certainly look into that. That is the first I have heard of it.



Mr. REID: I know about it. I do not like to be personal, but it happened to me on a number of occasions.

Mr. POULIOT: I now want to bring up another question, which is this; are we to have any new stations in Quebec, this summer? I did not insist last year on the understanding that the matter would be considered this year.

Mr. VAUGHAN: I am not sure whether it is in the budget this year or not. I am informed by Mr. Cooper that there is an item of \$24,000.00 for a station and freight shed at Isle Verte.

Mr. POULIOT: There is still not adequate plumbing accommodation in the station at Les Etroits. I wrote to Mr. Robinson, the vice-president at Moncton, about it, and to the superintendent at Edmundston and they were of the opinion that the agent did not need any better accommodation. Moreover, Mr. Robinson told me that there were a number of stations along the line which did not have nearly as good accommodation as at this point. I was wondering if anything is being done to improve conditions at Les Etroit?

Mr. WALTON: I do not see that on the list for this year. We do a number of these small jobs each year, but I do not see that one on the list at the moment.

Mr. POULIOT: I will to tell you that I would like to have quite a number of stations along the line fitted out with modern plumbing facilities so that they would be decent homes for the agents and their families to live in. They should not be required to put up with the primitive accommodation which is there at the present time.

Mr. McCULLOCH: Have you all diesel electric locomotive equipment on Prince Edward Island now; and, do you find it satisfactory?

Mr. VAUGHAN: No sir, we have not. We have returned all the locomotives and have paid for none of them.

Mr. McLURE: They were manufactured in Canada?

Mr. VAUGHAN: At Kingston, yes. We gave the order to this Kingston firm which had made a deal with the Baldwin Locomotive Company to build a type of locomotive which they have developed in the States, but they did not turn out satisfactorily at all and we have refused the engines, and we are making arrangements to buy the locomotives elsewhere.

Mr. McLURE: Do you mean elsewhere in Canada?

Mr. VAUGHAN: I do not think that we can have them manufactured in Canada.

Mr. McLURE: The company operating in Kingston is not a subsidiary of a company of a similar name in the United States?

Mr. VAUGHAN: No, it is a separate company. The American Locomotive Company of Montreal is a subsidiary of the American Locomotive Company, the Canadian Locomotive Company of Kingston is entirely a Canadian company.

Mr. McLURE: I understand that the first two diesel engines that came there for use were satisfactory?

Mr. VAUGHAN: They were General Electric engines which were bought in the United States. The other eighteen were unsatisfactory and we refused to take delivery of them. They told us that they would be able to fix the engines up properly but they have not been able to do so, so we have definitely refused to have anything to do with them.

Mr. McLURE: That means that you do not know whether they were cheaper to operate than other types of locomotives or not?



Mr. VAUGHAN: No, because we have not had a proper test made. We had a study made of the situation before we decided to dieselize the island and our studies showed distinctly that we were going to save considerable money by dieselizing the entire motive power equipment there; but we have had nothing but trouble with this particular diesel engine that was built at Kingston.

Mr. McLURE: What weight of engine are you using now?

Mr. VAUGHAN: We are trying to place an order for an engine not much heavier—500 or 600 horsepower. We have been very disappointed because we thought by this time we would have nothing but diesel engines on the island.

Mr. McLURE: You still do not give a breakdown of operating expenses and operating losses by separate divisions or lines?

Mr. VAUGHAN: No sir, we do not. I think it would be better that you did not know the costs of the Island operation.

Mr. McLURE: I think we ought to have that; that is part of the problem.

Mr. McCULLOCH: I think the net result will be that they will have to go back to steam locomotives and that will mean that they will be buying more coal from us.

Mr. NICHOLSON: We had a discussion last year regarding the over-capitalization of the system.

The CHAIRMAN: Yes.

Mr. NICHOLSON: What progress has been made in this direction with the government since last year? Can we not expect to get some adequate adjustment of capital?

Mr. VAUGHAN: That is a matter which will be presented to the royal commission, Mr. Nicholson. We hope we will get some relief through them.

Mr. NICHOLSON: I suppose you would not care to tell us what sort of adjustment you would like to have?

Mr. VAUGHAN: I do not think we should give our hand away. We are preparing a brief for the royal commission and it will be submitted in due course.

Hon. Mr. CHEVRIER: One of the terms of reference to the royal commission is a specific item dealing with the capitalization of the Canadian National Railways.

Mr. HAZEN: You made quite a long statement on this matter in 1946, I think?

Mr. VAUGHAN: Yes, sir.

Mr. HAZEN: And in that statement you said that you could foresee further loss in business due to truck competition and air service as well. Now, that was three years ago. What has been the result? Did you lose further business from air competition and truck competition?

Mr. VAUGHAN: There is undoubtedly a certain amount of business being lost to them. That is another matter which is to be submitted to the royal commission.

Mr. HAZEN: There is another matter you referred to in addition to truck and air competition; you referred to the deepening of the St. Lawrence waterways. Now, you must have made some study on that, I presume?

Mr. VAUGHAN: Yes, sir.

Mr. HAZEN: What losses in revenue, or in railway business, do you anticipate if the St. Lawrence waterway is deepened?

Mr. VAUGHAN: We had our Research and Development Department, and Bureau of Economies make a thorough study of that situation, because we were very anxious to know what traffic we might lose if the canals were deepened. After giving the matter much study and making a thorough investi-



gation their report is, as I recall it, that they do not expect the railway will suffer any substantial loss of business at all because they consider that there will be so many new industries built up along these new waterways that the business we would get from these new industries would more than make up for what we might lose in any other direction.

Mr. HAZEN: When was that report made?

Mr. VAUGHAN: That report was made two or three years ago.

Mr. HAZEN: Was it in 1947, or 1948, or prior to that time?

Mr. MUTCH: In any event that was the conclusion.

Mr. VAUGHAN: I remember distinctly that the conclusion reached in the report forecast no great loss of business. The report was made about two years ago but I cannot give you the exact date.

Mr. MOORE: Since an increase in freight rates has been granted has the railway noticed any appreciable loss of traffic on account of the diversion of freight through the Panama Canal?

Mr. VAUGHAN: You are asking whether freight business has been diverted from us?

Mr. MOORE: Yes.

Mr. VAUGHAN: We have not noticed it yet. I believe that it has been noticed in the United States where freight rates have been increased much more than in Canada.

Hon. Mr. CHEVRIER: There has been no traffic from Vancouver through the Panama Canal?

Mr. HAZEN: Is it not starting this month?

Mr. VAUGHAN: I think there is some traffic moving from Vancouver through the Panama Canal to United States Eastern ports but there has been no freight as yet consigned through Panama for Eastern Canadian ports.

Mr. HLYNKA: In view of the discriminatory rates which apply in various parts of the country I am wondering if the president has any suggestion as to the probable result which may be expected? Have we any solution to the problem or are we simply driving on as we are doing today, writing off deficits and maintaining the discrimination?

Mr. VAUGHAN: I think that matter represents one of the reasons for the appointment of the royal commission. The royal commission will investigate all these things and see if it can come to a conclusion, and doubtless it will report to the government in due course.

Mr. HLYNKA: In view of your experience have you any suggestion as to what can be done?

Mr. VAUGHAN: The only suggestion that I have at the present time and which I could give the committee is that we cannot survive with the existing rates. We must have an increase in freight rates or there are going to be further losses.

Mr. HLYNKA: An increase in freight rates will not remove the discrimination which exists between certain parts of the country, and our people are simply up in arms over the whole thing.

Mr. VAUGHAN: Those are matters which are constantly before the Board of Transport Commissioners. We will have to leave it to them and trust to their conclusions in the light of the evidence submitted by the railways, by the provinces, by the shippers, and by all concerned. As far as our situation is concerned one of the reasons for our losses is this matter of very heavy fixed charges, and that question will also be submitted to the royal commission.



Hon. Mr. CHEVRIER: With reference to the discriminations of which Mr. Hlynka speaks, we know that operations under the Railway Act affect a great number of people. When you consider that the increase in freight rates in Canada has been 21 per cent thus far, as compared with an increase of 60 per cent in the United Kingdom and at least 55 per cent in the United States, there is little reason for too much complaint. It is that fact which is particularly important. Although the application for the 21 per cent increase was made almost two years ago the increased rate in fact did not become operative April 1948, which meant for Canada almost 18 months operation under the old rate, whereas, in the United States, the Interstate Commerce Commission slapped on interim judgments which went into effect immediately.

Mr. HLYNKA: What you say may be true when considering the overall picture, but the problem about which I am concerned, and about which the people in the west concern themselves, is simply stated. Why should people in Alberta, people in British Columbia, people in Saskatchewan, and in Manitoba carry more than their share of the load? That is the question and for some reason or other it seems to be difficult to have it understood. I have spoken on this question in the House and I have spoken of it outside of the House. We are not complaining about charges when taking the overall picture because surely the people of Canada must make up any deficit. The complaint we make is simply why either the maritimes or the western provinces should carry more than their share of the load.

Hon. Mr. CHEVRIER: It is a question whether they do. I think the investigation in 1927 indicated that was not the case.

Mr. HLYNKA: In the report of the former premier of the province of Manitoba, the now Minister of Justice, made to the Board of Transport Commissioners a year ago, it is definitely stated that the load carried by the country lying west of Fort William was far in excess of what it should have been. That statement was included in the Honourable Mr. Garson's submission to the Board of Transport Commissioners. He was in possession of definite proof and I have quoted his statement on the floor of the House. Our contention at the moment is that we cannot see our way to continue on this basis and until the discrimination is adjusted the people will never be satisfied and the whole situation as it exists now is not fair to them.

Hon. Mr. CHEVRIER: In looking at the picture from an overall point of view there is not only the question you refer to but there is also the question of the granaries which have been in existence since 1897 without any change. The railways feel that the time has come when they should get an increase in respect of those granaries. The government does not hold that opinion.

Mr. MAYBANK: You will have to crawl over a lot of dead bodies first.

Hon. Mr. CHEVRIER: That may be so, Mr. Maybank. Perhaps you were not here when the matter came up for discussion and what I am trying to state now is when one speaks of discrimination with reference to one locality, I suppose that he has in mind a certain group of rates, but, one must keep in mind the whole picture; not only the trans-continental rates but the mountain differential and other matters.

Mr. HAZEN: The granaries have been in existence since when?

Hon. Mr. CHEVRIER: Since 1897.

Mr. MUTCH: It should be pointed out here that the areas through which the railway operates at the least expense have been the areas where the charges have been highest. The people for whom Mr. Hlynka and I speak do contribute, and you must add to your figures their share of the \$33,500,000 subsidy. I prefer to call that deficit a subsidy but you may call it what you like. It is the figure at the bottom of page 5 of the report. The whole case for discrimination is not



given when you go as far as Mr. Hlynka went until you add the share of that \$33,500,000 paid by the prairies and the western provinces. However, we would be perhaps unwise in view of the pressing nature of some of our other business to try and solve the problem here or to do any repainting in public.

Hon. Mr. CHEVRIER: We have tried to deal with this question first by asking the board to establish a freight rate structure across the country, and then by asking the royal commission to look into the whole broad question to ascertain whether by means of amendments to the Railway Act or other means it is possible to eliminate the complaints.

Mr. HLYNKA: I was trying to get an opinion from Mr. Vaughan on this whole problem because it seems to me that we are skating around it and we have skated around it for the past two years. We are not solving the problem, we are going into debt, and the problem remains. Unless we do tackle the whole question from the proper angle it is a matter of having deficits and covering them up but the discrimination continues to exist and people continue to be dissatisfied.

Mr. VAUGHAN: The matter is still before the Board of Transport Commissioners and this is the proper place for it. Each province has a different idea of what discrimination is. Each province contends that it is being discriminated against and it seems to me that some judicial body, the Board of Transport Commissioners or the royal commission, must decide if in fact there is discrimination and what is to be done to avoid such discrimination that may exist.

Mr. HLYNKA: I was about to mention another point concerning service in western Canada. We find in reading this report that a number of new coaches have been constructed and put into service. On our small lines—and some of them are not so small, like the line which runs from Edmonton to Lloydminster—persons must ride in one of those old crates which are anywhere from 35 to 50 years old. As the people in that district ride along the line they feel that they are entitled to some of the new cars about which they read from time to time. The complaint about old cars is not confined to Ontario and Quebec but it is true of these old districts which are entitled now to a little better service and a little better equipment.

Mr. VAUGHAN: We have tried to divide the equipment as best we can having regard for the service required. Are you by chance referring to the coaches on through trains west of Winnipeg?

Mr. HLYNKA: It is the daily train. Now and then a newer coach is put on but as a rule one has to get into a rattling old crate.

Mr. WALTON: I take it Mr. Chairman, that Mr. Hlynka is speaking of trains Nos. 5 and 6. We do have some nice sleeping and passenger cars on that mixed train. The trouble is however that we just do not have enough equipment yet and we do what we can but the really modern equipment is far less than meets the requirement.

Mr. NICHOLSON: Page 5 of the report refers to the damage caused in British Columbia and on the prairies by floods. I wonder if Mr. Vaughan can give us any idea of the damage in figures?

Mr. VAUGHAN: Do you mean from floods?

Mr. NICHOLSON: What will be the overall cost of the flood damage?

Mr. VAUGHAN: We mention in the report a figure of \$2,900,000 but that does not by any means cover the total cost as we have not repaired all of the flood damage as yet. There is a great deal to be done to restore the lines to the position in which they were before the floods.

Mr. NICHOLSON: What would be the total?



Mr. VAUGHAN: We have estimated that the total may be as high as \$10,000,000.

Mr. NICHOLSON: On page 5 you mention that the service to Vancouver was suspended from May 29th to June 29th?

Mr. VAUGHAN: That is right.

Mr. NICHOLSON: Is that the period during which you did not have any service on your own line?

Mr. VAUGHAN: We were detouring on the C.P.R. line when it was open.

Mr. NICHOLSON: It has been observed I believe that the Canadian Pacific Railway gets its lines in shape much quicker than does the Canadian National Railways.

Mr. VAUGHAN: Their line was not affected as much as ours was. Track for long distances was under water.

Mr. NICHOLSON: How long a delay was there before repair work was commenced by the Canadian National Railways?

Mr. VAUGHAN: Work was started immediately after the water subsided. The Canadian National got to work as quickly as did the Canadian Pacific but we had more work to do.

Mr. WALTON: Our biggest delay was caused by the loss of the steel bridge over the North Thompson river west of Kamloops. As far as I know the Canadian Pacific Railway did not lose a steel bridge.

The CHAIRMAN: Are there any other questions you would like to ask Mr. Vaughan on the report he has made?

Mr. POULIOT: If I am permitted, I would like to follow up a question which I put to Mr. Vaughan a moment ago about the Temiscouata Railway. I would like to know the number of passengers carried between Edmundston and Quebec city, and between Quebec city and Edmundston; and I would like to have the same information with respect to the sleeping cars, separately, if possible. Now, as between Montreal and Quebec and vice versa, I must ask you, Mr. Vaughan, what is the proper title for the head of the motive power shop in your system.

Mr. VAUGHAN: The head is called the chief of motive power and equipment.

Mr. POULIOT: Is he ever called superintendent of shops?

Mr. VAUGHAN: I take it that you are not referring to the principal officer in Montreal but rather to the regional shops.

Mr. POULIOT: I am referring especially to the shops themselves.

Mr. VAUGHAN: Some are called master mechanics, and some are called superintendents of shops.

Mr. POULIOT: I was under the impression that they were all superintendents, except one, and he is called general foreman. There is Mr. Melancon, works manager, Montreal; Mr. Walker, superintendent of shops, Moncton; Mr. Dunlop, superintendent of power shops, Leaside; Mr. McCready, superintendent of car shops, London; Mr. Mackinnon, superintendent of M. P. shops, Stratford; Mr. Thompson, superintendent of M. P. shops, Transcona; Mr. Brown, superintendent of car shops, Transcona; Mr. Buskard, superintendent of M. P. shops, Fort Rouge; Mr. Cooke, superintendent of car shops, Fort Rouge; Mr. Askew, superintendent car shops, Fort Huron; Mr. Selbee, superintendent M. P. and C. E. St. Albans.

Now, how is it that Mr. Bourdeau, who is head of the motive power shop at Riviere du Loup is called just general foreman and is not designated as superintendent?

Mr. VAUGHAN: I suppose it is because there are not so many employees there.



Mr. WALTON: That is the reason for it. It is the smallest shop.

Mr. POULIOT: I know there are shops elsewhere which have not the same privileges. Would you kindly give me the personnel of all the other shops?

Mr. WALTON: We can get that for you.

Mr. POULIOT: I would like to have the actual personnel. We have had a lot of difficulty in our region. I think conditions did seem to improve after Mr. Johnson left. Nevertheless there appears to be prejudice and bigotry among the officials of the railway, that is, among most of them. I could describe to you what has happened under certain circumstances, but I shall not take up the time of the committee. Prejudice is rampant in Moncton. Did you not know that? Surely you have had representations from the Brotherhood, complaining about bigotry on the part of some of the officials down there?

Mr. VAUGHAN: I have not heard anything about it.

Mr. POULIOT: I am surprised to hear you say that. You can ask the heads of the unions and they will tell you that, following Mr. Johnson's departure, there was some appeasement, but now they are worse than ever.

Mr. VAUGHAN: In what way?

Mr. POULIOT: In not giving a chance to a French Canadian because he is a French Canadian. I suggest that if Mr. Bourdeau had happened to be named Smith or Brown, he would be superintendent of the shop instead of general foreman, but just because he has a French name, he is denied the title of superintendent. Let me tell you that the condition is general and not exceptional. I have seen memoranda prepared by the Brotherhood and by a lot of people down there, complaining about how they are treated by the management in the Atlantic region. I am telling you that now but you surely must have known about it before.

Mr. VAUGHAN: We shall look into it but let me say that we have never heard anything of the kind before.

Mr. EMMERSON: I do not think I would agree with Mr. Pouliot, most decidedly not, and I think that most of the Acadians employed in Moncton would possibly agree with you, Mr. Vaughan. As to the officials Mr. Pouliot has mentioned, I do not think they can properly be described as bigoted. I have seen very fair treatment down there.

Mr. POULIOT: When they hear French spoken, they shudder.

Mr. VAUGHAN: I think a good proportion of our employees in Moncton are French Canadian.

Mr. POULIOT: That may be, but they are in minor positions. Just as in Montreal, the French Canadians are in the lower brackets. They are not getting a chance, and you must know it.

Mr. VAUGHAN: I would not agree with you there.

Mr. POULIOT: You have only to check your territory.

Mr. WALTON: I have some figures in connection with Mr. Pouliot's observations. I have a list of the employees in certain of the shops.

At the Moncton shop, in the motive power department, there are 1,140 employees. In the car department, there are 547 employees.

In the Leaside car shops, there are 304. In the London car shops, there are 862. In the Stratford motive power shop, there are 1,173. In the Fort Rouge motive power shop—that is at Winnipeg—there are 748. At Fort Rouge, in the car shops, there are 666 employees.

At Transcona, in the motive power shop, there are 1,161 employees. At Transcona, in the car shops, there are 1,264. At Montreal, in the motive power shops, there are 1,687. And in the car shops there are 1,303.



At Riviere du Loup, there are 196 shop employees; and in the roundhouse there are 112, making a total of 308.

Mr. POULIOT: Well, what about places in western Canada, the motive power shops in western Canada, in addition to the ones you have mentioned?

Mr. WALTON: I have given you Transcona and Fort Rouge.

Mr. POULIOT: Those are the big ones. There are two others in the west.

Mr. WALTON: There is one which has just a general foreman. But your observation, as I understand, related to there being a general foreman at Riviere du Loup.

Mr. POULIOT: Yes, instead of his being a superintendent. You have told us that there are superintendents in motive power shops and in car shops.

Mr. WALTON: Yes. That is why I gave you the definite figures.

Mr. POULIOT: And there are other car shops in the west?

Mr. WALTON: Yes; at Transcona and at Fort Rouge.

Mr. POULIOT: Yes; and there are minor ones such as in British Columbia.

Mr. WALTON: Yes, but they do not rate as repair shops.

Mr. POULIOT: But Riviere du Loup does.

Mr. WALTON: Yes, it does.

Mr. POULIOT: And work is done at Riviere du Loup?

Mr. WALTON: Yes.

Mr. POULIOT: Then why should not consideration for the work done at Riviere du Loup be the same as consideration for the work done at other places?

Mr. WALTON: In answer to that, sir, I would say that the job is much heavier where they have a large number of employees.

Mr. POULIOT: And if we have a smaller number of employees—you must remember, Mr. Walton, the difficulty we had with St. Malo to keep our men when the shops were closed. You must have seen the correspondence with Mr. Hungerford about that time on the subject.

Mr. WALTON: You may recall coming to me about it, and I said that we would send machines and equipment and a proper number of men to Riviere du Loup.

Mr. POULIOT: You responded very agreeably; but you must appreciate the trouble I had in obtaining what you did give me.

Mr. WALTON: But the promise was kept, just the same.

Mr. POULIOT: Yes. I am grateful to you, and I acknowledge it publicly.

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

Mr. MOORE: On August 1, the Hudson Bay Railway was taken over by the Canadian National. I would like to know what plans, if any, the Canadian National has for increasing business along that railway.

As you know, it lost money continuously since it was built, in about 1930 or 1932.

Mr. VAUGHAN: There has not been any change in the traffic situation. We are still moving all the traffic which is routed that way, and we are providing rates and other information through our London, England, office and elsewhere, via Fort Churchill. There is not much more that we can do in that respect.

The CHAIRMAN: Are there any other questions?

Mr. HAZEN: How much of your interest charges have to be paid in United States funds?

Mr. COOPER: 70·29 per cent is payable three ways.

Mr. HAZEN: You say that 70·29 per cent are payable in United States funds?



Mr. COOPER: Yes. It is payable in either United States funds, Canadian or sterling.

Mr. HAZEN: Last year, how much did you actually have to pay in United States funds in dollars.

Mr. COOPER: I could not answer that question at the moment.

Mr. VAUGHAN: We can get that information for you.

Mr. HAZEN: I mean the amount which you have had to pay for United States funds. Do you have to go to the Foreign Exchange Control Board to get those funds? Do you have to pay the premium on them, or how do you get them?

Mr. COOPER: We go to the Foreign Exchange Control Board and buy them and we pay  $\frac{1}{2}$  of 1 per cent surcharge.

Mr. HAZEN: You say that it only costs you  $\frac{1}{2}$  of 1 per cent to get the money which you require? Would it amount to \$20,000,000?

Mr. COOPER: For exchange on interest account?

Mr. HAZEN: Yes.

Mr. COOPER: I do not think it would. It would be between \$15,000,000 and \$16,000,000.

Mr. HAZEN: And you say that it costs you one cent and a half?

Mr. COOPER: No, sir. One-half per cent.

Mr. HAZEN: You mentioned in your report about the loss by fire at Montreal of the Bonaventure freight sheds.

Mr. COOPER: Yes.

Mr. HAZEN: You had your own insurance?

Mr. COOPER: Yes, sir.

Mr. HAZEN: First of all, what was the cause of that fire? Do you know?

Mr. WALTON: The fire really resulted from carelessness on the part of certain employees in trying to repair a plugged gasoline line on a truck, in an area where there was congestion in the driveway, and close to the freight sheds.

Mr. HAZEN: And you had your own insurance?

Mr. COOPER: Yes.

Mr. HAZEN: How much insurance did you pay yourself, so to speak, out of your insurance fund.

Mr. COOPER: We took \$1,829,000 out of the insurance fund on account of that fire.

Mr. HAZEN: I am turning now to page 12, where it says, Insurance Fund. Would that fund be reduced by that much from last year's fire?

Mr. COOPER: No, sir, because we rebuilt or rather re-established the fund. We built it back to its normal level, which is \$12,000,000, by charging income account and crediting the insurance fund.

Mr. HAZEN: I have before me the auditors' report and I thought that must be the case because they say that the sum of \$1,783,000 was charged against railway income.

Mr. COOPER: Yes.

Mr. HAZEN: And it is credited to the reserves, and that sum is sufficient to re-establish it at \$12,000,000.

Mr. COOPER: Right.

Mr. HAZEN: But apparently when you look at page 12, it is \$13,486,000. What is the explanation of that?



Mr. COOPER: The figure on the balance sheet represents two items. One is the reserve surplus, which is \$12,000,000 and the remainder represents claims chargeable against the reserve which had not been paid at December 31. Had all the claims been paid, the figure on the balance sheet would be reduced by about \$1,486,000.

Mr. HAZEN: Yes, I see it. I would like to ask a question first about the branch line from Barraute northerly towards Kiask Falls. Your report says that this branch line has been built for 39.2 miles and that it was placed in operation on February 28, 1949. It is too early, I suppose, to make any report on the earnings of that road?

Mr. VAUGHAN: It only started a short time ago.

Mr. COOPER: We have not a statement of the earnings.

Mr. HAZEN: What did it cost to construct that portion of the road?

Mr. COOPER: To the end of 1948, it cost \$2,621,000, and it is anticipated that during 1949 we shall finish it at an estimated cost of \$612,000.

Mr. HAZEN: That is to Mile 39.2?

Mr. COOPER: Yes.

Mr. HAZEN: Do you propose to continue it, or is that to be the end of the line.

Mr. VAUGHAN: Some day it might be continued, but we have no plan to extend it at the present time.

Mr. HAZEN: When you originally started, the idea was to build it beyond Mile 39.2?

Mr. VAUGHAN: The Act of Parliament was for 55 miles.

Hon. Mr. CHEVRIER: The Act of Parliament provided for more than 39.2 miles. Mr. Vaughan says 55 miles.

Mr. VAUGHAN: Yes, 55 miles, but we do not intend to build all that at the present time.

Mr. HAZEN: You have already spent \$2,621,000, and you estimate it will cost \$612,000 additional to complete it. That would be \$3,000,000 odd.

Mr. COOPER: \$3,234,000.

Mr. HAZEN: How does that compare with the estimated cost of the road before you started?

Mr. COOPER: It is within the estimate. Actually the \$612,000 is the remainder of the estimate. The original estimate was \$3,234,000, of which we spent \$2,621,000 up to the end of 1948, and we expect to spend the remainder during 1949, so we expect that the expenditures in 1949 will be within the original estimates.

Mr. HAZEN: I am speaking of the estimated cost of the road. I wonder if we are talking about the same thing. I am talking about the estimated cost of the road, what you figured out the road would cost before you started construction.

Mr. COOPER: The estimated cost of the road was \$3,234,000.

Mr. HAZEN: Might I ask a question about the International Aviation Building, about which we had some discussion here in past years. The building is in Montreal. Is it expected that the building will be ready for occupancy in July, 1949?

Mr. COOPER: That is correct.

Mr. HAZEN: How much has it cost you, up to the end of 1948?

Mr. COOPER: \$2,118,000.

Mr. HAZEN: What do you estimate will be the final cost.



Mr. COOPER: \$4,111,000.

Mr. HAZEN: Well, the cost has increased considerably over your former estimate.

Mr. COOPER: It has increased, Mr. Hazen, but I do not believe the increase is surprising. The estimate which I gave two years ago was, I think, \$3,572,000.

Mr. HAZEN: That is the figure I have here.

Mr. COOPER: Yes. Last year I increased that estimate to \$3,840,000. And now I am increasing it to \$4,111,000.

Mr. HAZEN: That is not quite half a million.

Mr. COOPER: It is \$540,000 increase over the figure given two and a half years ago.

Mr. HAZEN: It is an increase of over 15 per cent.

Mr. COOPER: Yes, an increase of 15 per cent which is less than the general increase in building construction costs.

Mr. HAZEN: What is the situation with respect to the rental of that building? Have you entered into an agreement with the dominion government whereby the dominion government will rent that building from you?

Mr. COOPER: Yes, sir.

Mr. HAZEN: When was that agreement entered into?

Mr. COOPER: The terms were settled a considerable time ago, but the execution of the agreement, I think, was a month or two ago.

Mr. HAZEN: Does the agreement provide for the rent that the dominion government is going to pay for the building?

Mr. COOPER: Yes, sir.

Mr. HAZEN: What is the rent?

Mr. COOPER: The rent is at the rate of \$3.25 a foot. We are speaking, Mr. Hazen, of the space to be rented to the dominion government for I.C.A.O., that is the International Civil Aviation Organization.

Mr. HAZEN: What do you call it?

Mr. COOPER: I.C.A.O.

Mr. HAZEN: I was under the impression from what you said last year that the government was either going to rent this building or guarantee you the rent.

Mr. COOPER: The government has rented the space which is going to be occupied by this particular organization, but it does not comprise the entire building.

Mr. HAZEN: No. You told us it was going to be six floors, last year.

Mr. COOPER: We have entered into that agreement. Those six floors contain 91,020 square feet, and the rent is \$3.25 a foot. The annual rent is \$295,815, and the term of the lease is for 20 years.

Mr. HAZEN: What about the space in the rest of the building.

Mr. COOPER: The next two floors are rented to the Trans-Canada Air Lines.

Mr. NICHOLSON: At the same rental?

Mr. COOPER: Yes, \$3.25 a foot.



Mr. HAZEN: That lease is made between you and Trans-Canada Air Lines?

Mr. COOPER: Yes, sir.

Mr. HAZEN: You have not leased that to the government?

Mr. COOPER: No, sir.

Mr. HAZEN: What rent are you getting from them?

Mr. COOPER: We are getting \$3.25 a foot, and there are 30,225 feet, square feet.

Mr. HAZEN: What does that come to?

Mr. COOPER: The annual rent is \$98,231. And there is more than that. We have rented space to the International Air Transport Association; I.A.T.A.

The CHAIRMAN: It is now 1.00 o'clock, Mr. Hazen.

Mr. HAZEN: All right, I do not care.

The CHAIRMAN: If you have not much more, you may continue at this time.

Mr. HAZEN: Are you prepared to give me the names of the tenants and the rents they pay?

Mr. COOPER: Surely, I can give you them now. I.A.T.A. will pay \$3.25 per foot. They have 10,266 feet.

Mr. VAUGHAN: I think we had better put it in the record for you.

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

Mr. HAZEN: Did the Canadian Pacific Air Lines take any part of it?

Mr. COOPER: Yes.

Mr. HAZEN: Did B.O.A.C.?

Mr. COOPER: They have not come in yet.

Mr. HAZEN: Will there be room for them when they do come?

Mr. COOPER: Yes, sir.

Mr. HAZEN: You mentioned a company called K.L.M., the Dutch Air Line. Did they come in?

Mr. COOPER: We expect that they will.

Mr. HAZEN: They are not in yet?

Mr. COOPER: No, sir.

Mr. HAZEN: Will it disclose their names, the list you are going to put in?

Mr. COOPER: I can list the leases which have been agreed on but they have not yet been executed in all cases. For instance, I have letters from the Canadian Pacific Airlines agreeing to the terms, and we have concluded an arrangement with the Bank of Montreal.

Hon. Mr. CHEVRIER: The lease is not completed but the agreement is made. If there is no recorded lease there is at least a verbal agreement, and a new lease will be entered into in due course.

Mr. COOPER: Yes.

Mr. HAZEN: You told us last year that the rents you were going to get from this building would be sufficient to amortize the cost of the property in thirty-one years.

Mr. COOPER: Yes, sir. I still think that.



Mr. HAZEN: Will the agreements which you have entered into now be sufficient to produce a rental adequate to amortize the cost of the building in thirty-one years?

Mr. COOPER: Yes, sir, when we fill up the building. There is one floor which is not fully occupied yet.

Mr. HAZEN: I see, there is one agreement you have not entered into yet?

Mr. COOPER: There is one floor which has not been rented in its entirety but negotiations are going on.

Mr. VAUGHAN: I might say this, Mr. Hazen, that nine full floors have been rented and agreements entered into. They cover the airlines and air organizations to which reference has been made and these take up more than nine floors. I think it is fair to say this, that we have more applications for office space than we have space available in that building.

Hon. Mr. CHEVRIER: How many floors are there in that building, Mr. Vaughan?

Mr. COOPER: There are ten floors.

Mr. VAUGHAN: And agreements have been signed for nine and one-half floors.

Mr. HAZEN: I wonder if the minister could tell us when the royal commission will sit?

Hon. Mr. CHEVRIER: I cannot say anything more than I said in the House; namely, the chairman expects he will be able to start sittings at the end of April.

Mr. NICHOLSON: There is one more question before we adopt the report, Mr. Chairman. Could we have some report on the position of the land still held by the railway; the amount of land which has been sold, the amount of land available, and the type of land?

Mr. VAUGHAN: We will file a statement of that in the record.

The CHAIRMAN: Would the committee be agreeable to adopt this report?

Mr. HAZEN: We still have one or two questions to ask. Who are the officers of this International Air Transport Association? Whom do you deal with?

Mr. COOPER: We dealt with Dr. Warner, who is the president, and his officers.

Mr. HAZEN: I would like to have that information before we adopt the report.

Hon. Mr. CHEVRIER: It is a specialized agency, an international body. It is a special agency of U.N.O. and all countries belong to it. Canada has a representative on it. It is an international organization.

The CHAIRMAN: Is that agreeable, gentlemen?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: We will adjourn until 4 o'clock this afternoon.

The Committee adjourned at 1.05 p.m. to meet again at 4 p.m. this day.



## AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: Order, gentlemen. Now, gentlemen, we discussed Mr. Vaughan's personal report to the minister and it was adopted. I think we will have Mr. Cooper generally discuss the balance sheet, and then we may want to ask him some questions. The balance sheet is pages 12 and 13 of this report, and the consolidated income account is on page 4. I think other years we discussed it a few minutes with you, Mr. Cooper, and then we asked questions on it. We will do that and then we will go on with the other statement page by page until we finish.

Mr. COOPER: The consolidated balance sheet is found on pages 12 and 13 and is as follows:



## CONSOLIDATED BALANCE SHEET AT 31st DECEMBER, 1948

| ASSETS   | LIABILITIES      |
|--|------------------|
| <b>INVESTMENTS:</b>                                      |                  |
| Road and Equipment Property.....                         |                  |
| \$2,971,916,912.66                                       |                  |
| Improvements on Leased Property.....                     |                  |
| 2,465,306.59   |                  |
| Miscellaneous Physical Property.....                     |                  |
| 64,535,010.15  |                  |
| \$2,138,917,229.40                                       |                  |
| Capital and Other Reserve Funds:                         |                  |
| System Securities at par.....                            | \$ 841,500.00    |
| Other Assets at cost..                                   | 17,856,704.32    |
|  | 18,698,204.32    |
| Deferred Maintenance Fund.....                           | 17,000,000.00    |
| Investments in Affiliated Companies.....                 | 64,547,637.11    |
| Other Investments:                                       |                  |
| System Securities at par.....                            | \$ 80,000.00     |
| Other Assets at Cost..                                   | 840,142.53       |
|  | 920,142.53       |
| \$2,240,083,213.36                                       |                  |
| <b>CURRENT ASSETS:</b>                                   |                  |
| Cash.....  | \$ 19,918,169.84 |
| Temporary Cash Investments.....                          | 5,499,505.82     |
| Special Deposits.....                                    | 4,814,418.88     |
| Net Balance Receivable from Agents and Conductors.....   | 16,604,557.71    |
| Miscellaneous Accounts Receivable.....                   | 11,581,850.04    |
| Material and Supplies.....                               | 74,024,303.93    |
| Interest and Dividends Receivable.....                   | 214,539.18       |
| Accrued Accounts Receivable.....                         | 4,010,177.08     |
| Other Current Assets.....                                | 607,190.35       |
|  | 137,274,712.83   |
| <b>STOCKS:</b>   |                  |
| Capital Stocks of Subsidiary Companies held by Public..  | \$ 4,567,540.00  |
| <b>LONG TERM DEBT:</b>                                   |                  |
| Funded Debt Unmatured:                                   |                  |
| Held by Public.....                                      | \$573,782,649.96 |
| Held in Special Funds.....                               | 10,450,008.06    |
|  | 584,232,658.02   |
| GOVERNMENT OF CANADA—LOANS.....                          | 760,494,825.11   |
| <b>CURRENT LIABILITIES:</b>                              |                  |
| Traffic and Car-Service Balances—Credit..                | \$ 8,781,530.00  |
| Audited Accounts and Wages Payable....                   | 24,289,710.43    |
| Miscellaneous Accounts Payable.....                      | 8,070,552.60     |
| Government of Canada—Balance due on Deficit Account..... | 6,167,258.88     |
| Government of Canada—Interest Payable                    | 20,612,677.70    |
| Interest Matured Unpaid.....                             | 4,197,167.43     |
| Unmatured Interest Accrued.....                          | 5,653,586.93     |
| Accrued Accounts Payable.....                            | 8,427,659.59     |
| Taxes Accrued.....                                       | 3,987,622.94     |
| Other Current Liabilities.....                           | 2,276,392.54     |
|  | 92,464,159.04    |
| DEFERRED LIABILITIES:                                    |                  |
| Pension Contract Reserve.....                            | \$ 45,120,000.00 |
| Other Deferred Liabilities.....                          | 5,604,854.62     |
|  | 50,724,854.62    |
| <b>RESERVES AND UNADJUSTED CREDITS:</b>                  |                  |
| Insurance Reserve.....                                   | \$ 13,486,000.00 |
| Accrued Depreciation—Canadian Lines—Equipment only.....  | 112,858,155.19   |
| Accrued Depreciation—U.S. Lines—Road and Equipment.....  | 26,046,765.25    |
| Accrued Amortization of Defence Projects                 | 3,446,531.03     |
| Deferred Maintenance Reserve.....                        | 17,000,000.00    |
| Other Reserves.....                                      | 851,645.00       |
| Other Unadjusted Credits.....                            | 6,713,458.62     |
|  | 180,402,555.09   |



|                          |    |               |                           |
|--------------------------|----|---------------|---------------------------|
| DEFERRED ASSETS:         |    |               |                           |
| Working Fund Advances:   | \$ | 423,745.36    |                           |
| Insurance Fund:          |    |               |                           |
| System Securities at par | \$ | 5,444,508.06  |                           |
| Other Assets at cost.    |    | 8,041,491.94  |                           |
|                          |    |               | 13,486,000.00             |
| Pension Contract Fund:   |    |               |                           |
| System Securities at par | \$ | 4,084,000.00  |                           |
| Other Assets at cost.    |    | 41,036,000.00 |                           |
|                          |    |               | 45,120,000.00             |
| Other Deferred Assets    |    |               | 2,371,908.63              |
|                          |    |               | 61,401,653.99             |
| UNADJUSTED DEBITS:       |    |               |                           |
| Prepayments              | \$ | 74,076.82     |                           |
| Discount on Funded Debt  |    | 4,209,024.70  |                           |
| Other Unadjusted Debits  |    | 4,086,558.98  |                           |
|                          |    |               | 8,369,660.50              |
|                          |    |               | <u>\$2,447,129,240.68</u> |

#### 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, 1948.

The total amount of the Investments in Fixed Properties and Equipment as brought into the System accounts at the 1st January, 1923, from the books of the several Corporations and the Canadian Government Railways was accepted by us.

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

Subject to the foregoing, we certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the System as at the 31st December, 1948, and that the relative Income Account for the year ended 31st December, 1948, is correctly stated.

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

GEORGE A. TOUCHE & Co.,  
Chartered Accountants.

10th March, 1949.

#### GOVERNMENT OF CANADA—PROPRIETOR'S EQUITY—(See Note)

Represented by:—

|   |    |                |                |
|---|----|----------------|----------------|
| 1,000,000 shares of no par value capital stock of Canadian National Railway Company               | \$ | 18,000,000.00  |                |
| 5,000,000 shares of no par value capital stock of The Canadian National Railways Securities Trust |    | 378,518,135.02 |                |
| Capital Expenditures by Government of Canada on Canadian Government Railways                      |    | 377,724,513.78 |                |
|   |    |                | 774,242,648.80 |

#### CONTINGENT LIABILITIES:

Major contingent liabilities, as shown on statement attached.

\$2,447,129,240.68

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,  
Vice-President and Comptroller.



Mr. Chairman. On the left-hand side under the heading of assets, we have investments, current assets, deferred assets and unadjusted debits.

Under investments, the principal item is road and equipment property. That is our investment in railway property, amounting to \$2,071,000,000; and taken with the next two items, improvements on leased property and miscellaneous physical property, it comes to a total of \$2,138,000,000. The first amount refers to a total of 22,558.31 miles of owned railway property. Of the total I would say that about three-quarters is fixed property and one-quarter would be rolling stock. Our rolling stock equipment investment is \$572,000,000. The investment per mile of road is \$88,000. Compared with the United States railways they are about 30 per cent more per mile of road; or perhaps I should put it the other way, that we are 30 per cent less per mile of road than the United States railways. The Canadian Pacific figure would be about \$86,000, so the Canadian National and the Canadian Pacific cost per mile is about the same; and as I said, we run about 30 per cent less than the railways in the United States.

Improvements on leased railway property: That is the cost of improvements made in railroads under lease to the Canadian National. One of our principal leased lines, is the New England Northern, which is leased to the Central Vermont—125 miles of road.

Miscellaneous physical property, the principal investment there is the hotel investment of the Canadian National. We have \$27,660,000 invested in the hotels which we operate. We have also \$11,600,000 invested in the Hotel Vancouver, and the rest of that item is our investment in other non-railroad property.

Capital and other reserve funds: That amounts to \$18,698,000. Most of it represents the proceeds of equipment trust issues which are on deposit. Issues have been made and monies have been put on special deposit and are available for the payment of equipment ordered by the railway. It is available when needed.

Deferred maintenance fund represents the investment of amounts set aside during the war years. Originally we had \$39,000,000 which has been reduced in the last four years by \$22,000,000, and \$17,000,000 is what remains.

Investments in affiliated companies: They are detailed on page 22. The principal companies are the Toronto Terminal Railway Company and the Northern Alberta Railways Company, both of which companies we own jointly with the Canadian Pacific. Then there is \$26,500,000, which represents our investment in Trans Canada Air Lines. The other investments are small, representing investments in companies which we do not control.

Now, then there is a group of accounts under the heading, "Current assets": The items under this group speak for themselves. The first item cash, we have \$19,900,000 cash on hand in the banks. Temporary cash investments, \$5,499,000. The principal item there, is the investment of the reserve for amortization of war projects. Special deposits—\$4,800,000—that is money set aside for the payment of interest. Accounts receivable from agents and conductors—\$16,604,000—those are balances in the hands of our agents as at the end of the year.

Miscellaneous accounts receivable, \$11,581,000; that represents amounts receivable from various corporations and individuals including the government.

Material and supplies, \$74,024,000: That represents our working capital represented by material; rails, ties, fuel, and general stores.

Interest and dividends receivable, \$214,000; that is interest and dividends which have been accrued as of the date of the balance sheet but not received.

Accrued accounts receivable,—\$4,000,000: Those are accounts which have not reached a final stage of audit, but for which we have made provision on an estimated basis.



We now come to the next section, "Deferred assets": They amount to \$61,401,000. The principal item in that group is the insurance fund.

We have also \$45,120,000 invested for pension contracts, representing the capitalized value of pension contracts outstanding in the hands of pensioned employees at the end of the year.

There is not very much on the remainder of the page. Discount on funded debt is the balance of the discount and expense suffered at the time the bonds were issued, which is to be amortized over the remaining life of the securities.

On the liability side, we have the item of \$584,000,000, which is the funded debt of the railway outstanding in the hands of the public, the details of which are shown on page 21.

Mr. POULIOT: I cannot understand, Mr. Chairman, why these things are not prepared in the same way as our estimates. On our estimates we have the item and the details. For instance, we have the item indicated and then we have the detailed statement as to what that item is made up of, and then we have the second item; and that simplifies the work of the minister when he has to answer questions and enables him to do so properly; and it simplifies the work of parliament too to have that detail before us. I think you have some of these things, investments of this company, there in the back; but I think all these items should be numbered with reference to the total that should come in the second part. You do it for some of the items, why do you not do it for all of them? It would be simplified and easier of explanation and you could go to the book and have the whole thing right there before you. If I ask you for it, you can tell me. Why don't you put some mark of it on this statement so that we can understand what it is? At the present time you are asking us to do a certain thing and it is not mentioned in your report; I mean by that, we do not know the page number. We do not take notes. We should be able to get the information without having to wait for Hansard, or without having to write it down ourselves; particularly without having to wait for the arrival of the printed reports some considerable time after. It is not fair.

Mr. COOPER: Well, first, Mr. Pouliot, it would not be of very much use to have all the information printed in the report. It is not customary in railroad accounting to itemize in too great detail all the balance sheet accounts. We give the principal ones, and as I understand it the purpose of this committee is to give members of the committee an opportunity to ask for a more detailed explanation if they want it. I have been before this committee for many years when details of the balance sheet have not been asked for; and may I add, Mr. Pouliot, that some of these items are not matters that we should broadcast. We would not want, for instance, to give a detailed statement of accounts receivable; or, take our accounts of materials and supplies, \$74,000,000, it is not customary for a company like ours to state publicly how much it has of this or that. They see that we have \$74,000,000 worth of materials on hand. I have said that represents rails, ties, fuel and items of that kind; but in doing that I am very far from giving you a complete analysis of it. If I were to tell you all the categories of stores on hand I could go on and on and on, until you became tired of listening to me.

Mr. POULIOT: I would never be tired of listening to you because it is a pleasure to listen to you.

Mr. COOPER: Thank you.

Mr. POULIOT: Don't forget that. I want you to know that you are one of the officials for whom I have the greatest regard. You know that, don't you?

Mr. COOPER: Yes, but may I suggest that it is not logical to say you like to listen to me and then propose a method of saving yourself the trouble of listening.

Mr. POULIOT: Don't call me logical, I would be insulted.



Mr. COOPER: I would not want to do that. However, I started off by saying that if I gave you all the items included in the statement it would be so tedious that you would not be interested in listening to it.

Mr. POULIOT: Oh now, your answer is casuistic. I will tell you, Mr. Cooper, what I want. I want something that I can understand. For instance, there is an item of investment, and that refers to page 22. Now, what I want is to have that page 22 indicated on this balance sheet so I will know where to turn to it. Do you see what I mean?

Mr. COOPER: Yes. We could do that.

Mr. POULIOT: And you could make a distinction between the information that you can give and the information which you cannot give. Why not include on page 12 a reference to investments in affiliated companies on page 22. It would save a lot of trouble if you were to show that.

Mr. MUTCH: If I might interject, Mr. Chairman, I think what Mr. Pouliot is addressing himself to is a concordance on this consolidated balance sheet showing the page on which a breakdown of the individuals items can be found. If you had another column there, Mr. Cooper, relating to the page on which the breakdown is given, I think that is what Mr. Pouliot has in mind when he says that he would like to have more information available at a glance, that he would like to know where the related information can be obtained.

Mr. COOPER: I have here a book which is an office record and it gives a breakdown of each of these balance sheet items. Now, take just this one account. I imagine there are twenty to thirty different items, and if I were to give all the details supporting that account, it would take up considerable time and space. After all, you must remember that this is a \$2½ billion company we are talking about.

Mr. POULIOT: I know that very well, that is why I make the suggestion. I consider that the Canadian National Railway is a big company. I am interested in that company just as you are although I am not in the same capacity. As members of parliament we represent the country and we are entitled to have some information. In fact members of parliament have a right to know everything and if there is something of a private nature, then you should tell us that in private, and I do not know of any member of parliament that would break the trust you might have to put in him.

I am not trying to waste the time of the committee and I will be very short. I think, however, if you had one, or two, or three, lines in explanation of the particular item we would have the satisfaction of understanding the report of the railway. I do not wish to be hard on you and I do not wish to have any inside information on the Canadian National Railway which might be embarrassing in some ways but what I want is something which is intelligible. I know, Mr. Cooper, that you can give us that information intelligently if there is anyone who can give it. I say that because I mean it.

Mr. COOPER: We will consider what has been said.

Mr. POULIOT: If my suggestion has not been carried out in the past perhaps it is because it has been overlooked, or perhaps some people have not been as interested as I in the affairs and the progress of the railway and therefore I will give the benefit of the doubt to you.

Mr. COOPER: Going back to the balance sheet, sir, on the liability side, there is long-term debt—funded debt unmatured, \$584,000,000. That is the total of the bonds and other obligations of the Canadian National System held in the hands of the public. The detail is shown on page 21 and it will be seen that \$490,485,398.95 is guaranteed directly by the government of Canada. \$1,952,-107.61 is guaranteed by the province of British Columbia. \$59,210,000 is repre-



sented by equipment trust issues. \$32,585,151.46 represents miscellaneous obligations of the predecessor corporations—Grand Trunk, Canadian Northern, and Grand Trunk Pacific.

It may be of interest to the committee to know that the average of interest on the \$584,000,000 is 4.03 per cent.

The next item is the amount which the railway owes to the government of Canada, \$760,494,825.11 and the details of that are set out on page 20. Loans for repatriation of U.K. securities amount to \$391,439,302.58; loans for debt redemption amount to \$278,925,788.39; loans for new rolling stock amount to \$38,228,164.56; loans for investment in T.C.A. \$19,043,022.71; loans for capital expenditures and working capital \$16,086,566.33; Canadian government railways—working capital at consolidation 1923—\$16,771,980.54. The average rate of interest on the amounts shown is 2.90 per cent.

Mr. POULIOT: What are the securities you have mentioned there?

Mr. COOPER: They were securities repatriated during the war when the United Kingdom as a means of financing its purchases in Canada of munitions and food took over from United Kingdom residents their dollar securities. Holders were forced to sell their securities to the Bank of England; the Bank of England sold to the Bank of Canada; the Bank of Canada sold to the government of Canada, and the Canadian government sold to the Canadian National Railways.

Mr. POULIOT: It was a guarantee for the \$700,000,000 loan?

Mr. COOPER: No, sir. The United Kingdom paid cash by the surrendering of that amount of securities. You will remember that in the beginning I think the first thing was that Canada received gold from the United Kingdom. The second stage was that Canada took dollar securities and the third stage was the \$700,000,000 loan. There was then the fourth stage where there was a gift by Canada to the United Kingdom.

Mr. POULIOT: Yes, it came in various stages.

Mr. COOPER: There were four stages and this was the second stage.

Mr. POULIOT: Mr. Cooper, what are the securities which you have noted there? What railways are concerned?

Mr. COOPER: There is a big list, Mr. Pouliot.

Mr. POULIOT: Would you please give us a broad idea of what they are, without taking too much time? What was the value?

Mr. COOPER: The par value is \$410,903,000. We paid \$391,439,000 and there was a capital gain of about \$19,000,000. I will give you the principal items. There was \$19,308,000 of 5 per cent Grand Trunk perpetual debenture stock; \$12,403,000 Great Western 5 per cent debenture stock; \$113,886,000 Grand Trunk 4 per cent perpetual debenture stock; \$60,833,000 Grand Trunk perpetual guaranteed stock; \$40,950,000 Canadian Northern 4 per cent debenture stock. All in all there were nearly forty different issues of securities which were repatriated.

Mr. POULIOT: Did you repatriate all Canadian National Railways securities?

Mr. COOPER: No, we could only repatriate those owned by residents of the United Kingdom. We did not make the vesting order. It was the British government which compelled its citizens to surrender their dollar securities.

Mr. POULIOT: Yes, I know.

Mr. COOPER: Some of those issues are held in Canada. Some of them are held in Ireland and on the continent of Europe where the vesting order of the United Kingdom would not have effect and such securities remain outstanding. We are attempting to buy them as and when we get the opportunity. We did buy some in 1948.



Mr. POULIOT: The procedure followed in the first step was the taking over of the securities by the British government.

Mr. COOPER: Yes, sir.

Mr. POULIOT: You did not deal with private individuals?

Mr. COOPER: No.

Mr. POULIOT: You dealt with the government?

Mr. COOPER: We dealt with the Canadian government.

Mr. POULIOT: Then there was another deal between the dominion government and the British government?

Mr. COOPER: In Great Britain holders sold their securities to the Bank of England.

Mr. POULIOT: Yes.

Mr. COOPER: The Bank of England sold to the Bank of Canada or to the dominion government.

Mr. POULIOT: Yes.

Mr. COOPER: Then the dominion government sold the securities to the Canadian National Railway.

Mr. POULIOT: It was not planned between the governments; it was done between government banks.

Mr. COOPER: I think that is correct.

Mr. POULIOT: Yes, and as you know, the Bank of England is government controlled?

Mr. COOPER: In the same way the British government also vested U.S. dollar securities. They sent those securities to New York in payment of munitions and food which they were purchasing in the United States.

Mr. POULIOT: Besides the amount set out here?

Mr. COOPER: Yes, but of course we have nothing to do with that.

Mr. POULIOT: Yes.

Mr. COOPER: There were also other Canadian government securities which were held by U.K. citizens and dealt with in the same way, but we are only concerned with Canadian National Railway securities which were vested.

Mr. POULIOT: Those securities were given in guarantee of the Canadian government loan?

Mr. COOPER: The government actually holds the securities as collateral for their loan to the Canadian National Railway and, incidentally, the government is charging  $3\frac{1}{2}$  per cent on the amount involved. The government loaned us \$391,000,000 to buy the securities and it is charging us  $3\frac{1}{2}$  per cent on that amount.

Mr. POULIOT: Did you get the amount from the Bank of Canada?

Mr. COOPER: No, sir; from the dominion government.

Mr. POULIOT: From the dominion government itself?

Mr. COOPER: Yes, sir.

Mr. POULIOT: Who made the choice of the securities?

Mr. COOPER: The British Government.

Mr. POULIOT: How was it done, Mr. Cooper?

Mr. COOPER: They issued what they called a vesting order under a wartime authority.

Mr. POULIOT: I know, that was in England.



Mr. COOPER: If it had been in Canada and you held the securities the effect would have been this. An order would have been issued saying the securities you held—perhaps Grand Trunk 4 per cent debenture stock—would be vested in the dominion government as of a given date and the purchase price would be the market quotation on that particular day.

Mr. POULIOT: I know but the take-over by the British government was naturally done by the British government itself?

Mr. COOPER: Yes.

Mr. POULIOT: They made the choice?

Mr. COOPER: That is right.

Mr. POULIOT: Were you bound to buy all the securities taken over by the British government, or could you make a selection?

Mr. COOPER: First of all the deal between Canada and the United Kingdom was a matter between the government of Canada and the government of the United Kingdom. We only came into the picture when the Canadian government controlled the securities.

Mr. POULIOT: As a third party?

Mr. COOPER: We were a third party.

Mr. POULIOT: The matter was arranged between the Canadian Minister of Finance at the time and the British Chancellor of the Exchequer?

Mr. COOPER: Yes. We think it was a very good arrangement for us but I do not think there was any choice. The British government had to have munitions and had to have food; one of the conditions was that they were to pay for it and this was the way they paid.

Mr. POULIOT: I want to understand this clearly. The securities were taken over by the British government?

Mr. COOPER: Yes.

Mr. POULIOT: Through the Bank of England, and the vesting order applied to Canadian securities held by anyone resident in the United Kingdom?

Mr. COOPER: That is right.

Mr. POULIOT: In the British Isles?

Mr. COOPER: Yes.

Mr. POULIOT: The decision of the British government could not affect securities situated on this side of the Atlantic?

Mr. COOPER: That is correct.

Mr. POULIOT: It was decided to come to the assistance of the United Kingdom by purchasing these securities and you came into the picture to complete the deal?

Mr. COOPER: Yes, to finish it off.

Mr. POULIOT: To finish it?

Mr. COOPER: That is right.

Mr. POULIOT: And this does not include any securities held by Englishmen in Canada? The securities, however, could have been held by an American or by anyone in the United Kingdom?

Mr. COOPER: I think that it only applied to a U.K. resident. The vesting order applied irrespective of the place where the securities themselves were in custody.

Mr. POULIOT: I am not referring to the place where the individual was but it was a matter of where the securities were? If the securities were in the United Kingdom they were taken over by the British government?



Mr. COOPER: No, sir, I think the vesting order applied on the basis of the domicile of the owner of the securities.

Mr. POULIOT: Wherever he was?

Mr. COOPER: If the owner was domiciled in the United Kingdom—even though he may have been in Canada—he was subject to the vesting order.

Mr. POULIOT: That purchase was of great assistance to the United Kingdom in buying munitions and food?

Mr. COOPER: Yes, and it was of equal assistance to Canada in selling those munitions.

Mr. POULIOT: What was the gain to the railways?

Mr. COOPER: The capital gain?

Mr. POULIOT: Yes.

Mr. COOPER: We purchased \$410,000,000 par value for \$391,000,000 cash or in other words there was a \$19,000,000 capital gain.

Mr. POULIOT: Yes, I think that is what you said before. This particular broker's transaction involved a profit of \$19,000,000.

Mr. COOPER: The railway got the profit and brokers did not come into the picture.

Mr. POULIOT: No, no. I mean the railways have made a broker transaction themselves by getting that profit on the securities.

Mr. COOPER: If you put it that way, yes.

Mr. POULIOT: Yes, I think we understand each other very well and I follow you very closely.

Mr. COOPER: Continuing with the balance sheet under the heading of current liabilities, I do not believe there is any particular item which requires explanation. We owed the government of Canada \$6,000,000, the balance due on deficit account. We actually drew down more than the deficit because we expected at one time in the year that the deficit would be more than \$33,000,000 and we drew down from the government \$39,000,000 which was \$6,000,000 in excess of the final deficit and we had to pay that back. There is also the item of \$20,612,000 representing interest in favour of the government, which had not been paid at the end of the year, but it has been paid since.

Under the heading deferred liabilities we have our pension contract reserve of \$45,120,000 and other deferred liabilities of \$5,600,000.

Reserves and unadjusted credits include the insurance reserve \$13,486,000 and as I said this morning \$12,000,000 of that is what might be called a free reserve and the \$1,486,000 is an amount in reserve representing losses sustained but for which the actual payment had not been made at the end of the year.

Accrued depreciation—Canadian lines—equipment only—\$112,858,155.19. That has been built up since 1940 when we started depreciation accounting on rolling stock. It represents approximately 22 per cent of the ledger value of our equipment in Canada.

Accrued depreciation—U.S. lines—road and equipment—\$26,046,765.25.

Accrued amortization of defence projects, \$3,446,531.03.

Deferred maintenance reserve \$17,000,000, I referred to that previously.

Then we have government of Canada—shareholder's equity, \$774,242,648.80. That represents the capital invested by the government of Canada in the Canadian National Railway which is on an equity basis as distinguished from borrowed capital which we referred to a few minutes ago and which amounted to \$760,494,825.

I do not know of anything else on the balance sheet which I should mention.

Mr. MUTCH: Straight capital investment?



Mr. COOPER: Yes. Actually, the government has \$760,000,000 represented by interest bearing debt, and \$774,000,000 which is equity capital.

Mr. FULTON: I have a few questions. You made a comment, Mr. Cooper, under current liabilities, government of Canada, interest payable. At the end of the year that amount has since been paid. Would you tell me how that would work? Would that increase your deficit by that amount, because I see on the balance sheet where that \$20,000,000 could have been drawn from.

Mr. COOPER: Would you mind referring back to page 4, where you will see the makeup of the \$33,000,000. We had net income for the payment of interest \$11,297,000; interest on funded debt due to public, \$23,202,000; interest on government loans, \$21,627,000. In other words, of the \$33,000,000, \$21,600,000 is interest due to the government.

Mr. FULTON: You stated that you were discussing this item on page 13, and you stated that this amount shown there has since been paid.

Mr. COOPER: Paid since the end of the year.

Mr. FULTON: My question is: from what source was it paid?

Mr. COOPER: That is a rather involved question and I do not want to make the answer too complicated.

Mr. FULTON: You had a deficit showing at that time of \$33,000,000.

Mr. COOPER: Yes.

Mr. FULTON: Where did you suddenly find the extra money?

Mr. COOPER: You are involving on the one hand an accounting matter and on the other hand one relating to its cash payment. We are speaking of accounts. I am saying that we had a deficit of \$33,000,000, and that included \$21,000,000 of interest due to the government. Of course, we have to pay our interest.

Mr. FULTON: The \$20,000,000 shown on page 13 is included in the \$21,000,000 shown on page 4?

Mr. COOPER: That is so. A portion of \$21,000,000 had been paid, and the balance remained unpaid at the end of the year, but it too has since been paid.

Mr. POULIOT: Do you remember a gentleman in Vancouver who proposed to get rid of the debt and the interest which appears on the books each year? Do you remember that man in Vancouver who had a proposal of some kind to remedy the situation?

I have a question to ask you, and I shall ask it of you in a broad way. I know that you cannot give the figures to the last cent. But would you tell me the total amount that has been advanced by the Canadian government to the Canadian National Railways, in a broad way?

Mr. COOPER: Yes. \$1,534,000,000, of which approximately one half carries interest and one half is equity capital.

Mr. POULIOT: Equity capital. Now, what amount of interest, broadly speaking, has been paid since 1923, approximately?

Mr. VAUGHAN: You mean: interest paid to the government.

Mr. POULIOT: Paid or charged in the report?

Mr. VAUGHAN: Yes.

Mr. COOPER: I think I should ask for notice of that question and I will give you an answer tomorrow.

Mr. POULIOT: Now I come to the point, Mr. Cooper, and my next question will be as follows: of the billion and a half dollars that has been loaned by the government, how much, approximately, was for arrears of interest?

Mr. COOPER: None.

Mr. POULIOT: The billion and a half dollars was made up of new advances?



Mr. COOPER: The billion and a half dollars all represent capital invested by the Dominion of Canada in its national railway system.

Mr. POULIOT: In the purchase of railways?

Mr. COOPER: Or for the reduction of capital debts held by the public.

Mr. POULIOT: And you had a deficit of so much, of \$33,500,000?

Mr. COOPER: Yes.

Mr. POULIOT: Well, the interest on the funded debt is \$23,200,000?

Mr. COOPER: Yes.

Mr. POULIOT: And without that interest, the deficit would only be \$10,300,000.

Mr. COOPER: Yes.

Mr. POULIOT: Therefore, two-thirds of the deficit represents the interest.

Mr. COOPER: Due to the government?

Mr. POULIOT: Yes, approximately.

Mr. COOPER: In the year 1948, yes.

Mr. POULIOT: And it would be paid from the advance made by the government to the railways?

Mr. COOPER: That is the only way we can pay it. What happens is: We have a deficit of \$33,000,000...

Mr. POULIOT: Yes.

Mr. COOPER: ...That money is appropriated by parliament to meet the deficit of the Canadian National Railways, and when we receive the money, we pay the government the \$21,000,000 of interest due to them?

Mr. POULIOT: Yes. I do not favour the practice, but this is the actual practice for this year.

Mr. COOPER: Yes, sir.

Mr. POULIOT: And it was the practice for the year before?

Mr. COOPER: It has been the practice since 1932.

Mr. POULIOT: Now, when I asked you what part of the billion and a half dollars represented arrears of interest, this is what I meant, and you said, "None." But there was a lot of money for interest in the billion and a half dollars?

Mr. COOPER: No, sir. None.

Mr. POULIOT: Well, if in this amount of \$33,000,000, there is \$21,000,000 for interest, and if it has been the same thing each year?

Mr. COOPER: Let me explain it to you this way, Mr. Pouliot. Any money which was required for capital for the Canadian National Railways was lent by the government to the Canadian National at interest. That amounts to \$760,000,000. Any money for deficits is voted as a contribution by parliament; it is not considered to be a loan. It is a contribution. It is an indemnity. It discharges the deficit for the year. It is not capitalized.

Mr. POULIOT: That is some accounting technique!

Mr. COOPER: No, sir.

Mr. POULIOT: No, no. I do not say that in any wrong sense, mark you. But I just wanted to understand what happened. Now, I shall ask my question this way: could you please tell me what amount has been voted since 1923 inclusive for arrears of interest.

Mr. COOPER: Since 1923?

Mr. POULIOT: You may give it to me in a broad way or in a broad manner.

Mr. COOPER: You know, this is a rather complicated affair.

Mr. POULIOT: I know, and that is why I asked you.



Mr. COOPER: I still think I had better take a little time rather than answer your question on the spur of the moment.

Mr. POULIOT: Let us start with this year. The way I would like to have it is this: this year's deficit is \$33,500,000; interest \$21,000,000; and the year before, showing so much and so much. Then one could get a picture of it.

Mr. MUTCH: Am I right in this: that of the accumulated sum of all the annual deficits which have been voted by parliament no part of that money appears in the billion and a half dollars capital investment.

Mr. COOPER: That is quite correct.

Mr. NICHOLSON: How about prior to 1932?

Mr. COOPER: That was all cancelled by the Capital Revision Act, and it was taken off the account at that time.

The CHAIRMAN: You have some questions, Mr. Fulton?

Mr. FULTON: Yes. With regard to the balance sheet you show a figure for deferred maintenance of \$17,000,000; and you stated that it stood at a considerably larger figure after the war, and you stated that from time to time amounts had been taken into revenue in each year. I was going to ask you where, in your operating statement, did you show any amount taken into that fund, because I could not find it.

Mr. COOPER: In 1948 we took in \$8,000,000. On page 15, under the heading of maintenance of way and structures, a little more than halfway down, you will see the item of \$4,500,000 in italics, which represents credit to maintenance of way from the deferred maintenance fund.

Mr. FULTON: Yes.

Mr. COOPER: And if you will please turn over to page 16, under the heading of maintenance of equipment, you will see the last item therein, \$3,500,000. Those two figures make up your \$8,000,000.

Mr. FULTON: I see. You show it as a credit under expenditures rather than a credit under revenue, or else an income under the heading of revenue.

Mr. COOPER: It is a credit to expenditures; it is not revenue in the sense that it was money earned for the transportation of freight or passengers. All we did, of course, in the war years was to set aside an amount to represent the maintenance which had been deferred, and as we have been making good that deferred maintenance we have been releasing the amount from the reserve back to the credit of operating expenses.

Mr. FULTON: So, you do not actually take it into revenue?

Mr. COOPER: Not into revenue in the sense you use the word. It is a credit to expenses.

Mr. FULTON: My next question concerns the net balance receivable from agents and conductors. I am referring to page 12. That would be with respect to traffic in the year 1948.

Mr. COOPER: Outstanding at the end of the year. Those are the balances due by agents and conductors, yes.

Mr. FULTON: Can one offset that money against the deficit in any way? Could you say that, in fact, your deficit has not been as great?

Mr. COOPER: No, sir.

Mr. FULTON: Why not? If you are still owed this \$16,000,000 for services which you have rendered during the past year, how is it that you cannot reduce your deficit in fact?

Mr. COOPER: Again, you are mixing up accounting with the cash transaction. Let us say that we have a bill against a shipper for \$1,000, for the transportation of freight and that the service has been performed. So we charge the agent



with \$1,000 and credit that amount to our freight revenue account. If that were the position at the end of the year, and if the agent had not remitted the \$1,000, it would remain charged to him in the balance sheet. But the revenue account has been credited with the amount it was entitled to.

Mr. FULTON: Wait a moment, please. — interruption.

Mr. COOPER: Let us say that we have a shipment on which freight charges amount to \$1,000, and the service has been performed. The freight reaches its destination. Now, the agent has the bill, we will say, against the A.B.C. company for \$1,000. So he sends out a debit advice. Let us assume that at the end of the year, December 31, that amount has not been paid.

Mr. FULTON: All right.

Mr. COOPER: Now, in our accounting, we set up an item debiting the agent for \$1,000 and crediting the freight revenue for \$1,000. That is the way it stands at the end of the year. You see what I mean?

Mr. FULTON: I see.

Mr. COOPER: When the \$1,000 is paid, it just goes to the credit of the agent. It has no effect on the revenue account.

Mr. FULTON: Then, if I understand you correctly, you would say that this \$16,000,000 is other than an income item, and it has been shown in income for the year somewhere?

Mr. COOPER: Yes. Let me put it this way: If the entire \$16 millions had been collected by December 31 then our cash would have been increased by \$16 millions and the balance from agents and conductors would be zero. It would just move up from one asset account to another.

Mr. NICHOLSON: I would like to refer to the item on the liability side of \$584,000,000. That is a large item, and Mr. Cooper mentioned interest in 1943 being a very large amount in the account here. President Vaughan did not wish to indicate just what proposal he was proposing to make with respect to a government reduction in the debt item, but had the government accepted the proposal made three years ago what would be the position of last year's operations as far as deficit is concerned?

Mr. COOPER: As far as the \$584,000,000 is concerned, it would not have had any affect at all because the proposals which we made did not deal with the debt to the public, it was a matter between the government and the railway in respect to moneys owned by the railway to the government.

Mr. NICHOLSON: What would it have meant in your operations?

Mr. COOPER: It would not have meant anything at all, sir. Wait a minute, you are getting away from the \$584,000,000. I think your question, if I may state it for my own clarification, is that had the proposals made three years ago been adopted and put into effect, to what extent would the \$33,000,000 deficit be reduced?

Mr. NICHOLSON: Yes.

Mr. COOPER: It would be reduced by \$13,700,000. If you will turn to page 20, Mr. Nicholson, you will see there under the heading "Loans from the Government of Canada" where we owe \$391,000,000 for the repatriation of securities on which the interest in 1948 was \$13,700,000.

Mr. COOPER: No, sir.

Mr. NICHOLSON: Yes; but in connection with these outstanding securities I notice, over on page 21, that there are some 5 per cent issues made some seventy-five years ago. Is there not some way that we can get away from them?

Mr. VAUGHAN: We are calling them just as fast as we possibly can.



Mr. NICHOLSON: How long are they perpetual for?

Mr. COOPER: Unless you can negotiate a sale from the owners to the railway, and in the absence of a vesting order by the Canadian government compelling the owners to surrender their securities, there is nothing you can do about it.

Mr. MUTCH: That would be a repudiation.

Mr. COOPER: That would be repudiation.

Mr. NICHOLSON: These agreements were made seventy-five years ago, and apparently they were made to be perpetual for all time to come. I do not think that is sound or fair. It is not good business.

Mr. COOPER: Personally, Mr. Nicholson, I agree with you, it is not a sound proceeding. I do not think there should be issues of perpetual securities. I do not see why any generation has the right to impose on all future generations obligations at an interest rate of 5 per cent.

Hon. Mr. CHEVRIER: Hear, hear.

Mr. NICHOLSON: Who holds the securities?

Mr. COOPER: I believe they are pretty well scattered; some are held in Canada, some on the continent of Europe, some in India, some in Ireland.

Mr. NICHOLSON: Apparently the Government of Great Britain in the emergency decided a vesting order was legal and constitutional. I do not see any reason why the Canadian government should not decide that this agreement made seventy-five years ago by our grandparents is being abused.

Mr. FULTON: Was it before the Securities Commission?

Mr. COOPER: The other side of course, Mr. Nicholson, is that these are perpetual issues, and whether you like it or not we cannot compel people to sell them to us. We can go to them and say we will buy them at whatever the market value is today; but they say, well we don't want to sell.

Mr. NICHOLSON: There must be some people willing to sell them, willing to accept payment at a price.

Mr. COOPER: We are negotiating at the present time and we did in 1948 buy in some of these perpetual securities.

Mr. FULTON: The quoted price on them today is \$117, is it not?

Hon. Mr. CHEVRIER: What is the total amount of the perpetuals?

Mr. COOPER: They are shown there on page 21.. There are about \$12,000,000 of perpetuals outstanding.

Hon. Mr. CHEVRIER: And what was the amount when the C.N. took over in 1923?

Mr. COOPER: I will have that figure worked out. It would be over \$300,000,000—under the repatriation proceedings we picked up about \$300,000,000 of these perpetual debentures.

Mr. FULTON: In what years?

Mr. COOPER: In three or four years, beginning in 1940.

Mr. FULTON: When were they issued?

Mr. COOPER: They were issued at the beginning as far as the Grand Trunk is concerned. Back in 1850. That was a method the Grand Trunk used to finance its construction. The Canadian Pacific has a big issue of 4 per cent perpetual debenture stock. All the British railways I might say generally have been financed by the sale of debenture stock. They do not issue securities secured by mortgage, they finance and build their railways by the issue of debenture stocks.

Mr. MUTCH: And the holders are assured of income forever on them.



Mr. COOPER: Well, there is the question of what recourse the debenture stock holders would have in case of default. In the case of the Grand Trunk there never was any default, so what would happen is somewhat academic.

Mr. MUTCH: Well, suppose a company in which you held debentures of this type went broke, you would lose your capital.

Mr. COOPER: I think in such an event the debenture stockholders would step in and take possession and the junior securities, the first second and third preference and common stockholders, would be washed out rather than the debenture stockholders. The debenture stockholders have a prior charge on the assets. In the case of the Grand Trunk they were in a very secure position; so much so that even when they were bankrupt the Dominion of Canada guaranteed interest on their perpetual debenture stocks. However there has never been a default on the stock from the date it was issued.

Mr. MUTCH: And the government holds all the assets against that too.

Mr. COOPER: They control the property, yes.

Mr. MOORE: Are these debentures subject to succession duty on the death of the holder?

Hon. Mr. CHEVRIER: They are assets of the estate; yes, they would be.

Mr. FULTON: You have on page 21 a separate breakdown of the funded debt, and there are two issues guaranteed by the Province of British Columbia. What is the effect of that? The Province of British Columbia is not still in a position where it would be liable?

Mr. COOPER: In the legal sense, yes: but for all practical purposes they are guaranteed by the Dominion.

Mr. FULTON: When they took over the system—in 1923, wasn't it—didn't the Federal government assume all liabilities?

Mr. COOPER: No, they did not assume it by any legal process. They have assumed it by just taking over to protect the system and prevent foreclosure by those particular holders of the property. It would seem almost axiomatic that the company will have to pay them off.

Mr. MUTCH: But the Province of British Columbia is still legally liable.

Mr. COOPER: I would not like to go into the legal aspects of the matter. There is never any legal release to the Province of British Columbia with respect to these securities. They guaranteed them and that guarantee is outstanding, but there is no question that the railway will redeem the securities—I think next year, 1950.

Mr. McLURE: Mr. Cooper, there is one item on page 13, taxes accrued, \$3,987,000. Can you state approximately the total amount of taxes paid by the Canadian National Railways?

Mr. COOPER: Railway taxes in 1948 amounted to \$10,318,000; and further on, you find under the heading "Miscellaneous taxes", \$126,000. In answer to your question, the taxes paid in 1948 were about \$11,150,000 including hotels and other properties.

Mr. McLURE: That would include taxes which are paid on purchases?

Mr. COOPER: No, that does not include sales tax.

Mr. MUTCH: It does not include any interest taxes.

Mr. McLURE: That does not include any taxes except—

Mr. COOPER: Any taxes which relate to the cost of materials are charged up as part of the cost of material.

Mr. VAUGHAN: Sales tax and duty would amount to some \$15,000,000 additional.



Mr. NICHOLSON: There is an item there on page 13, insurance reserve. This morning Mr. Cooper made some mention about building it up to \$12,000,000 only. Was there any reason for quitting at \$12,000,000?

Mr. COOPER: No, but over the years our experience was that when the fund went to \$12,000,000 we were able to pay any losses which were sustained.

Mr. NICHOLSON: And if you get over \$12,000,000, what happens then?

Mr. COOPER: We usually transfer any surplus over the \$12,000,000 into our income account.

Mr. NICHOLSON: You mentioned having a big fire last year.

Mr. COOPER: In that case, of course, the fire was a serious one. The losses for the year were nearly \$2,000,000, and the railway had to make it good by a charge against income account, in exactly the reverse of what was done in the years in which we had a surplus.

Mr. NICHOLSON: In how many years have you not had a surplus?

Mr. COOPER: In not more than two or three in the twenty-six years since 1923. Ordinarily we have had a profit in the insurance fund.

Mr. NICHOLSON: Would you place the details of it on the record?

Mr. COOPER: It would not be any trouble. We gave it to you last year and we only have one year to add to it.

The CHAIRMAN: Any other questions, gentlemen?

Some HON. MEMBERS: Carried.

The CHAIRMAN: We are pretty well over the lot here. We have discussed operating revenues and expenses.

Mr. FULTON: No, I would not say that. I was under the impression that we were discussing the balance sheet.

The CHAIRMAN: O.K.

Mr. FULTON: Perhaps some of the officials might have some comment to make on the operating revenue and expense.

Hon. Mr. CHEVRIER: We had a discussion on that this morning.

The CHAIRMAN: We did take up a lot of that. Now, we will take page 14; capitalization of the C.N.R. Are there any questions on that one?

## CAPITALIZATION OF CANADIAN NATIONAL RAILWAYS

|  | Year 1948       | Balance at<br>31st Dec., 1948 | Per cent<br>of Total |
|--|-----------------|-------------------------------|----------------------|
| Equity Capital:*   |                 |                               |                      |
| Government of Canada—Proprietor's Equity:—   |                 |                               |                      |
| Capital Stock of Canadian National Railway<br>Company .....                                | No change       | \$ 18,000,000.00              |                      |
| Capital Stock of The Canadian National Rail-<br>ways Securities Trust .....                | No change       | 378,518,135.02                |                      |
| Capital Expenditures by Government of<br>Canada on Canadian Government Rail-<br>ways ..... | \$ 46,747.66    | 377,724,513.78                |                      |
|  |                 | <u>\$ 774,242,648.80</u>      | 36.5                 |
| Borrowed Capital:  |                 |                               |                      |
| Funded Debt Held by the Public.....  | \$ 1,372,896.13 | \$ 584,232,658.02             |                      |
| Loans from the Government of Canada .....  | 71,024,476.60   | 760,494,825.11                |                      |
|  |                 | <u>\$1,344,727,483.13</u>     | 63.5                 |
|  |                 | <u>\$2,118,970,131.93</u>     | 100.0                |

\*Excluding shares of subsidiary companies held by public—\$4,567,540.



## MAJOR CONTINGENT LIABILITIES

The Detroit & Toledo Shore Line Railroad Company:

Assumed by Grand Trunk Western Railroad Company as joint and several guarantor by endorsement of principal and interest of \$3,000,000 First Mortgage 40 per cent—50 Year Gold Bonds due 1953.

The Toledo Terminal Railroad Company:

Assumed by Grand Trunk Western Railroad Company in respect of \$5,800,000 First Mortgage 4½ per cent—50 Year Gold Bonds due 1947. The guarantee is as to interest only and is several and not joint. Grand Trunk Western's proportion is 9-68 per cent.

Chicago & Western Indiana Railroad Company:

Assumed by Grand Trunk Western Railroad Company, pursuant to joint supplemental lease dated 1st July, 1936, between Grand Trunk Western Railway Company and four other proprietary companies. Obligation is for repayment of principal of bonds at their maturity, and of interest as it falls due by way of annual rentals. The Grand Trunk Western's obligation is for one-fifth of the bonds issued for "common" property and the entire amount of bonds issued for its "exclusive" property. The bonds are Consolidated Mortgage 50 year 4 per cent bonds due 1952 and the amounts outstanding at 31st December, 1948, 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 per cent Series "D" Sinking Fund Bonds due 1962 and the amount outstanding at 31st December, 1948, is \$15,543,000.

C.N.R. Pension Plan:

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

The CHAIRMAN: Now, operating revenues and expenses. Mr. Fulton was not here at the time when we were discussing that.

## OPERATING REVENUES

|  | 1948             | 1947             |
|--|------------------|------------------|
| Freight .....  | \$388,186,787.20 | \$338,440,473.29 |
| Payments under Maritime Freight Rates<br>Act (20%) ..... | 5,357,571.80     | 4,141,529.39     |
| Passenger .....  | 41,562,141.00    | 43,017,689.66    |
| Baggage .....  | 159,572.60       | 159,926.67       |
| Sleeping Car .....                                       | 3,161,913.80     | 3,176,570.61     |
| Parlor and Chair Car .....                               | 300,855.99       | 303,941.31       |
| Mail .....   | 4,761,629.31     | 4,583,160.69     |
| Railway Express Agency .....                             | 497,817.12       | 460,112.11       |
| Express .....  | 22,912,944.07    | 20,791,671.70    |
| Other Passenger-train .....                              | 16,491.15        | 19,479.13        |
| Milk .....   | 542,277.69       | 478,090.37       |
| Switching .....  | 4,610,766.22     | 4,061,705.77     |
| Water Transfers .....                                    | 323,704.73       | 327,782.36       |
| Dining and Buffet .....                                  | 2,920,394.01     | 2,488,583.51     |
| Restaurants .....  | 304,142.58       | 304,198.06       |
| Station, Train, and Boat Privileges .....                | 403,824.97       | 376,722.87       |
| Parcel Room .....  | 88,340.61        | 94,459.66        |
| Storage—Freight .....                                    | 210,556.78       | 174,740.50       |
| Storage—Baggage .....                                    | 57,046.52        | 61,251.47        |
| Demurrage .....  | 2,122,556.16     | 2,578,673.72     |
| Telegraph Commission (U.S.) .....                        | 11,748.57        | 15,500.90        |
| Telegraph—Commercial .....                               | 7,873,598.00     | 7,685,919.00     |
| Grain Elevator .....                                     | 268,408.88       | 293,964.15       |
| Rents of Buildings and Other Property .....              | 889,423.43       | 784,272.74       |
| Miscellaneous .....                                      | 2,986,310.49     | 2,662,906.54     |
| Joint Facility—Credit .....                              | 852,159.45       | 813,608.63       |
| Joint Facility—Debit .....                               | 113,033.13       | 98,954.18        |
|  | <hr/>            | <hr/>            |
|  | \$491,269,950.00 | \$438,197,980.00 |



## OPERATING EXPENSES

|  | 1948             | 1947             |
|--|------------------|------------------|
| <b>MAINTENANCE OF WAY AND STRUCTURES</b>     |                  |                  |
| Superintendence .....                        | \$ 5,621,897.57  | \$ 4,840,954.29  |
| Roadway Maintenance .....                    | 12,066,612.22    | 8,940,967.02     |
| Tunnels and Subways .....                    | 207,635.97       | 62,197.42        |
| Bridges, Trestles, and Culverts .....        | 4,465,485.45     | 3,330,862.76     |
| Ties .....                                   | 8,631,035.22     | 7,704,258.03     |
| Rails .....                                  | 4,493,032.15     | 3,988,418.63     |
| Other Track Material .....                   | 4,060,938.03     | 3,155,437.37     |
| Ballast .....                                | 1,787,676.90     | 1,683,977.42     |
| Track Laying and Surfacing .....             | 23,363,478.97    | 19,247,121.00    |
| Fences, Snowsheds, and Signs .....           | 1,048,136.14     | 843,287.73       |
| Station and Office Buildings .....           | 3,859,388.75     | 3,153,164.50     |
| Roadway Buildings .....                      | 470,740.51       | 353,104.40       |
| Water Stations .....                         | 744,198.63       | 633,854.04       |
| Fuel Stations .....                          | 461,136.57       | 351,992.46       |
| Shops and Enginehouses .....                 | 2,829,845.57     | 2,340,796.59     |
| Grain Elevators .....                        | 52,941.40        | 31,741.24        |
| Storage Warehouses .....                     | 1,792.17         | 134.48           |
| Wharves and Docks .....                      | 201,851.09       | 168,346.15       |
| Telegraph and Telephone Lines .....          | 3,776,348.58     | 2,755,249.10     |
| Signals and Interlockers .....               | 1,648,140.58     | 1,395,017.96     |
| Power Plants .....                           | 45,725.36        | 45,418.97        |
| Power Transmission Systems .....             | 285,227.16       | 225,189.93       |
| Miscellaneous Structures .....               | 2,257.36         | 3,902.60         |
| Road Property—Depreciation—U.S. Lines ..     | 909,774.33       | 885,430.05       |
| Road Property—Retirements .....              | 1,945,537.23     | 1,316,112.90     |
| Deferred Maintenance .....                   | 4,500,000.00     | .....            |
| Roadway Machines .....                       | 984,469.70       | 767,998.96       |
| Dismantling Retired Road Property .....      | 214,000.35       | 209,359.84       |
| Small Tools and Supplies .....               | 1,359,315.58     | 1,097,950.76     |
| Removing Snow, Ice, and Sand .....           | 4,318,701.71     | 5,211,918.39     |
| Public Improvements—Maintenance .....        | 679,397.93       | 491,985.65       |
| Injuries to Persons .....                    | 818,435.52       | 625,460.07       |
| Insurance .....                              | 23,120.96        | 26,256.18        |
| Stationery and Printing .....                | 94,335.23        | 94,426.33        |
| Other Expenses .....                         | 22,610.52        | 20,394.90        |
| Maintaining Joint Tracks, Yards, etc.—Debit  | 1,156,645.34     | 1,046,479.08     |
| Maintaining Joint Tracks, Yards, etc.—Credit | 2,220,868.26     | 1,876,138.16     |
| Right of Way Expenses .....                  | 81,267.96        | 77,955.30        |
|  | <hr/>            | <hr/>            |
|  | \$ 86,012,266.45 | \$ 75,250,984.34 |
|  | <hr/>            | <hr/>            |
| <b>MAINTENANCE OF EQUIPMENT</b>              |                  |                  |
| Superintendence .....                        | \$ 2,239,574.04  | \$ 1,934,402.08  |
| Shop Machinery .....                         | 3,387,955.09     | 2,741,996.35     |
| Power Plant Machinery .....                  | 193,460.11       | 188,884.32       |
| Machinery—Retirements .....                  | 173,958.58       | 229,112.85       |
| Machinery—Depreciation—U.S. Lines.....       | 67,991.02        | 67,505.36        |
| Dismantling Retired Machinery .....          | 5,980.53         | 7,985.36         |
| Steam Locomotives—Repairs .....              | 31,323,572.68    | 26,367,192.23    |
| Other Locomotives—Repairs .....              | 837,507.58       | 472,660.21       |
| Freight-train Cars—Repairs .....             | 28,101,636.98    | 21,939,842.15    |
| Passenger-train Cars—Repairs .....           | 12,144,155.76    | 12,009,531.49    |
| Floating Equipment—Repairs .....             | 574,555.68       | 502,682.89       |
| Work Equipment—Repairs .....                 | 3,003,013.45     | 2,688,872.93     |
| Express Equipment—Repairs .....              | 284,743.72       | 242,555.77       |
| Miscellaneous Equipment—Repairs .....        | 276,522.26       | 239,453.96       |
| Miscellaneous Equipment—Retirements ....     | 10,757.06        | 10,189.79        |
| Dismantling Retired Equipment .....          | 182,848.76       | 139,136.38       |
| Equipment—Depreciation .....                 | 17,834,782.56    | 16,920,929.13    |
| Express Equipment—Depreciation .....         | 213,008.08       | 180,881.07       |
| Injuries to Persons .....                    | 669,893.87       | 629,673.92       |
| Insurance .....                              | 57,695.60        | 43,679.41        |
| Stationery and Printing .....                | 83,701.77        | 78,214.76        |
| Other Expenses .....                         | 45,790.33        | 12,362.68        |
| Joint Maintenance of Equipment—Debit....     | 373,225.13       | 344,209.78       |
| Joint Maintenance of Equipment—Credit ..     | 246,890.40       | 221,706.80       |
| Deferred Maintenance—Equipment .....         | 3,500,000.00     | 8,000,000.00     |
|  | <hr/>            | <hr/>            |
|  | \$ 98,339,520.24 | \$ 79,770,248.07 |
|  | <hr/>            | <hr/>            |



## OPERATING EXPENSES (Continued)

|  | 1948             | 1947             |
|--|------------------|------------------|
| <b>TRAFFIC</b>                                       |                  |                  |
| Superintendence .....                                | \$ 2,889,248.41  | \$ 2,563,871.38  |
| Outside Agencies .....                               | 3,656,439.60     | 3,301,452.06     |
| Advertising .....                                    | 1,036,505.48     | 914,598.05       |
| Traffic Associations .....                           | 165,266.26       | 138,281.18       |
| Stationery and Printing .....                        | 473,337.00       | 370,485.21       |
| Industrial Bureau .....                              | 191,931.27       | 162,650.38       |
| Colonization, Agriculture and Development .....      | 311,853.85       | 256,776.93       |
|  | <hr/>            | <hr/>            |
|  | \$ 8,724,581.87  | \$ 7,708,115.19  |
| <b>TRANSPORTATION</b>                                |                  |                  |
| Superintendence .....                                | \$ 5,077,054.05  | \$ 4,396,299.30  |
| Dispatching Trains .....                             | 2,834,937.77     | 2,403,190.11     |
| Station Employees .....                              | 33,573,534.73    | 29,520,061.13    |
| Weighing, Inspection, and Demurrage Bureaus .....    | 139,264.79       | 114,217.49       |
| Coal and Ore Wharves .....                           | 41,646.74        | 53,132.90        |
| Station Supplies and Expenses .....                  | 2,534,221.28     | 2,161,786.44     |
| Yardmasters and Yard Clerks .....                    | 6,462,681.85     | 5,704,768.21     |
| Yard Conductors and Brakemen .....                   | 12,302,395.06    | 10,405,411.00    |
| Yard Switch and Signal Tenders .....                 | 1,122,502.22     | 964,415.81       |
| Yard Enginemen .....                                 | 6,993,817.34     | 6,373,538.52     |
| Yard Motormen .....                                  | 1,644,540.79     | 1,016,493.58     |
| Yard Switching Fuel .....                            | 9,178,594.88     | 8,195,195.03     |
| Yard Switching Power Produced .....                  | 17,388.25        | 16,212.60        |
| Yard Switching Power Purchased .....                 | 86,839.62        | 95,253.61        |
| Water for Yard Locomotives .....                     | 230,899.15       | 218,394.36       |
| Lubricants for Yard Locomotives .....                | 135,876.53       | 104,478.40       |
| Other Supplies for Yard Locomotives .....            | 104,025.62       | 79,783.56        |
| Enginehouse Expenses—Yard .....                      | 2,903,870.96     | 2,440,970.60     |
| Yard Supplies and Expenses .....                     | 240,932.41       | 225,217.80       |
| Operating Joint Yards and Terminals—Debit .....      | 2,108,807.83     | 2,222,772.22     |
| Operating Joint Yards and Terminals—Credit .....     | 2,372,838.85     | 2,208,534.26     |
| Train Enginemen .....                                | 20,360,690.42    | 17,551,318.84    |
| Train Motormen .....                                 | 532,866.67       | 178,054.36       |
| Train Fuel .....                                     | 48,072,104.21    | 40,900,739.83    |
| Train Power Produced .....                           | 5,345.26         | 4,690.34         |
| Train Power Purchased .....                          | 63,965.28        | 58,038.70        |
| Water for Train Locomotives .....                    | 1,718,311.90     | 1,488,387.11     |
| Lubricants for Train Locomotives .....               | 819,824.56       | 664,488.21       |
| Other Supplies for Train Locomotives .....           | 456,691.77       | 382,989.36       |
| Enginehouse Expenses—Train .....                     | 8,323,909.71     | 6,850,009.39     |
| Trainmen .....                                       | 24,077,394.97    | 20,523,147.49    |
| Train Supplies and Expenses .....                    | 15,421,924.49    | 13,083,400.27    |
| Operating Sleeping Cars .....                        | 2,539,957.94     | 2,158,181.92     |
| Signal and Interlocker Operation .....               | 763,156.42       | 683,722.20       |
| Crossing Protection .....                            | 1,150,665.10     | 984,908.49       |
| Drawbridge Operation .....                           | 195,354.20       | 173,046.27       |
| Telegraph and Telephone Operation .....              | 564,234.32       | 480,888.75       |
| Telegraph—Commercial .....                           | 7,164,451.76     | 6,251,398.21     |
| Operating Floating Equipment .....                   | 1,686,572.41     | 1,319,354.00     |
| Express .....  | 15,192,057.34    | 12,790,800.30    |
| Stationery and Printing .....                        | 1,017,546.68     | 951,961.01       |
| Other Expenses .....                                 | 2,027,471.33     | 1,900,191.98     |
| Operating Joint Tracks and Facilities—Debit .....    | 1,488,885.55     | 1,228,652.86     |
| Operating Joint Tracks and Facilities—Credit .....   | 599,690.13       | 513,714.22       |
| Insurance .....                                      | 15,951.97        | 16,504.93        |
| Clearing Wrecks .....                                | 724,924.67       | 590,922.61       |
| Damage to Property .....                             | 135,931.02       | 135,038.97       |
| Damage to Live Stock on Right-of-Way .....           | 87,897.99        | 89,983.27        |
| Loss and Damage—Freight .....                        | 3,428,830.89     | 2,790,464.18     |
| Loss and Damage—Baggage .....                        | 3,891.84         | 10,679.58        |
| Injuries to Persons .....                            | 2,549,627.79     | 2,209,168.58     |
|  | <hr/>            | <hr/>            |
|  | \$245,351,741.35 | \$210,440,476.20 |
| <b>MISCELLANEOUS</b>                                 |                  |                  |
| Dining and Buffet Service .....                      | \$ 4,307,000.94  | \$ 3,753,190.08  |
| Restaurants .....                                    | 330,830.86       | 307,144.24       |
| Grain Elevators .....                                | 159,442.72       | 155,626.58       |
| Other Miscellaneous Operations .....                 | 52,375.74        | 45,870.22        |
| Operating Joint Miscellaneous Facilities—Debit ..... | 361,592.20       | —                |
|  | <hr/>            | <hr/>            |
|  | \$ 5,211,242.46  | \$ 4,261,831.12  |



## OPERATING EXPENSES (Concluded)

| GENERAL  | 1948                    | 1947                    |
|--|-------------------------|-------------------------|
| Salaries and Expenses of General Officers...         | \$ 619,175.40           | \$ 567,250.20           |
| Salaries and Expenses of Clerks and Attendants ..... | 8,415,137.25            | 7,218,837.70            |
| General Office Supplies and Expenses.....            | 417,355.21              | 369,338.80              |
| Law Expenses.....                                    | 534,293.79              | 449,639.62              |
| Relief Department Expenses.....                      | 42,500.00               | 27,500.00               |
| Pensions .....                                       | 10,386,893.26           | 10,502,481.04           |
| Stationery and Printing.....                         | 391,857.33              | 314,437.41              |
| Valuation Expenses.....                              | 16,679.51               | 15,215.00               |
| Other Expenses .....                                 | 202,069.48              | 175,981.91              |
| General Joint Facilities—Debit.....                  | 92,977.21               | 63,457.31               |
| General Joint Facilities—Credit.....                 | 18,320.81               | 13,186.91               |
|  | <u>\$ 21,100,617.63</u> | <u>\$ 19,690,952.08</u> |

Mr. FULTON: If it is not in order I am not going to raise an issue on it, but I would like to ask a question. Is it in order to ask the officials their estimate of the increased revenues which will result from a successful hearing of their freight rate application?

The CHAIRMAN: I think that was given this morning.

Mr. MUTCH: I think Mr. Fulton's question broadens the issue somewhat. He asked what the effect of the 20 per cent would be in addition to the 21 per cent increase which they already obtained.

Mr. COOPER: If the 20 per cent freight rate increase were granted in full we estimate on the basis of the 1948 traffic volume our revenues would be increased by \$39,580,000.

Mr. FULTON: So I take it that it is over and above the 21 per cent which you have already been granted?

Mr. COOPER: It is the additional revenue for a full twelve months. The 20 per cent would be enough to cover this year's deficit; I take it that is your question.

Hon. Mr. CHEVRIER: That is providing the 21 per cent given is not revised downward.

Mr. COOPER: That is hardly a possibility, sir?

Mr. MUTCH: Is there any breakdown with respect to the \$39,000,000 by regional areas to show from where it comes? I think you said that \$39,000,000 was what you expected by way of additional revenue if your application for the additional 20 per cent was granted. Could you give us any indication where that \$39,000,000 would be collected from? For instance, would it be the prairie region largely?

Mr. COOPER: I could not answer that for you. I do not know whether our traffic people could make an estimate on it or not.

Mr. MUTCH: We suspect that we would be paying a lot of it. If we could, we would like to have it.

The CHAIRMAN: Are there any other questions under operating revenue?

Mr. POULIOT: Mr. Cooper, I should like to see these items arranged in chronological order. They are all mixed up and it is very difficult. It is very confusing, to me at least. Here, take for instance in the middle of the page on revenue you have a set of figures which relate to an item in the balance sheet, or it may be to a page further on; and we have to go and look up the other page in the report—in this case I think it is page 17—to get the opposite figure to that. Why do you not put the operating revenue and the operating expense in two columns so that we can see exactly what is revenue and what is expense for each item? Otherwise we have not a sufficient number of stenographers, typists,



clerks, and assistants to do that work. I do not ask you to reveal any secrets to me but I wish the statement to be in proper order so that anyone who looks at the report will understand something of it without having to make personal research.

Is there any reason for it being done this way? It is not in alphabetical order, and I do not know what order it is in. It seems to be just piled up and we have to work like slaves to make anything out of it.

Mr. COOPER: Let me say this, Mr. Pouliot. It is stated in the orders issued by the regulatory authorities—in Canada by the Dominion Bureau of Statistics and in the United States by the Interstate Commerce Commission—that it shall be done this way. This is standard railroad accounting practice and every railroad in the United States and every railroad in Canada reports its revenue and expense as we do.

Mr. POULIOT: That may be true but it is not intelligible. What is done wrongly by others must not necessarily be repeated by you.

Mr. COOPER: Do you mind for a moment turning to page 34?

Mr. POULIOT: Yes.

Mr. COOPER: That shows our revenue by commodities. We have agricultural products, animal products, mine products, forest products, and the list continues. I have heard it argued that we should break down this operating expense to show the cost of hauling cotton, apples, sheep, coal, coke, and this and that and the other thing. It cannot be done.

Mr. POULIOT: That is why I ask you for the passenger traffic expense?

Mr. COOPER: That is impossible. You can take an ordinary box-car containing miscellaneous freight and it might have a dozen classes of freight in it. You could have a train of eighty cars with coal, oil, this and that and how can you apportion the cost by the various commodities? You say that we should just give you the breakdown between freight and passenger traffic but I cannot see how we can do it. We know what it costs to repair a freight car and to repair a passenger car but when you come to a locomotive in joint service, both passenger and freight, how are you going to apportion the cost of the repairs?

We are told to take the number of pounds of coal consumed by a locomotive, in freight service or in passenger service and to divide the cost of maintaining the track on the basis of the relative proportion of coal consumed in the locomotive. They say that coal, consumption measures the various factors—weight, speed—but after all is said and done it is simply a guess.

Mr. MUTCH: It would at least have the virtue of having a more scientific basis whereas at the moment, if I may suggest, on this problem of cost of handling of freight and freight rates we are no nearer a solution because you do not know at the moment what your costs are for carrying cotton, packaged cheese, coal, or drums of oil. At the moment the cost is just whatever you can get.

Mr. COOPER: The railroads in the United States have given a terrific amount of study to the problem and if it were possible to make the allocation the railways would be compelled to do so.

Mr. POULIOT: I do not want to compel you to do anything and I have no power to compel you except with the consent of the minister and the members of the committee but I will tell you, Mr. Cooper, that you should not get off the track. Stay on the track, and what I suggest was that alphabetical order should be used for operating revenue, and that alphabetical order should be used for operating expenses. Surely you are not telling me that way of proceeding would be in contravention of common sense?



Mr. COOPER: Take the item of milk revenue, Mr. Pouliot. We received \$542,000 revenue from milk. Can you suggest how it is possible to get an expense item to set off against that item of revenue?

Mr. POULIOT: That is not what I am suggesting at all and I do not want you to split these things but I want the statement to be put in alphabetical order. Baggage would come before freight and sleeping cars would come after passengers and mail would come before passengers—a—b—c—d. For operating revenue I would have you set it out—a—b—c—etc. The same would be true for operating expense. The operating revenue for the restaurants would be in one column and the operating expenses would be in another column. Do you tell me seriously that the rules of the railways or the practice of statisticians is against that?

Mr. COOPER: I tell you, Mr. Pouliot, that if you were in the United States and you did that you would be liable to be sent to jail.

Mr. POULIOT: I never thought they ran the railway business that way.

Mr. COOPER: The regulatory authority sets down the form in which you shall state your accounts and they say if you state them in any different way you will be subject to penalties.

Mr. POULIOT: Subject to penalties?

Mr. COOPER: They make it an offence to depart from standard railroad accounting practice. We are asked, Mr. Pouliot, from time to time, to state our accounts on a comparable basis with those of the Canadian Pacific Railway. The Canadian Pacific Railway sets their accounts out in this form. If we are going to have a method all of our own it would only be for the purpose of this committee and you must remember that this report goes to all of the banking houses, railroads, insurance houses, and to everyone interested in the affairs of the Canadian National Railway. They make comparisons and I think we would be subject to criticism if we were to have a system all of our own.

Mr. POULIOT: Do you think that you would be subject to very great criticism if you put these items down in alphabetical order? Can you say that seriously?

Mr. COOPER: Yes, sir, I do.

Mr. POULIOT: Well I cannot understand it. I cannot understand the report either, it is even less opaque.

Mr. FULTON: In your operating expenses, under maintenance of way and structures, this year there is a considerable increase—\$11,000,000. Does that include an item for repairs to right of way after the Fraser Valley floods or is that item chargeable separately?

Mr. COOPER: No, the proportion of cost of flood damage which was chargeable to maintenance of way is included in this account.

Mr. FULTON: Is that perhaps a fair picture? If you have a disaster in one year and you have to repair rather than maintain is it fair to charge that in one year and thus increase your deficit which, as I understand it, is supposed to be an operating picture?

Mr. COOPER: Our total operating expenses in 1948 with respect to flood damage was \$2,400,000 which is a sizeable item in the expense account.

Mr. McCULLOCH: That was explained this morning.

Mr. COOPER: Yes, but I will just explain here. Our total expenses amount to \$464,000,000 so you might say that floods damage represented  $\frac{1}{2}$  of 1 per cent and such a proportion would not call for any special treatment.

Mr. FULTON: That is true if you want to call it part of operating expenses but is it true if you break it down to maintenance of way and structures?



Mr. COOPER: No, it is not all chargeable to maintenance because a portion of the cost was due to detouring trains and things of that nature which is chargeable to transportation expense and not maintenance of track.

The CHAIRMAN: Is there anything else on page 15 with respect to operating expenses?

Mr. FULTON: I am not quite satisfied. You have your own insurance fund, and you had a fire at the station in Montreal, but that is not going to be reflected as an operating loss?

Mr. COOPER: The insurance fund is a fund with respect to fire losses. Every year, as you know, we do have casualty losses. They are perhaps not on as large a scale as this but there are losses of one kind and another and we have to take them in our stride.

Mr. FULTON: Let me ask whether this is also standard railway accounting practice?

Mr. COOPER: Yes, sir.

Mr. FULTON: And it would not be a fair picture of the railway accounts if you did it any other way?

Mr. COOPER: Railway people frown on any attempt to exclude from operating expenses the accounts for anything which is of an expense account nature.

Mr. FULTON: Where do you get definition? It seems to me this is not an expense account definition but I would not put my opinion up against your great experience. On the face of it I would say that if you had a disaster such as a flood or a fire it is not normal operating expense?

Mr. COOPER: Maintenance expense occurs through two factors, one being use and the other the effect of the elements. Flood damage is only an intensification of the effect of the elements. I know that Mr. Vaughan would have been pleased to have the \$2,400,000 eliminated from his operating expense but I think that we would have been criticized had we done that.

Mr. FULTON: By whom?

Mr. COOPER: By the people who expect to find in our operating expense a reflection of the true costs of operation. The Canadian Pacific Railway will have something the same—not as much as this—but they will charge it to their expenses.

Mr. POULIOT: Your contention is that the expenditure of money in a case of repairing flood damage should be included in the operating account and not in the capital account?

Mr. COOPER: Yes, sir, I do. You have no better railway when you are finished—you have not improved it, you have not added to its capital value—you have simply restored it to its original condition.

Mr. FULTON: You have this insurance fund reflected in the balance sheet?

Mr. COOPER: Yes.

Mr. FULTON: If you draw on that fund how do you show it?

Mr. COOPER: If we draw on it to the extent that we deplete it below its normal amount we would have to put the deficiency back by a charge to operation or to income.

Mr. FULTON: It would be reflected in your balance sheet under capital assets or under liabilities?

Mr. COOPER: No.

Mr. FULTON: If you reduce the amount of the fund you would not show it?

Mr. COOPER: We would have to put it back into the fund before we closed the books at the end of the year. We say that we should have a reserve of \$12,000,000. If, at the end of the year, we find that gains and losses have



resulted in a balance of \$12,300,000, we take the \$300,000 out of the fund and credit our income statement. If, on the other hand, the balance at the end of the year is \$11,700,000, we take \$300,000 out of the income account and put it back into the fund. We maintain the fund at a level of \$12,000,000. If the fund is successful then the excess is credited to income and if there is a deficit then the deficiency is charged to expenses.

Mr. FULTON: So you win both ways?

Mr. COOPER: No, we do not. We put \$2,000,000 into our insurance fund this year by charging the deficit. Our deficit of \$33,000,000 includes \$2,000,000 necessary to maintain the insurance fund at a level of \$12,000,000.

Mr. FULTON: The reduction of the insurance fund by \$2,000,000 arose as a result of the Bonaventure fire?

Mr. COOPER: Yes.

Mr. POULIOT: And by the B.C. floods?

Mr. COOPER: No, sir.

Mr. FULTON: So you are definitely compelled to call the Bonaventure fire an operating matter and not a capital matter? Is not the value of the Bonaventure Station a capital asset?

Mr. COOPER: Well yes, but that is another thing. Speaking of the insurance fund, the fund suffered a loss in 1948 in the neighbourhood of \$2,000,000, the principle cause of which was the Bonaventure fire. We had to restore the fund to its nominal amount of \$12,000,000 and to do that we had to charge income. We had to increase our deficit in order to build the fund back to where it was at the beginning of the year.

Mr. FULTON: Supposing that the Chateau Laurier burned down, Mr. Cooper, surely you would not charge that against revenue?

Mr. COOPER: No, not against revenue. We distinguish, Mr. Fulton, between revenue and income. If we carry through our policy of always having \$12,000,000 in the insurance fund, and if it is conceivable that the Chateau should burn down, or perhaps better say if we had a \$1,000,000 loss there, we would have to take \$1,000,000 out of income and put it back in the insurance fund.

Mr. MUTCH: What you are saying is that the deficit of \$33,000,000 odd would only have been \$31,000,000 odd if you had not had the Bonaventure fire?

Mr. COOPER: That is correct.

Mr. MUTCH: In other words it is a revolving fund maintained at \$12,000,000?

Mr. COOPER: Yes, sir.

Mr. MUTCH: Last year when you did not have any major fires you had some surplus money against which you are drawing—well perhaps not because it went into income last year.

Mr. COOPER: Yes.

Mr. HAZEN: Mr. Vaughan, subsection 6 of section 16 of the Canadian National-Canadian Pacific Act was amended in 1936. It says that "It shall be the duty of the National Company (that is the Canadian National Railway) and the Pacific Company (that is the Canadian Pacific Railway) for and on behalf of themselves respectively, and otherwise as by this Part of this Act authorized, and they are hereby required to meet by their proper officers forthwith and from time to time as they may agree, to discuss and to effect by agreement, if possible, the purposes set forth in this Part of the Act."

Now the purposes set forth in this Part of the Act were to effect economies and to provide for more remunerative operation by co-operative measures and the proper officers referred to according to the Act are the directors or officers of the respective companies appointed by the directors. I would like to ask whether there have been any meetings between the directors of the Canadian



National Railway and the Canadian Pacific Railway with each other or any meetings between the directors of the Canadian Pacific Railway and the Canadian National Railway in the year 1948 for those purposes?

Mr. VAUGHAN: No sir, there were not.

Mr. HAZEN: Were there any meetings between the officers of the Canadian Pacific Railway and the Canadian National Railway?

Mr. VAUGHAN: There have been conversations. There are meetings constantly in respect of such things as running rate agreements, joint use of facilities and so on.

Mr. HAZEN: In 1948 about how many meetings between the officers of the two companies would be held with these purposes in mind?

Mr. VAUGHAN: I could not give you that information. We have a committee composed of so many officers of the Canadian Pacific Railway and of the Canadian National Railway. This matter is also one of the terms of reference, as I understand it, to the royal commission.

Hon. Mr. CHEVRIER: Definitely.

Mr. VAUGHAN: This will be thrashed out before the royal commission.

Mr. HAZEN: Is there anything in the report you read to us this morning that shows that there have been any economies effected or more remunerative operations brought about by reason of meetings between the officers of the two companies?

Mr. VAUGHAN: I do not recollect anything especially, except that there have been agreements renewed for running rights between the railways which are not mentioned there. Some of these economies were effected years ago, and, of course, are carried on. They provided for the abandonment of several hundreds of miles of railway and for the joint use of certain facilities.

Mr. HAZEN: If they had been effected in 1948, I presume they would have been shown in your report?

Mr. VAUGHAN: Not shown separately because they are continuing economies.

Mr. HAZEN: But the act states that they are to be set forth in a summary way in the report. I have not got the act here, but I think that is what it states.

Mr. HAZEN: But, in fact, was very much done along those lines in 1948?

Mr. VAUGHAN: There were some meetings, and running rights agreements were renewed with the Canadian Pacific and with the T.H.B.O., and with other railways.

Whenever a new co-operation arrangement is made it is reported. We did that, Mr. Hazen, last year. We reported one last year, but there were no new ones during 1948, therefore, none were reported. But, of course, continuing economies from previous years, are still in effect.

The CHAIRMAN: Are there any other questions? Is there anything more on operating expenses? If there is not, then let us turn to pages 20 and 21. Are there any questions with respect to pages 20 and 21? We did discuss a lot of things on page 21. Is there anything on page 20?

Mr. FULTON: Yes, purely an accounting question.

Are you compelled to carry forward your property investments, your book figures of the value of the property, at the same figure from year to year? I notice that you do not charge anything for depreciation, but you do carry in your depreciation account an accumulated depreciation figure. Are you compelled to do that?

Mr. COOPER: Well, we could show two figures. We would have to show the gross expenditures, then show depreciation, and then carry the net into the end column. Many railways do that. In fact, I rather think it is standard practice in the United States. But I believe there is an advantage in showing it as we do.



There is not a great deal to be gained by netting it. It has this defect, in my opinion, that it conveys, having regard to the resulting figure, the idea that it is the fully depreciated value of the property whereas it is only the value less the depreciation figure which has actually been set up.

For example, we have been depreciating our equipment since 1940 and we have \$112,000,000 of depreciation set up.

If we were to show the gross value, that is the cost of \$572,000,000 less \$112,000,000 depreciation, and show the difference as the depreciated value of the equipment, then somebody might draw the inference that that was the fully written down value of the equipment; but that is not true. It is only the cost less the particular amount of depreciation we have set up in our accounts since 1940. And if you asked me what the depreciated value of the equipment was, I would say that it was a smaller figure than would be shown on the balance sheet.

Mr. FULTON: What figure do you use to work out your rate of return for the purposes of the freight rate inquiry, let us say?

Mr. COOPER: Unfortunately, the Canadian National Railway figures have not been taken as a criterion in the freight rate hearings.

Mr. FULTON: I understand that. But, nevertheless, you must have your own ideas; and I understand that, in the preparation of the case before the Board of Transport Commissioners, there is consultation between the two railways and there must be some agreement as to what a fair rate of return would be upon your net investment for the purpose of setting up freight rates. Of course, that is arguable. But surely one is justified in assuming that there is consultation between the two railways and that therefore there is a figure which you use.

Mr. COOPER: When you consider the rate of return on the net investment, you are assuming that the depreciation is all there; that is, that the net investment is the true depreciated value of the investment.

Mr. FULTON: It would not necessarily be this balance sheet figure here.

Mr. COOPER: I do not think so.

Mr. GIBSON: Have you ever had an appraisal made of the Canadian National properties?

Mr. COOPER: No, sir, we have not. But one of these fine days I think it will have to be done. It is a matter which would take a lot of time and which would be quite expensive.

Hon. Mr. CHEVRIER: I think that is one of the things which the Royal Commission have in mind to do.

Mr. GIBSON: I think it would be well worthwhile.

Mr. FULTON: What figure is taken as the rate of net return for these freight rate inquiries?

Mr. COOPER: That is a matter for the judgment of the tribunal.

If you take the United States railroads, you find that the rate of return varies from year to year. I can tell you what it was in 1948 and in 1947. The rate of return on class 1 railroads in 1948 was 4.38. In 1947 it was 3.46.

Mr. FULTON: Was that figure fixed by the Interstate Commerce Commission, or is that just the actual figure.

Mr. COOPER: No, they do not fix the rate of return. They fix the freight and passenger rates, and this is the return which is produced by those rates.

Mr. FULTON: Oh.

Mr. COOPER: Let me state the definition as follows: "Rate of return is computed on the property investment in road and equipment, material and supplies, and cash; and after deducting accrued depreciation accumulated on the books of the carriers, as at January 1, 1948, and 1947, respectively."



And you will find that the rate of return varies from year to year. The carriers contend that it should be in the order of 6 or 7 per cent. But the fact is that ever since this requirement was written into the Transportation Act, the carriers have never received the rate of return which they consider they should receive.

Mr. FULTON: As to the rate of return, could you give us an average figure for a period of years.

Mr. COOPER: This is our net income expressed as a percentage of our total capitalization. In 1940, it was 1.44. Then, by years, 2.57; 3.84; 5.48; in 1944 it was 3.91. Then 3.49, 1.39, 1.39. I would have to work out the 1948 figure for you.

Mr. FULTON: When you spoke of capitalization less depreciation, that is the reference to the property value of the railway as set up in the books here.

Mr. COOPER: Yes, as set up in the books. When you speak of property value you have to take a lot of things into account. The Canadian National Railways is the successor of hundreds of different railways. This railroad began 100 years ago. There have been hundreds of railways. They built their lines, operated them for a while, and then they were sold, or amalgamated and the property account was transferred to the other books, sometimes at the value of the securities that were outstanding.

Mr. FULTON: Have we in Canada any uniform system laid down for determining the property value for the purposes we are discussing, that is, laid down for the determination of a net return?

Mr. COOPER: No. Property value is supposed to represent costs. When you ask me that, I can say that since 1923 I can speak of something that I know about. But if you go back to 1850 or 1860, I simply do not know what they did in those days.

Mr. FULTON: I see that the minister has left the room. I was going to ask if this was one of the matters to be left to or referred to the royal commission. I wonder if Mr. Vaughan would know about that.

Mr. VAUGHAN: I suppose we have the terms of reference here somewhere. The royal commission is to deal with the capital structure generally of the Canadian National Railways.

Mr. FULTON: I wanted to know this, because if it is one of the things which is to be discussed, then it is probably not useful to spend time on it here. But if not, I was going to ask the railways to let us have their views on it, so that we would have it on the record somewhere.

Mr. VAUGHAN: I think our views will be contained in our brief to the royal commission.

The CHAIRMAN: Are there any other questions with respect to page 20?

Mr. MOORE: With respect to the first item there, new lines constructed, I asked this question last year. There has been a lot of development take place in the mining fields of northern Manitoba. I would like to ask if the Canadian National has been asked to survey a road from some point on the Hudson's Bay Railway into Lynn lake.

Mr. VAUGHAN: We have been watching that mining development very very carefully. Of course, we could not afford to build the line. It would have to be a matter of negotiation.

The CHAIRMAN: Is there anything else on page 20? What about page 21? What about page 22? Are there any questions there?



## PROPERTY INVESTMENT ACCOUNT

Expenditures Year 1948

## ROAD:

|   |                 |                  |
|---|-----------------|------------------|
| New lines constructed .....                     | \$ 1,414,549.18 |                  |
| Lines acquired .....                            | 409,315.09      |                  |
| Abandoned lines .....                           | 194,721.04      |                  |
| Rails and fastenings .....                      | 819,624.67      |                  |
| Tie plates and rail anchors .....               | 1,008,147.73    |                  |
| Ballast .....                                   | 651,362.30      |                  |
| Widening cuts and fills, etc. ....              | 398,887.70      |                  |
| Large freight terminals .....                   | 88,036.91       |                  |
| Large passenger terminals .....                 | 788,810.96      |                  |
| Yard tracks and sidings .....                   | 1,139,102.26    |                  |
| Roadway machines .....                          | 317,330.92      |                  |
| Bridges, trestles and culverts .....            | 836,856.26      |                  |
| Tunnels .....                                   | 113,883.84      |                  |
| Crossing protection .....                       | 181,288.27      |                  |
| Stations and station facilities .....           | 1,049,449.51    |                  |
| Shops, enginehouses and machinery .....         | 2,085,992.51    |                  |
| Automatic signals and interlocking plants ..... | 277,793.55      |                  |
| Telegraphs—Railway .....                        | 300,938.23      |                  |
| Telegraphs—Commercial .....                     | 1,801,666.18    |                  |
| Stores department buildings and equipment ..... | 93,628.75       |                  |
| Non-carrier property .....                      | 2,430,871.70    |                  |
| General .....                                   | 269,430.22      |                  |
|   |                 | \$ 16,282,245.70 |

## EQUIPMENT:

|   |                  |               |
|---|------------------|---------------|
| Equipment purchased or built .....        | \$ 49,184,949.22 |               |
| Equipment retirements .....               | 3,537,324.52     |               |
| General betterments to equipment .....    | 1,795,099.96     |               |
| Equipment conversions .....               | 318,462.30       |               |
| Express and miscellaneous equipment ..... | 359,636.19       |               |
|   |                  | 48,120,823.15 |

## HOTELS .....

105,978.33

## SEPARATELY OPERATED PROPERTIES .....

480,084.54

## NET ADDITIONS AND BETTERMENTS DURING 1948 .....

\$ 64,989,131.72

Ledger Balance 1st January, 1948 .....

\$ 2,073,881,350.02

Net additions and betterments during the

year .....

\$ 64,989,131.72

## Canadian Government Railways:

Construction of aqueduct at Fairview, N.S. 46,747.66 65,035,879.38

Ledger Balance at 31st December, 1948 .....

\$ 2,138,917,229.40

## LOANS FROM THE GOVERNMENT OF CANADA

|   | Principal<br>outstanding<br>at Dec. 31, 1948 | Interest<br>accrued<br>1948 | Average<br>interest<br>rate |
|---|--|-----------------------------|-----------------------------|
| Loans for repatriation of U.K. securities .....                             | \$391,439,302.58                             | \$ 13,700,129.86            | 3.50%                       |
| Loans for debt redemption .....   | 278,925,788.39                               | 6,284,221.12                | 2.31%                       |
| Loans for new rolling stock .....   | 38,228,164.56                                | 1,023,790.82                | 2.57%                       |
| Loans for investment in T.C.A. ....   | 19,043,022.71                                | 470,959.50                  | 2.53%                       |
| Loans for capital expenditures and working capital .....                    | 16,086,566.33                                | 147,931.52                  | 1.87%                       |
| Canadian Government Railways—working capital<br>at consolidation 1923 ..... | 16,771,980.54                                | ....                        |                             |
|   | \$760,494,825.11                             | \$ 21,627,032.82            | 2.90%                       |



## FUNDED DEBT—PRINCIPAL AND INTEREST

| NAME OF SECURITY                            | Issuing Company | Date of Issue  | Date of Maturity | Principal Outstanding at Dec. 31, 1948 | Interest Accrued 1948 |
|---|-----------------|----------------|------------------|--|-----------------------|
| GUARANTEED BY GOVERNMENT OF CANADA:         |                 |                |                  |  |                       |
| 5% Perpetual Debenture Stock                | G.T.R.          | 1875 to 1883   | Perpetual        | \$ 1,016,091.86                        | \$ 69,954.20          |
| 5% G. W. Perp. Debtr. Stock and Bonds       | G.T.R.          | 1858 to 1876   | Perpetual        | 499,709.33                             | 40,211.60             |
| 4% Perpetual Debenture Stock                | G.T.R.          | 1883 to 1918   | Perpetual        | 5,446,783.07                           | 233,882.83            |
| 4% Nor. Rly. Perpetual Debtr. Stock         | G.T.R.          | July 31, 1884  | Perpetual        | 22,591.07                              | 1,073.72              |
| 3% 1st. Mortgage Bonds                      | G.T.P.          | July 1, 1905   | Jan. 1, 1962     | 26,465,130.00                          | 793,953.90            |
| 4% Sterling Bonds                           | G.T.P.          | July 1, 1914   | Jan. 1, 1962     | 7,999,074.00                           | 319,962.96            |
| 3% 1st. Mortgage Debenture Stock            | Can. Nor.       | July 29, 1903  | July 10, 1953    | 1,162,768.33                           | 34,879.18             |
| 3 1/2% 1st. Mortgage Debenture Stock        | Can. Nor.       | Mar. 1910      | July 20, 1958    | 5,636,506.82                           | 197,273.83            |
| 3 1/2% 1st. Mortgage Debenture Stock        | C.N.A.          | Mar. 22, 1911  | May 4, 1960      | 550,726.60                             | 19,273.48             |
| 3 1/2% 1st. Mortgage Debenture Stock        | C.N.O.          | Dec. 8, 1911   | May 19, 1961     | 3,597,517.87                           | 125,347.98            |
| 5% 30 Year Guaranteed Bonds                 | Can. Nat.       | Feb. 1, 1924   | Feb. 1, 1954     | 50,000,000.00                          | 2,500,000.00          |
| 4 1/2% 30 Year Guaranteed Gold Bonds        | Can. Nat.       | July 1, 1927   | July 1, 1957     | 64,136,000.00                          | 2,886,120.00          |
| 5% 40 Year Guaranteed Gold Bonds            | Can. Nat.       | Oct. 1, 1929   | Oct. 1, 1969     | 57,728,500.00                          | 2,886,425.00          |
| 5% 40 Year Guaranteed Gold Bonds            | Can. Nat.       | Feb. 1, 1930   | Feb. 1, 1970     | 17,338,000.00                          | 866,900.00            |
| 4 1/2% 25 Year Guaranteed Gold Bonds        | Can. Nat.       | June 15, 1930  | June 15, 1955    | 48,496,000.00                          | 2,303,560.00          |
| 4 1/2% 25 Year Guaranteed Gold Bonds        | Can. Nat.       | Feb. 1, 1931   | Feb. 1, 1956     | 67,368,000.00                          | 3,031,560.00          |
| 4 1/2% 20 Year Guaranteed Gold Bonds        | Can. Nat.       | Sept. 1, 1931  | Sept. 1, 1951    | 48,022,000.00                          | 2,160,990.00          |
| 3% 20 Year Guaranteed Bonds                 | Can. Nat.       | Jan. 15, 1939  | Jan. 15, 1959    | 35,000,000.00                          | 1,050,000.00          |
| 2 1/2% 20 Year Guaranteed Bonds             | Can. Nat.       | Jan. 2, 1947   | Jan. 2, 1967     | 50,000,000.00                          | 1,375,000.00          |
| Total                                       |                 |                |                  | \$ 490,485,398.95                      | \$ 20,896,368.68      |
| GUARANTEED BY PROVINCE OF BRITISH COLUMBIA: |                 |                |                  |  |                       |
| 4% 1st. Mortgage Debenture Stock            | C.N.P.          | Nov. 16, 1911  | Apr. 2, 1950     | \$ 798,055.48                          | \$ 31,922.22          |
| 4 1/2% Terminal Debenture Stock             | C.N.P.          | 1913 and 1914  | Apr. 2, 1950     | 1,154,052.13                           | 51,929.22             |
| Total                                       |                 |                |                  | \$ 1,952,107.61                        | \$ 83,851.44          |
| EQUIPMENT TRUST ISSUES:                     |                 |                |                  |  |                       |
| 2 3/4% Series "P"                           | Can. Nat.       | Sept. 15, 1938 | Ser. 15, 9, '53  | \$ 2,600,000.00                        | \$ 81,239.58          |
| 2 1/2% " " "Q"                              | Can. Nat.       | July 1, 1939   | Ser. 1, 7, '49   | 650,000.00                             | 24,375.00             |
| 2 1/2% " " "G.T.W."                         | G.T.W.          | June 1, 1941   | Ser. 1, 6, '51   | 1,420,000.00                           | 44,961.67             |
| 2% " " "R"                                  | Can. Nat.       | Dec. 1, 1947   | Ser. 1, 12, '57  | 5,040,000.00                           | 111,066.67            |
| 2 1/2% " " "S"                              | Can. Nat.       | Mar. 15, 1948  | Ser. 15, 3, '58  | 28,000,000.00                          | 456,370.44            |
| 2 1/2% " " "T"                              | Can. Nat.       | Nov. 1, 1948   | Ser. 1, 11, '58  | 21,500,000.00                          | 66,046.23             |
| Total                                       |                 |                |                  | \$ 59,210,000.00                       | \$ 784,059.59         |



| OTHER ISSUES: |   |               |                 |                |                          |    |                      |
|---------------|---|---------------|-----------------|----------------|--------------------------|----|----------------------|
| 4%            | Canada Atlantic 1st. Mtge. Bonds.....               | G.T.R.....    | Jan. 1, 1905    | Jan. 1, 1955   | \$ 9,947,934.00          | \$ | 397,917.36           |
| 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   | 3,574,530.00             |    | 142,981.20           |
| 4%            | 2nd Mtge. Bonds, Mountain "B".....                  | G.T.P.....    | Apr. 1, 1905    | Apr. 1, 1955   | 3,144,906.00             |    | 125,796.24           |
| 4%            | 1st. Mtge. Bonds, "Lake Superior".....              | G.T.P.....    | Apr. 1, 1905    | Apr. 1, 1955   | 2,152,008.00             |    | 86,080.32            |
| 4%            | Perpetual Cons. Debenture Stock.....                | Can. Nor....  | 1903 to 1912... | Perpetual..... | 3,992,929.66             |    | 159,393.05           |
| 4%            | Perpetual Cons. Debenture Stock.....                | C.N.O.....    | June 21, 1909   | Perpetual..... | 889,597.47               |    | 35,394.78            |
| 4%            | Perpetual Cons. Debenture Stock.....                | C.N.Q.....    | Oct. 1906       | Perpetual..... | 465,545.33               |    | 18,516.02            |
| 4%            | 1st. Mtge. Perp. Debenture Stock.....               | Q. & L. St.J. | June 1, 1912    | Perpetual..... | 285,342.40               |    | 10,928.36            |
| 4%            | 1st. Mortgage Bonds.....                            | G.T.W.....    | Nov. 30, 1900   | July 1, 1950   | 6,527,336.00             |    | 261,237.86           |
| 4½%           | 1st. Mortgage Series "A" Bonds.....                 | G.T.W.....    | Jan. 1, 1930    | Jan. 1, 1980   | 400,000.00               |    | 18,000.00            |
| 4%            | 1st. Mortgage Gold Bonds.....                       | M. & P.L....  | Oct. 1, 1900    | Oct. 1, 1950   | 200,000.00               |    | 8,000.00             |
| 5%            | Indebtedness to Province of N.B.....                | Can. Nat....  | Sept. 3, 1929   | Nov. 15, 1958  | 380,022.60               |    | 19,001.12            |
| 4%            | 1st. Mortgage Bonds.....                            | C.C.R.....    | Mar. 14, 1910   | Sept. 14, 1949 | 475,000.00               |    | 5,541.67             |
|               | Interest on Securities retired in 1948.....         |               |                 |                | —                        |    | 143,750.00           |
|               | Total.....  |               |                 |                | <u>\$ 32,585,151.46</u>  | \$ | <u>1,438,537.98</u>  |
|               | Total Debt held by Public as per Balance Sheet..... |               |                 |                | <u>\$ 584,232,658.02</u> | \$ | <u>23,202,817.69</u> |

There is included in the above \$10,450,008.06 par value of System Securities held in Special Funds and Accounts.

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

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



## FINANCING

Year 1948

## FUNDED DEBT—New Issues

|  |                  |                  |
|--|------------------|------------------|
| 2½ per cent Equipment Trust Certificates, Series "S"—1948, maturing serially to March 15, 1958.....                            | \$ 28,000,000.00 |                  |
| 2¼ per cent Equipment Trust Certificates, Series "T"—1948, maturing serially to November 1, 1958.....                          | 21,500,000.00    |                  |
| 4 per cent Central Counties Railway Bonds, due September 14, 1949 (assumed through acquisition of control of Capital Stock) .. | 475,000.00       |                  |
|  |                  | \$ 49,975,000.00 |

## FUNDED DEBT—Retirements

|   |                  |                 |
|---|------------------|-----------------|
| 3 per cent Canadian National Railway Company 15 Year Bonds, due February 1, 1952, called February 1, 1948, at par....   | \$ 20,000,000.00 |                 |
| 3 per cent Canadian National Railway Company 17 Year Bonds, due February 15, 1953, called February 15, 1948, at par... Equipment Trusts—annual principal payments ..... | 25,000,000.00    |                 |
|   | 2,278,000.00     |                 |
| Various securities reacquired and repatriated   | 1,324,103.87     |                 |
|   |                  | 48,602,103.87   |
| Increase in Funded Debt.....  |                  | \$ 1,372,896.13 |

## LOANS FROM GOVERNMENT OF CANADA

|   |                  |                  |
|---|------------------|------------------|
| 2½ per cent Loans for redemption of 3 per cent Canadian National Railway Company Bonds, called February 1, and 15, 1948 ..... | \$ 45,000,000.00 |                  |
| Loans for principal payments on Equipment Trusts and Hire Purchases—Net.....  | 7,530,568.09     |                  |
| Loans for Capital Expenditures and Working Capital .....  | 16,093,908.51    |                  |
| Loans for acquisition of Trans-Canada Air Lines Capital Stock.....  | 2,400,000.00     |                  |
|   |                  | \$ 71,024,476.60 |
| Increase in Capital Debt, 1948.....   |                  | \$ 72,397,372.73 |

The issue of \$28,000,000 2½ per cent Equipment Trust Certificates, Series "S"—1948, dated March 15, 1948, was made to provide for part payment of new equipment costing \$37,647,433. The certificates, which mature serially in 10 annual instalments, were sold at a price of 99.11, representing an annual interest cost to the Company of 2.30 per cent.

The issue of \$21,500,000 2¼ per cent Equipment Trust Certificates, Series "T"—1948, dated November 1, 1948, was made to provide for part payment of new equipment costing \$29,078,443. The certificates, which mature in 20 semi-annual instalments, were sold at a price of 99.385, representing an annual interest cost to the Company of 2.375 per cent.

## INVESTMENTS IN AFFILIATED COMPANIES

| Company   | Total                 | Owned by Can. Nat. System |                                |
|---|-----------------------|---------------------------|--------------------------------|
|   | Par Value Outstanding | Par Value                 | at Dec. 31, 1948<br>Book Value |
| <b>STOCKS:</b>  |                       |                           |                                |
| The Belt Railway Company of Chicago.....                  | \$3,120,000.00        | \$ 240,000.00             | \$ 240,000.00                  |
| Canadian Government Merchant Marine, Limited .....        | 800.00                | 800.00                    | 800.00                         |
| Chicago & Western Indiana Railroad Company .....          | 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              | 1,500,000.00                   |
| Detroit Terminal Railroad Company.....                    | 2,000,000.00          | 1,000,000.00              | 1,000,000.00                   |
| Northern Alberta Railways Company.....                    | 12,500,000.00         | 6,250,000.00              | 6,250,000.00                   |
| 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.....                               | 25,000,000.00         | 25,000,000.00             | 25,000,000.00                  |
| Vancouver Hotel Company Limited.....                      | 150,000.00            | 75,000.00                 | 75,000.00                      |
| Total .....   |                       |                           | \$ 36,457,607.53               |



INVESTMENTS IN AFFILIATED COMPANIES—*Concluded*

| Company   | Total<br>Par Value<br>Outstanding | Owned by Can. Nat. System<br>at Dec. 31, 1948 |                  |
|---|-----------------------------------|---|------------------|
|   |                                   | Par Value                                     | Book Value       |
| <b>BONDS:</b>   |                                   |   |                  |
| Northern Alberta Railways Co. 1st. Mortgage<br>Bonds .....          | 20,855,000.00                     | 10,427,500.00                                 | 10,427,500.00    |
| The Toronto Terminals Railway Co. 1st.<br>Mortgage Bonds .....      | 25,910,000.00                     | 12,955,000.00                                 | 12,955,000.00    |
| Total .....   |                                   |   | \$ 23,382,500.00 |
| <b>ADVANCES:</b>  |                                   |   |                  |
| Chicago & Western Indiana Railroad Company.....                     |                                   |   | 2,827,980.71     |
| Northern Alberta Railways Company.....                              |                                   |   | 200,000.00       |
| Railway Express Agency, Incorporated.....                           |                                   |   | 173,493.22       |
| Vancouver Hotel Company Limited.....                                |                                   |   | 6,055.65         |
| Trans-Canada Air Lines .....  |                                   |   | 1,500,000.00     |
| Total .....   |                                   |   | 4,707,529.58     |
| Total Investments in Affiliated Companies as per Balance Sheet..... |                                   |   | \$ 64,547,637.11 |

Mr. POULIOT: With regard to investments in affiliated companies, I would like to know what are the companies in which the Canadian National has a major interest? I mean by that, more than 51 per cent of the stock.

Mr. COOPER: There is the Trans-Canada Air Lines. That is the only one of those companies in which we have more than 50 per cent of the stock.

Mr. POULIOT: What about the Vancouver Hotel Company Limited?

Mr. COOPER: That is an operating company. We have 50 per cent of the stock along with the Canadian Pacific.

Mr. POULIOT: What about the Toledo Terminal Railroad Company?

Mr. COOPER: Yes. We hold less than 10 per cent along with various other railways.

Mr. POULIOT: What about the Toronto Terminals Railway Company?

Mr. COOPER: We have 50 per cent of the stock with the Canadian Pacific.

Mr. POULIOT: What about the Railway Express Agency, Inc.?

Mr. COOPER: That is owned by all the railways of the United States. Our proportion is a very small one. About 4 per cent, I would say.

Mr. POULIOT: And what about the Public Markets Limited?

Mr. COOPER: We have 50 per cent of the stock.

Mr. POULIOT: Where is it?

Mr. COOPER: That is in Winnipeg.

Mr. POULIOT: And what about the Ontario Car Ferry Company, (Limited)?

Mr. COOPER: We have 50 per cent, along with the Baltimore & Ohio Railway.

Mr. POULIOT: What about the Northern Alberta Railways Company?

Mr. COOPER: We have 50 per cent of the stock along with the Canadian Pacific.

Mr. POULIOT: What about the Detroit Terminal Railroad Company?

Mr. COOPER: We have 50 per cent along with the New York Central.

Mr. POULIOT: What about the Detroit & Toledo Shore Line Railroad Company?

Mr. COOPER: We have 50 per cent of the stock along with the Nickle Plate.

Mr. POULIOT: What about the Chicago & Western Indiana Railroad Company?



Mr. COOPER: We have one-fifth interest in that.

Mr. POULIOT: With whom?

Mr. COOPER: There are five different railways. The Wabash is one; then there is the Erie; C. & E.I. and the C.I. & L.

Mr. POULIOT: What about the Canadian Government Merchant Marine Limited?

Mr. COOPER: That is a defunct company. We just have a few director shares.

Mr. POULIOT: It is mostly paper?

Mr. COOPER: They have no assets now.

Mr. POULIOT: And what about the Belt Railway Company of Chicago?

Mr. COOPER: We have, I think, a one-thirteenth interest in the Belt.

Mr. POULIOT: What is the actual value of the \$36,457,607 for these stocks in the companies?

Mr. COOPER: Well, that is a difficult question.

Mr. POULIOT: I mean the stock market value.

Mr. COOPER: No, sir. There is no quotation with respect to these. Not one of them is on the stock market.

Mr. POULIOT: What is the stock market of the bonds there, the market value of the bonds? There are \$23,382,500 worth.

Mr. COOPER: They are not on the market. We own half of the bonds, and the Canadian Pacific owns the other half.

Mr. POULIOT: And what about the advances?

Mr. COOPER: They are worth the stated value.

Mr. POULIOT: Your third answer is supplementary to the two others, to the tabulations for stocks and bonds?

Mr. COOPER: Yes. Our investments are divided between stocks and bonds and advances.

Mr. POULIOT: Yes, and it goes with it.

Mr. COOPER: They are tied in with them, yes.

Mr. POULIOT: These advances are in addition to the purchase of stocks and securities?

Mr. MUTCH: Are these unsecured advances?

Mr. COOPER: Well, Chicago and Western Indiana Railroad Company is secured. But the others may not be.

Mr. MUTCH: It is just cash loaned on operating account.

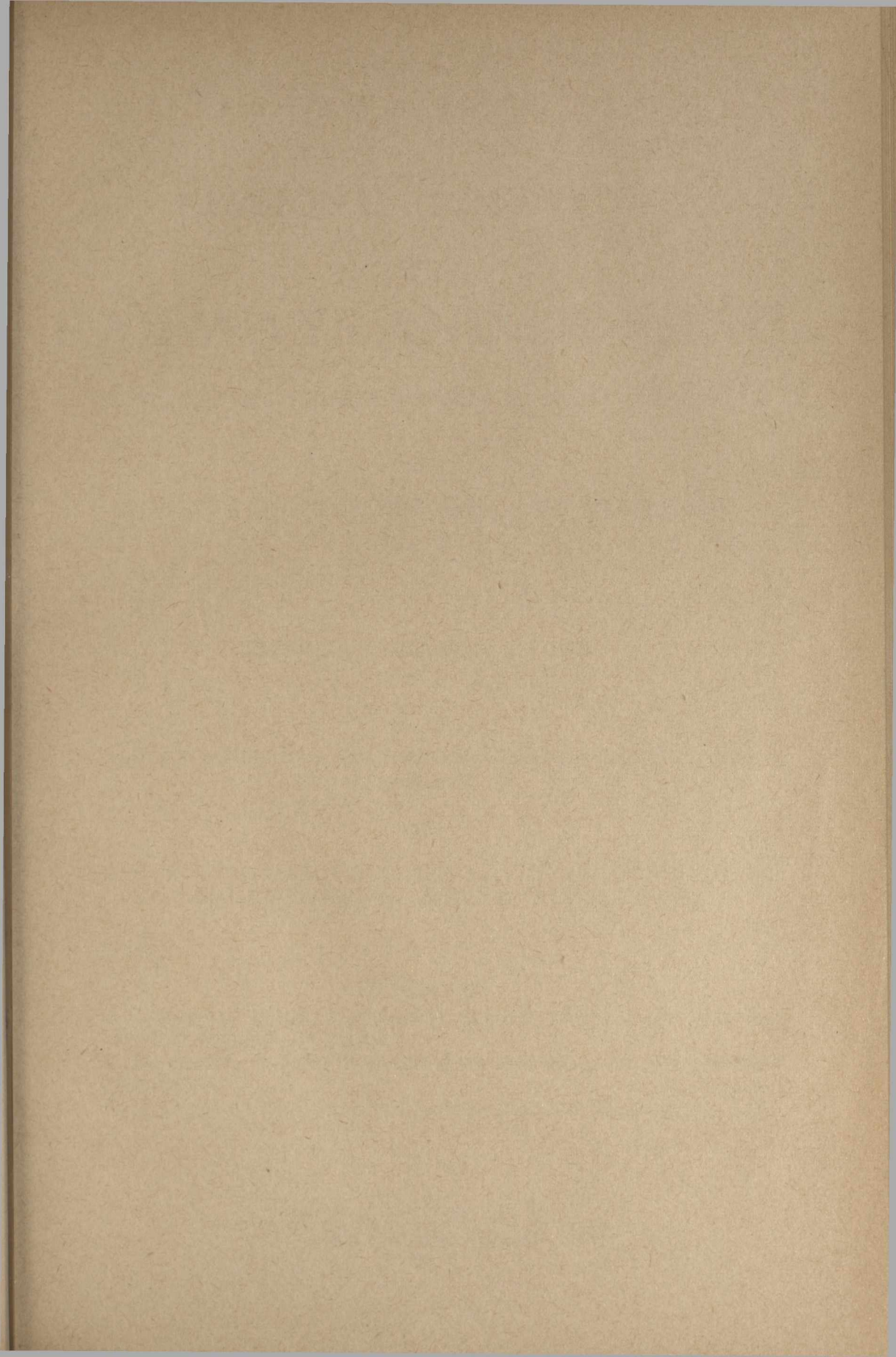
Mr. COOPER: Take the Trans-Canada Air Lines. We loaned them \$1,500,000 last year for capital, and we expect to get it back this year.

Mr. POULIOT: Is it a loan given in exchange for an I.O.U.?

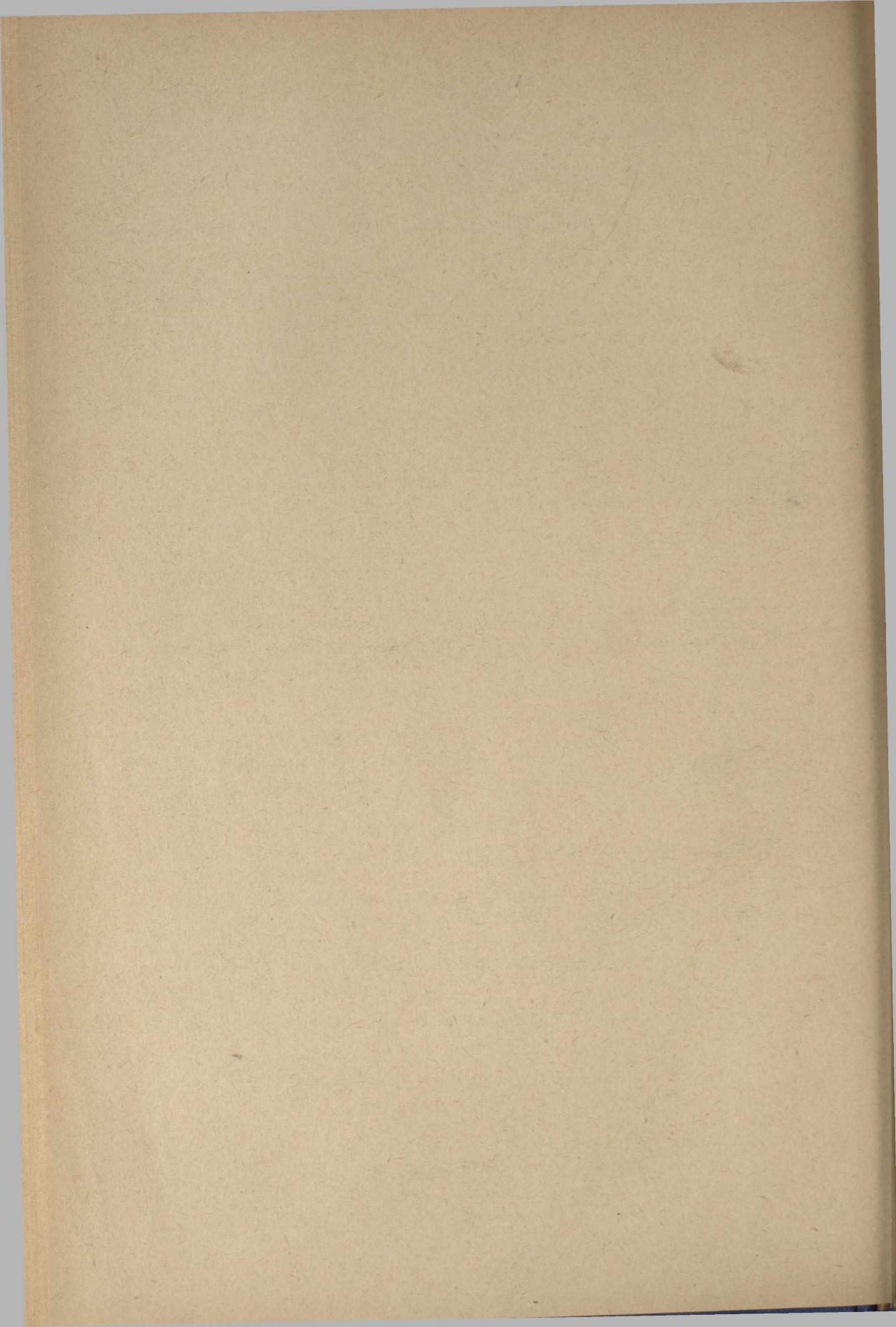
Mr. COOPER: We generally get notes.

The CHAIRMAN: We will meet again tomorrow afternoon at 4.00 o'clock.











SESSION 1949  
HOUSE OF COMMONS

**SESSIONAL COMMITTEE**  
ON  
**RAILWAYS AND SHIPPING**

Owned, Operated and Controlled by the Government

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**MINUTES OF PROCEEDINGS AND EVIDENCE**

**No. 2**

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**TUESDAY, MARCH 29, 1949**

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**CANADIAN NATIONAL RAILWAYS—ANNUAL REPORT (1948).**  
*(Conclusion)*

and

**CANADIAN NATIONAL, CANADIAN NATIONAL (WEST INDIES)  
STEAMSHIPS LIMITED—ANNUAL REPORT (1948).**

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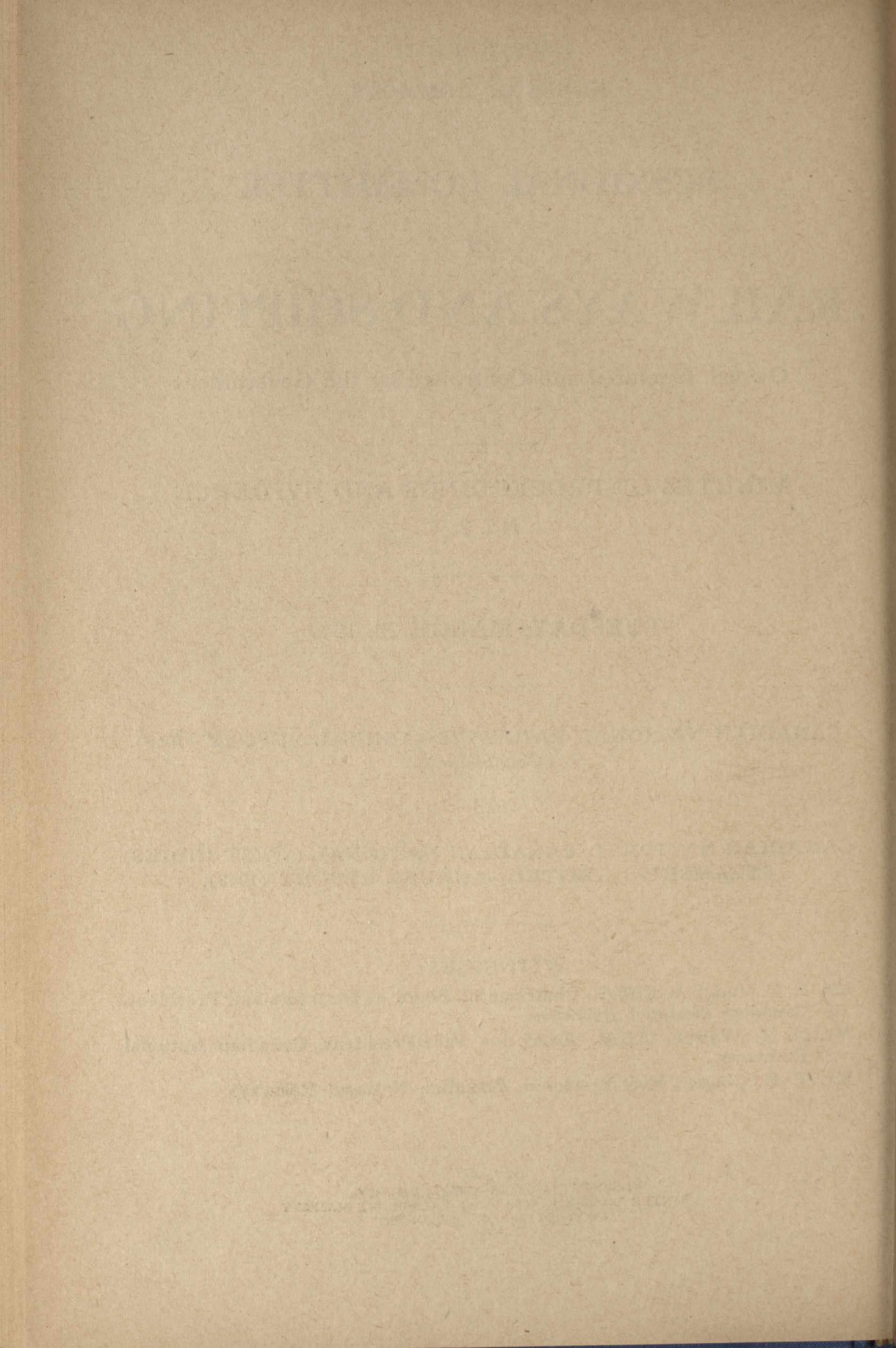
**WITNESSES:**

- Mr. R. C. Vaughan, C.M.G., Chairman of Board of Directors and President,  
Canadian National Railways;  
Mr. N. B. Walton, C.B.E., Executive Vice-President, Canadian National  
Railways;  
Mr. T. H. Cooper, Vice-President, Canadian National Railways.

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

1949







## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,

TUESDAY, March 29, 1949.

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 4.00 o'clock p.m. The Chairman, Mr. S. M. Clark, presided.

*Members present:* Messrs. Bourget, Chevrier, Clark, Emmerson, Fulton, Gibson (*Comox-Alberni*), Hazen, Hlynka, Jackman, LaCroix, McCulloch, (*Pictou*), McLure, Moore, Mutch, Nicholson, Picard, Pouliot, Reid, Warren.

*In attendance:*

*From the Canadian National Railways:* Mr. R. C. Vaughan, President; Mr. N. B. Walton, Executive Vice-President; Mr. T. H. Cooper, Vice-President.

*From Trans-Canada Air Lines:* Mr. G. R. McGregor, President.

*From George A. Touche & Co., Auditors:* Mr. O. A. Matthews, and Mr. P. Bennett.

*From the Department of Transport:* Mr. J. C. Lessard, Deputy-Minister.

Mr. T. H. Cooper was called. The witness tabled certain returns requested by the Committee at a previous sitting. (*See today's minutes of evidence.*)

The Chairman read a communication from Mr. E. C. Gilliat, Managing Secretary of the Winnipeg Chamber of Commerce, together with certain telegrams, concerning the affairs of Trans-Canada Air Lines. (*See to-day's Minutes of Evidence.*)

On motion of Mr. Mutch, it was agreed that Mr. Gilliat's letter be tabled and discussion thereon deferred.

The Committee thereafter resumed the adjourned study of the Annual Report of Canadian National Railways (1948).

Messrs. Vaughan, Walton and Cooper were questioned thereon.

At 6.00 o'clock p.m., the Committee adjourned to meet again at 8.00 o'clock p.m., in the evening.

### EVENING SESSION

The Committee met at 8 o'clock. The Chairman, Mr. S. M. Clark, presided.

*Members present:* Messrs. Chevrier, Clark, Hatfield, Hazen, Hlynka, Jackman, LaCroix, Lockhart, McCulloch (*Pictou*), McLure, Moore, Nicholson, Picard, Reid, Warren.

*In attendance:* The Officials of Canadian National Railways, George A. Touche & Co., Auditors, and the Department of Transport as are listed as in attendance at the afternoon session.



The Committee resumed and concluded the adjourned study of the Annual Report of Canadian National Railways for the calendar year 1948.

Messrs. Vaughan, Walton and Cooper were called and questioned.

On motion of Mr. McCulloch, the said Annual Report was adopted.

The Committee then considered the Annual Report of Canadian National (West Indies) Steamships Limited for the calendar year 1948.

Mr. Vaughan read the report and was questioned thereon. The financial accounts were also considered and Messrs. Vaughan and Cooper were examined thereon.

On motion of Mr. Warren, the said Annual Report was adopted.

At 10.15 o'clock p.m., the Committee adjourned to meet again at 11.00 o'clock a.m., Wednesday, March 30, 1949.

ANTOINE CHASSE,  
*Clerk of the Committee.*



# MINUTES OF EVIDENCE

HOUSE OF COMMONS,  
March 29, 1949.

The Sessional Committee on Railways and Shipping met this day at 4.00 p.m. The Chairman, Mr. S. M. Clark, presided.

The CHAIRMAN: Gentlemen, we have a quorum, and I think perhaps we should apologize to the officials for being interrupted. Mr. Cooper has some answers to questions asked yesterday and I have a letter which I shall table after Mr. Cooper has finished.

Mr. COOPER: Yesterday the minister asked for the par value of the perpetual obligations which were taken over in 1923, and the amount outstanding at the end of last year.

The par value of perpetual funded debt obligations taken over in 1923 was \$338,467,141. Of this amount \$325,848,551 has been retired, primarily through repatriation under the United Kingdom vesting orders, leaving a balance of \$12,618,590 perpetual debt obligations outstanding at December 31, 1948. Then there was a question put by Mr. Pouliot who asked for the amount of interest on government loans since 1923.

The amount of interest on Government loans prior to the effective date of the Capital Revision Act 1937, was all cancelled. None of it had been paid and the most of it should never have been accrued in the accounts.

The amount of interest on Government loans taken up in the income account since the effective date of the Capital Revision Act to December 31, 1948 and which has all been paid to the Government, was \$146,861,160.

Mr. Nicholson asked for the results of our insurance fund since 1938 and I shall file the figures and perhaps they can be included in the minutes.

RESULT OF C.N.R. INSURANCE FUND—11 YEARS  
1938 TO 1948 INCLUSIVE

|           | Income   |                             | Expenses  |                                | Net Income |
|-----------|----------|-----------------------------|-----------|--------------------------------|------------|
|           | Premiums | Net Income from Investments | Losses    | Adminis-<br>tration<br>Expense |            |
|           | \$       | \$                          | \$        | \$                             | \$         |
| 1938..... | 42,154   | 583,712                     | 305,939   | 15,213                         | 304,754    |
| 1939..... | 32,962   | 826,811                     | 295,468   | 15,213                         | 549,092    |
| 1940..... | 47,775   | 496,171                     | 410,107   | 12,917                         | 120,922    |
| 1941..... | 51,636   | 258,667                     | 413,190   | 14,871                         | 117,758    |
| 1942..... | 64,685   | 492,250                     | 374,968   | 16,846                         | 165,121    |
| 1943..... | 197,857  | 562,313                     | 518,725   | 18,105                         | 223,341    |
| 1944..... | 98,431   | 1,523,461                   | 389,470   | 21,696                         | 1,210,725  |
| 1945..... | 131,627  | 1,046,687                   | 1,692,228 | 22,435                         | 536,349    |
| 1946..... | 119,727  | 424,810                     | 562,016   | 23,163                         | 40,642     |
| 1947..... | 102,397  | 597,346                     | 400,598   | 21,860                         | 277,285    |
| 1948..... | 93,457   | 452,737                     | 2,399,571 | 24,825                         | 1,878,202  |

Mr. Fulton asked me a question with respect to the rate of return in the past several years and I gave him figures with the exception of the year 1948. I said I would secure the figures for 1948 which I have done and the rate of



return in 1948 was 55 cents per \$100 of capitalization. The percentages which I have given should I think be supported by figures showing how these percents have been computed and I would like to have in the proceedings, if I may, details as to how we arrive at the figures which I have given.

The CHAIRMAN: Is that agreed?

Agreed.

CANADIAN NATIONAL RAILWAY SYSTEM

| Year      | Net income available for interest, per the accounts | Depreciation on rolling stock adjusted to 3½% per annum | Reserve for inventory adjustments written back | Reserve for pension contracts adjusted as to prior years | Adjusted net income available for return on capitalization | Percentage on total capitalization |
|-----------|---|---|--|--|--|------------------------------------|
|           | \$  | \$  | \$   | \$   | \$   |                                    |
| 1940..... | 33,474,443  | 2,900,000   | .....  | 1,980,344  | 28,594,099   | 1.44                               |
| 1941..... | 54,361,316  | 988,266   | .....  | 2,362,881  | 51,010,169   | 2.57                               |
| 1942..... | 74,045,461  | 2,058,206   | 2,375,267                                      | 1,797,837  | 76,681,097   | 3.84                               |
| 1943..... | 85,302,456  | 4,555,734   | 1,309,814                                      | 19,069,000   | 110,237,004  | 5.48                               |
| 1944..... | 71,096,564  | 3,970,443   | 3,839,471                                      | .....  | 78,906,478   | 3.91                               |
| 1945..... | 71,084,273  | .....   | .....  | .....  | 71,084,273   | 3.49                               |
| 1946..... | 35,719,527  | .....   | 7,524,552                                      | .....  | 28,194,975   | 1.39                               |
| 1947..... | 27,939,150  | .....   | .....  | .....  | 27,939,150   | 1.39                               |
| 1948..... | 11,297,109  | .....   | .....  | .....  | 11,297,109   | 0.55                               |

Mr. COOPER: The figures I gave showed the amount of net income available for a return on the capitalization of the railway. Mr. Fulton was talking about something just a little different. He asked for the rate of return on the property investment and I think he had in mind the amount which would be computed under the formula which I explained yesterday. I have worked it out the second way and I would also like to put those figures in the record.

CANADIAN NATIONAL RAILWAY SYSTEM

| Year      | Net Railway operating income | Adjustments per statement above | Adjusted net Railway operating income | Percentage of property investment |
|-----------|------------------------------|---------------------------------|---------------------------------------|-----------------------------------|
|           | \$                           | \$                              | \$                                    |                                   |
| 1940..... | 35,964,407                   | 4,880,344                       | 31,084,063                            | 1.63                              |
| 1941..... | 55,626,577                   | 3,351,147                       | 52,275,430                            | 2.74                              |
| 1942..... | 74,930,221                   | 2,635,636                       | 77,565,857                            | 4.05                              |
| 1943..... | 81,633,938                   | 24,934,548                      | 106,568,486                           | 5.50                              |
| 1944..... | 67,724,644                   | 7,809,914                       | 75,534,558                            | 3.86                              |
| 1945..... | 67,877,938                   | .....                           | 67,877,938                            | 3.47                              |
| 1946..... | 31,558,947                   | 7,524,552                       | 24,034,395                            | 1.23                              |
| 1947..... | 23,710,623                   | .....                           | 23,710,623                            | 1.20                              |
| 1948..... | 10,175,629                   | .....                           | 10,175,629                            | 0.50                              |



The second statement varies somewhat from the first and although I personally prefer the first statement, the second statement is made in the more common method and I think it will be helpful.

Mr. Nicholson asked for the land sales in western Canada last year. We sold 28,049 acres of land in western Canada in 1948. The average price received was \$8.06 per acre; the number of acres of unsold land in western Canada at December 31, 1948, is:

|                    |            |
|--------------------|------------|
| Manitoba .....     | 6,762·61   |
| Saskatchewan ..... | 210,744·64 |
| Alberta .....      | 4,567·90   |

and the total acreage is ..... 222,075·15 acres

The CHAIRMAN: Does that complete what you have to give, Mr. Cooper?

Mr. COOPER: Yes, sir.

Mr. JACKMAN: Mr. Chairman, I notice in the evidence yesterday that reference was made to the mineral rights still held by the railway in western Canada. Has Mr. Cooper any evidence here as to the acreage on which the mineral rights in the various provinces has been retained?

Mr. VAUGHAN: We have not got that information with us but we will get it.

Mr. JACKMAN: In these days it is pleasant to have hopes, even though it may be faint hope, but have you much acreage in Alberta?

Mr. VAUGHAN: We have very little in Alberta.

Mr. COOPER: The total acreage is only 4,567.

Mr. JACKMAN: That is unsold land?

Mr. VAUGHAN: You are talking about acreage which we have sold and on which we retain the mineral rights?

Mr. JACKMAN: Yes.

Mr. VAUGHAN: We will get that information.

Mr. JACKMAN: Have you paid the 3 per cent provincial tax in Saskatchewan?

Mr. VAUGHAN: We have retained some and we are in the process of redeeming other rights.

Mr. JACKMAN: You are going to get it back to quite an extent?

Mr. VAUGHAN: That matter is actively in hand at the present time.

Mr. JACKMAN: The railway itself feels that it is worth while paying money from its own treasury to redeem or to re-instate the title to the mineral rights rather than to perhaps make a deal with outside parties?

Mr. VAUGHAN: A deal with outside parties is in the process of development now.

The CHAIRMAN: Gentlemen, before any more questions are asked I would like to table a letter which I received today as chairman of the committee. It is my opinion, subject to the wishes of the committee, that this letter should not be discussed until we get to Trans-Canada Air Line matters. The letter has to do with some representations from Manitoba. I will read the letter.



## THE WINNIPEG CHAMBER OF COMMERCE

346 Main Street, Winnipeg, Canada.

March 28, 1949

Mr. S. M. CLARK, M.P., *Chairman*,  
 Sessional Committee on Railways and Shipping,  
 House of Commons, Ottawa, Ontario.

*Trans-Canada Air Lines*

DEAR SIR:—We enclose copies of telegrams which have passed between the Winnipeg Chamber of Commerce and the Prime Minister. As the committee has now been set up, we take it that the proper thing now is for us to communicate direct with you, as Chairman.

This is to confirm the intimation to the Prime Minister that delegates representing the Province of Manitoba, City of Winnipeg, Winnipeg Chamber of Commerce, Manitoba Associated Chambers of Commerce, and other organizations may attend, when representations will be made by or on behalf of these delegates and organizations.

We will be glad to know if a definite time has been fixed for the sitting of the committee, and when it will be in order for the delegates to appear. We would like to have as much advance notice as possible in order to have time to make transportation and other arrangements.

Yours very truly,

(Signed) E. C. GILLIAT,  
*Managing Secretary.*

In addition, gentlemen, there are three telegrams here. I think that these should also be discussed when we are dealing with T.C.A. matters.

March 16, 1949

Rt. Hon. LOUIS ST. LAURENT,  
 Prime Minister,  
 Ottawa, Ontario.

The Winnipeg Chamber of Commerce urgently reiterates its request that the decision to remove the operating headquarters and officers and employees of Trans-Canada Air Lines from Manitoba to Montreal be abandoned. We further urge if the matter be referred to a committee of the House of Commons for consideration, as has been recommended by western members, that T.C.A. be directed to cancel forthwith notice of removal already given to employees so as to stop selling of homes and making of other irrevocable personal arrangements in pursuance of that notice. Your urgent consideration and action is requested.

E. C. GILLIAT,  
*Managing Secretary,*

The Winnipeg Chamber of Commerce.



March 18, 1949.

E. C. GILLIAT, Esq.,  
 Managing Secretary,  
 Winnipeg Chamber of Commerce,  
 Winnipeg, Manitoba.

Your telegram re T.C.A. plans to move certain personnel to Montreal, may I call attention to following statement made in parliament on March 3 by Mr. Howe: "I remember distinctly reading a published statement by Mr. McGregor in which he said the move would not take place until October, 1949. That being so, I hope we shall have a committee before that time." Notice for the setting up of a committee of the house to deal with accounts, estimates and bills relating to operations of T.C.A. has now been given. Committee expected to get under way almost at once and will have power to send for persons, papers and records, and report from time to time. Plans of management and reasons therefor can be gone into and reported upon, and interested parties can appear or be represented to make proper investigation. In the meantime government would not feel justified in issuing directives to management. I trust that this public hearing will make clear what policy in regard to this matter will best serve the general interest of all concerned in the good administration of T.C.A.

LOUIS ST. LAURENT

March 24, 1949.

Rt Hon. LOUIS ST. LAURENT,  
 Prime Minister,  
 Ottawa, Ontario.

Thanks your telegram eighteenth. Representatives of Province. Greater Winnipeg Municipalities, labour and business organizations, met yesterday and unanimously decided avail themselves of opportunity to appear before Committee of Parliament in furtherance of protests against removal of T.C.A. operating headquarters. As Parliamentary Committee is to decide issue on merits as stated your telegram eighteenth and to protect employees' interests, we consider it imperative and respectfully urge that T.C.A. officials be instructed to suspend action on transfer pending committee decision as previously requested.

E. C. GILLIAT,  
*Managing Secretary,*

The Winnipeg Chamber of Commerce.

Mr. MUTCH: I would move that the letter be tabled and that we discuss it when T.C.A. comes up.

The CHAIRMAN: Is that agreed?

Carried.

Mr. MUTCH: I have just one supplementary word. If these people are to be here it would be rather late to tell them of our intention to hear them at the time the sittings concerning Trans-Canada Air Lines have begun.



Mr. EMMERSON: When they come down will they travel by C.N.R.?

Mr. VAUGHAN: They will probably travel by T.C.A.

The CHAIRMAN: When we get to Trans-Canada Air Lines we can discuss the pros and cons of this correspondence.

Mr. McLURE: They will receive very short notice.

The CHAIRMAN: Even if this matter was discussed today it would be difficult to have these people here when T.C.A. business comes before us.

Mr. MUTCH: I would say that if anyone has any doubt on the matter I can personally assure him that we will debate the affairs of T.C.A. long enough for interested parties to get here.

The CHAIRMAN: Even if our inquiry into Trans-Canada Air Lines proceeds rapidly, if the committee decides to hear these gentlemen, we could sit some morning later in the session to hear them.

Mr. McCULLOCH: Has it been our habit in the past when dealing with T.C.A. to meet such committees?

Mr. MUTCH: The motion has just been carried.

The CHAIRMAN: The correspondence is to be tabled and we shall discuss it when T.C.A. business comes before the committee? Is that agreeable?

Carried.

Mr. MUTCH: It is agreed for the moment at least.

The CHAIRMAN: Yesterday we finished with page 22.

Mr. HAZEN: Perhaps I could ask some questions which arise out of the evidence heard yesterday in connection with the Barraute line. I have a copy of yesterday's evidence and at page J-9 it says 39.2 miles of road were built. You told me that you do not propose to continue the line further at the present time. You told me also that the cost of the line—that 39.2 miles—was \$3,234,000, or at least you estimated it would be that amount. You told me that \$2,621,000 had been spent, that you estimated \$612,000 more would be spent, making a total of \$3,234,000. Now if 39.2 miles were built at that price, as I figure it, the cost is \$82,474 per mile. Am I right?

Mr. COOPER: \$83,000, did you say?

Mr. HAZEN: I have got \$82,471.

Mr. COOPER: Yes.

Mr. HAZEN: Well, in 1946, when the bill was introduced giving the Canadian National Railways authority to construct this line, it stated that it was to be constructed from Barraute. Authority was given to construct from Barraute to Kiask Falls, a distance of approximately 55 miles, at an estimated expenditure of \$4,125,000, or an average of \$75,000, per mile.

Mr. COOPER: That is not quite correct, Mr. Hazen. The estimated cost was \$4,125,000 plus an allowance of 15 per cent, which made the total estimated cost \$4,743,000, which figures out about \$86,000 per mile. So the 39 miles have been constructed at a little less than the average for the 55 miles which were originally contemplated.

Mr. HAZEN: I have not got the Act before me; but upon reading the resolution that was presented to the House I find no mention was made of the 15 per cent. It simply spoke of the \$4,125,000 and the average of \$75,000 per mile, but, as you say, there may have been something added to it.

Mr. COOPER: I feel quite sure that in the special Act under which this line was built the allowance of 15 per cent was provided for.

Mr. HAZEN: I have not examined the Act, so you are probably correct. Now, we were told at that time that The Canadian Paper Company, as I understand it, had guaranteed an aggregate traffic of 330,000 cords of pulpwood over



a period of 6 years; and they had guaranteed that, even if within those 6 years they did not supply the 330,000 cords of pulpwood, they would make up the difference to you.

Mr. COOPER: Yes, the difference in the cost of operating the railway.

Mr. HAZEN: Yes, the difference in the cost of operating the railway. But the guarantee, as I understand it, was contingent upon the road being extended 43.7 miles from Barraute to a point at the southeast extremity of the township called Laas. Am I correct in that? Is their guarantee good if you do not go 43.7 miles, and only go 39.42 miles?

Mr. COOPER: I would have to look into that, Mr. Hazen. I think their guarantee stands.

Mr. VAUGHAN: Their guarantee is perfectly good for the mileage we have built.

Mr. HAZEN: The Hon. Mr. Chevrier said when he introduced the bill in the House that the line at the present time is projected to the southeast corner of Laas township. You say it is not the intention to project the line to Kiask Falls at the present time? Were those plans afterwards changed? Did you decide not to go 43.7 miles and only to go 39.42 miles?

Mr. VAUGHAN: We decided that it was only necessary at the present time to build 39.42 miles. We did not wish to construct any more mileage than was necessary.

Mr. HAZEN: Well, if you had gone on and extended it to 55 miles, as the Act provided, it would have cost you a great deal more than the \$4,125,000, would it not, even plus the 15 per cent which you mentioned?

Mr. COOPER: I would not care to say that. I am not an engineer and I do not know the territory.

Mr. HAZEN: But evidently the estimated amount when the bill was introduced was \$4,125,000.

Mr. COOPER: Plus 15 per cent.

Mr. HAZEN: Plus 15 per cent.

Mr. COOPER: Yes. The estimate was made on the basis of \$86,000 per mile.

Mr. HAZEN: Did you think that it would have cost any less to construct the line from the 39.42 point to the end of the 55-mile limit?

Mr. COOPER: I do not know.

Mr. VAUGHAN: It all depends on the topography of the country. A survey was made and it was felt there was no need to construct that line for the additional distance. The line was built for the purpose of taking out pulpwood and for giving settlers an opportunity to move in there to develop the country.

Mr. HAZEN: Do you consider the guarantee of the Canadian Paper Company as still good?

Mr. VAUGHAN: It is good.

Mr. HAZEN: Good for all the distance that you have gone?

Mr. VAUGHAN: Undoubtedly.

Mr. JACKMAN: Yesterday there was some discussion about the payment of interest and the maturity of American bonds in the United States in American funds. May I ask you about your dealings with the Foreign Exchange Control Board. When you are required to service your United States paid bonds you have to pay  $\frac{1}{2}$  of 1 per cent to the Foreign Exchange Control Board above the cost of your Canadian money. But when you get your United States revenues against which you have to pay out your United States operating expenses, of course, do you not have a United States bank account and those funds in that



United States bank account do not have to go through the Foreign Exchange Control Board at all. Are you not treated as if you were an American company and not a Canadian entity?

Mr. COOPER: That is so.

Mr. JACKMAN: Then why are you not allowed to service your United States paid bonds out of your United States receipts rather than to have to go to the Foreign Exchange Control Board here and pay a penalty?

Mr. COOPER: To the extent that we have free balances in New York available for the payment of interest, we use them. But they are traffic balances, and ordinarily they would be used for the settlement of inter-line accounts with United States carriers. We operate in the United States of course.

But if there were a surplus of United States dollars, we would use them in preference to paying that one half of one per cent.

Mr. JACKMAN: You feel that you would be allowed to use that money?

Mr. COOPER: Definitely.

Mr. JACKMAN: During recent years have you not had a surplus on your United States operating accounts so that you would have had no occasion to apply to our Foreign Exchange Control Board?

Mr. COOPER: A small surplus, yes. In 1948 it did not amount to a great deal.

Mr. JACKMAN: I was speaking of a cash surplus.

Mr. COOPER: Yes. The amount of net earnings on our American lines available for interest was \$4,327,000. I should say here that that sum was exclusive of such things as depreciation accruals but, in turn, we used depreciation accruals for capital expenditures.

Mr. JACKMAN: So you do have to go to the Foreign Exchange Control Board to obtain money each year to service your American bonds?

Mr. COOPER: Yes. I could tell you just how much exchange we bought last year, if you are interested in it.

Mr. JACKMAN: Yes, I am.

Mr. COOPER: We have a tremendous number of transactions between Canada and the United States, and we purchased \$77,000,000 of United States funds last year.

Mr. JACKMAN: Did you sell any funds to the board?

Mr. COOPER: The \$77,000,000 would be the net of purchases and sales.

Mr. JACKMAN: You say it was the net?

Mr. COOPER: The net purchases, yes.

Mr. JACKMAN: Have you got the gross figures of sales to the board?

Mr. COOPER: No, I have not. But on exchange last year, we suffered a loss of \$170,000, that is the loss on United States funds, less the profit on sterling funds.

Our exchange situation has improved tremendously in the last year or two. About two years ago our exchange account was more than \$1,000,000 against us. But it was down to \$170,000 last year.

Mr. JACKMAN: If there is any fault to be found it is probably not with the railway but rather with the cost of doing business under the Foreign Exchange Control Board and the regulations which they place upon business.



The Foreign Exchange Control Board made over \$10,000,000 last year. You would have been saved a considerable amount of money if you had not had to pay that one half of one per cent premium.

Mr. COOPER: Our exchange account brought about a loss of \$170,000 to us.

Mr. JACKMAN: Can you give me any idea, Mr. Cooper, of how much you have sold to the board at so much over par, and how much you purchased from the board plus the premium?

Mr. COOPER: No, I do not know that.

If you are going to ask me questions of that nature, Mr. Jackman, I shall have to ascertain the answers for you because, actually, your questions concern matters which do not come under my purview. Rather, they belong to our Treasury Department and I shall go to the vice-president in charge of our treasury to get the answers to these questions.

Mr. JACKMAN: Would it be within the bonds of reasonableness to assume that if you had \$77,000,000 of transactions with the Foreign Exchange Control Board—I am assuming that these were largely American transactions?

Mr. COOPER: \$77,000,000 were all American transactions.

Mr. JACKMAN: There was this disability which the railway had to suffer, to the extent of one half of one per cent on that volume, and that would amount to over \$3,500,000.

Mr. COOPER: I think that is a condition which obtains throughout the entire business world of Canada. It is a matter of government policy as to whether or not there should be this Foreign Exchange Control and whether or not there should be this surcharge.

I am inclined to think, Mr. Jackman, that it is hardly fair for you to drag us in on some dispute which you might have with the government.

Mr. JACKMAN: Well, Mr. Cooper, it is your duty to protect the interests of the railways because you are one of the greatest corporations, if not the greatest corporation, in the country. Nevertheless, you find yourself subject to a form of taxation of which many of us do not approve.

You are paying \$3,500,000 excess to the Foreign Exchange Control Board, that is, your one half of one per cent on \$77,000,000.

Mr. COOPER: Oh, no, Mr. Jackman.

Mr. JACKMAN: I think I asked you if that was the amount.

Mr. COOPER: I said that our net exchange account was \$170,000.

If you complain that we are charged by the Foreign Exchange Control Board at the rate of one half of one per cent on United States funds then you must give them credit for the profit we make on the exchange of Canadian dollars into sterling. It is a two-way proposition.

Mr. JACKMAN: But, Mr. Cooper, you had \$77,000,000 of dealings with the Foreign Exchange Control Board relative to American funds only, leaving aside the sterling.

Mr. COOPER: Yes.

Mr. JACKMAN: And if you bought \$35,000,000 and sold \$30,000,000 to the board, because you are held to the practice of going through the board instead of being permitted to act as one ordinarily was accustomed to act, you must have incurred a deficit on your transaction of over \$3,500,000? Is that not correct? I want to know how much?



Mr. COOPER: I think you are one decimal point wrong, Mr. Jackman; should it not be \$387,000?

Mr. JACKMAN: I think perhaps you are right; nevertheless, it is a very substantial amount, quite an item anyway.

The CHAIRMAN: And the difference would be much greater if our dollar were at 92.

Mr. WARREN: Mr. Chairman, I wonder if Mr. Jackman recalls the time when the Ontario government sold bonds in the United States. They went to an American firm and paid at least 10 percent to them on account of the premium on exchange. I do not think we should be too quick to offer criticism with regard to proper financial operations. Take a case like this where you are paying 5 percent on perpetual debenture stocks. When they were offered for sale they were a very attractive proposition for the public, and some day you should be able to buy these perpetual bonds back in. I think that was one of the things which Mr. Nicholson spoke about yesterday. I recall an experience I had as a member of the county council of Renfrew county. That is a very small thing, of course, as compared to a place like here where you gentlemen roll billions around your tongues in the way we would speak of dollars. But our council decided to build roads and for the purpose they decided to issue twenty-year debentures, some carrying interest at 5 percent and some at 4 percent; and then we got into the tough 30's when a dollar bill just looked like a gold mine and anybody who got a five dollar bill was just in the luxury class. And I remember on one occasion when I tried to make up my mind whether we would be justified in repudiating our financial responsibility on those bonds. We studied the situation and looked at it, but I have been glad ever since that I did not talk myself into that idea because we got out from under the load eventually—twenty years does get around in time—but we did get out from under it and I am very glad indeed we came out with a clear conscience having repaid our obligations. Now, I presume that the financiers of the Canadian National Railways just made the same sort of mistake that the County of Renfrew did. We quit that sort of thing. We pay as we go now. We don't get stuck with 9 percent interest anymore, we pay as we go. I suppose they cannot always do that, but perhaps gradually they may get around to 2 percent issues. I do not think anybody would regard 2 percent interest on money in that volume as being excessive.

Mr. VAUGHAN: Mr. Jackman, these transactions are all arranged between our vice president and treasurer with the Bank of Canada or the Department of Finance; and I can assure you that our vice president, Mr. Cowie, is a Scotsman, and he gets the best he can out of the deal. You appreciate, of course, that there is a considerable amount of negotiation about these things. If there are any questions you desire specifically to ask on these matters we will be glad to have the answers supplied.

Mr. JACKMAN: I think \$7,000,000 is a lot of American currency just to handle through that fund during a year and have to pay the official rate on.

The CHAIRMAN: Are there any more questions on page 23?

Mr. MOORE: Has Pere Marquette anything to do with the Canadian National?

The CHAIRMAN: That is now the Chesapeake and Ohio, known as the C. & O. I do not think there is any official connection.

Mr. VAUGHAN: No, there is no official connection and it is owned entirely in the United States.



Mr. MOORE: I had heard that some arrangement had been made whereby the Grand Trunk Western and the Chesapeake and Ohio could interchange traffic with each other due to their relationship to the same parent company, and that the C. & O. are moving traffic over your line. Do you know if there is such an arrangement?

Mr. VAUGHAN: There have been no negotiations with the Pere Marquette or the Chesapeake and Ohio. At the present time we have a running rights arrangement with the Wabash. They run through from Windsor to Niagara on our railway. We have connections with Pere Marquette but their interchange is greater with the Canadian Pacific than it is with us.

Mr. MOORE: That is the point, there is more traffic being diverted from them to the C.P.R. than there is to be C.N.?

The CHAIRMAN: The Pere Marquette goes into Windsor, of course.

Mr. WALTON: There is one thing there, Mr. Moore, which I might say; we do on occasion haul some Pere Marquette traffic through our St. Clair tunnel, and we, of course, get an earning for all that traffic we handle. We only do that for them when conditions are congested and there is some freight traffic turned over to us for haulage. It is not a serious problem at any time and it is only done occasionally when congestion develops with them and they want to make use of the short route through our St. Clair tunnel to Sarnia, then they go through Chatham and on to St. Thomas. It may be something of that kind which you have in mind.

The CHAIRMAN: I could make some observations regarding that but I do not think I will. I did on one other occasion. I think the officials know the story pretty well.

Is there any discussion on pages 23 and 24?



## COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM

## CAPITAL STOCKS OWNED BY GOVERNMENT OF CANADA

| Company Number |  |                         |
|----------------|--|-------------------------|
| 1              | Canadian National Railway Company.....               | \$ 18,000,000.00        |
| 2              | The Canadian National Railways Securities Trust..... | 378,518.135.02          |
|                |  | <u>\$396,518,135.02</u> |

## CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC

|    | NAME OF ISSUING COMPANY  | Owned by Company Number | Capital Stock Issued | Owned by Public |
|----|--|-------------------------|----------------------|-----------------|
| 3  | Atlantic and St. Lawrence Railroad Company..                   | 1                       | \$ 6,302,340.00      | \$ 33,840.00    |
| 4  | The Bay of Quinte Railway Company.....                         | 21                      | 1,395,000.00         |                 |
| 5  | The Bessemer and Barry's Bay Railway Company.....              | 21                      | 125,000.00           |                 |
| 6  | The Canadian Express Company.....                              | 1                       | 1,768,800.00         |                 |
| 7  | Canadian National Electric Railways.....                       | 21                      | 1,750,000.00         |                 |
| 8  | Canadian National Express Company.....                         | 22                      | 1,000,000.00         |                 |
| 9  | Canadian National Land Settlement Association                  | 1                       | —                    |                 |
| 10 | *Canadian National Railways (Francs)—francs<br>30,000,000..... | 1                       | 1,893,573.00         |                 |
| 11 | *Canadian National Realties, Limited.....                      | 21                      | 40,000.00            |                 |
| 12 | Canadian National Rolling Stock Limited.....                   | 1                       | 50,000.00            |                 |
| 13 | *Canadian National Steamship Company, Limited.....             | 43                      | 15,000.00            |                 |
| 14 | Canadian National Telegraph Company.....                       | 21                      | 500,000.00           |                 |
| 15 | *Canadian National Transportation, Limited...                  | 1                       | 500.00               |                 |
| 16 | The Canadian Northern Alberta Railway Company.....             | 21                      | 3,000,000.00         |                 |
| 17 | Canadian Northern Manitoba Railway Company.....                | 21                      | 250,000.00           |                 |
| 18 | The Canadian Northern Ontario Railway Company.....             | 21                      | 10,000,000.00        |                 |
| 19 | Canadian Northern Pacific Railway Company                      | 21                      | 25,000,000.00        |                 |
| 20 | The Canadian Northern Quebec Railway Company.....              | 21                      | 9,550,000.00         | 3,849,200.00    |
| 21 | The Canadian Northern Railway Company....                      | 1                       | 18,000,000.00        |                 |
| 22 | The Canadian Northern Railway Express Company, Limited.....    | 21                      | 1,000,000.00         |                 |
| 23 | Canadian Northern Steamships, Limited.....                     | 21                      | 2,000,000.00         |                 |
| 24 | Canadian Northern System Terminals (Limited).....              | 21                      | 2,000,000.00         |                 |
| 25 | Canadian Northern Western Railway Company                      | 21                      | 2,000,000.00         |                 |
| 26 | Cannar Oils Limited.....                                       | 1                       | 100.00               |                 |
| 27 | *The Centmont Corporation.....                                 | 30                      | 176,400.00           |                 |
| 28 | Central Counties Railway.....                                  | 1                       | 500,000.00           | 12,000.00       |
| 29 | The Central Ontario Railway.....                               | 21                      | 3,331,000.00         |                 |
| 30 | Central Vermont Railway, Inc.....                              | 1                       | 10,000,000.00        |                 |
| 31 | Central Vermont Terminal, Inc.....                             | 30                      | 5,000.00             |                 |
| 32 | *Central Vermont Transit Corporation.....                      | 27                      | 5,000.00             |                 |
| 33 | Central Vermont Transportation Company.....                    | 27, 30                  | 200,000.00           |                 |
| 34 | The Champlain and St. Lawrence Railroad Company.....           | 1                       | 50,000.00            |                 |
| 35 | *Consolidated Land Corporation.....                            | 46                      | 64,000.00            |                 |
| 36 | *The Dalhousie Navigation Company, Limited.                    | 21                      | 50,000.00            |                 |
| 37 | Duluth, Rainy Lake & Winnipeg Railway Company.....             | 39                      | 2,000,000.00         |                 |
| 38 | Duluth, Winnipeg and Pacific Railroad Company.....             | 39                      | 100,000.00           |                 |
| 39 | Duluth, Winnipeg and Pacific Railway Company.....              | 21                      | 3,100,000.00         |                 |
| 40 | *Grand Trunk-Milwaukee Car Ferry Company                       | 46                      | 200,000.00           |                 |
| 41 | The Grand Trunk Pacific Branch Lines Company.....              | 43                      | 200,000.00           |                 |
| 42 | The Grand Trunk Pacific Development Company, Limited.....      | 43                      | 3,000,000.00         |                 |
| 43 | The Grand Trunk Pacific Railway Company                        | 1                       | 24,940,200.00        |                 |
| 44 | The Grand Trunk Pacific Saskatchewan Railway, Company.....     | 43                      | 20,000.00            |                 |
| 45 | *Grand Trunk Pacific Terminal Elevator Company, (Limited)..... | 43                      | 501,000.00           |                 |
| 46 | { Grand Trunk Western Railroad Company (Common).....           | 1                       | 20,000,000.00        |                 |
|    | { Grand Trunk Western Railroad Company (Preferred).....        |                         | 25,000,000.00        |                 |



COMPANIES COMPRISING THE CANADIAN NATIONAL RAILWAY SYSTEM  
(Continued)

## CAPITAL STOCKS OWNED BY SYSTEM OR PUBLIC (Continued)

|    | NAME OF ISSUING COMPANY  | Owned by<br>Company<br>Number | Capital Stock<br>Issued | Owned by<br>Public |
|----|--|-------------------------------|-------------------------|--------------------|
| 47 | The Great North Western Telegraph Company<br>of Canada (Including \$331,500.00 held in<br>escrow)..... | 14                            | 373,625.00              | 6,825.00           |
| 48 | The Halifax and South Western Railway<br>Company.....  | 21                            | 1,000,000.00            |                    |
| 49 | *Industrial Land Company.....  | 46                            | 1,000.00                |                    |
| 50 | International Bridge Company.....  | 1                             | 1,500,000.00            |                    |
| 51 | The James Bay and Eastern Railway Company  | 21                            | 125,000.00              |                    |
| 52 | The Lake Superior Terminals Company<br>Limited.....  | 21                            | 500,000.00              |                    |
| 53 | The Maganetawan River Railway Company...   | 1                             | 30,000.00               |                    |
| 54 | Manitoba Northern Railway Company.....   | 1                             | 500,000.00              |                    |
| 55 | The Marmora Railway and Mining Company..   | 21                            | 128,600.00              |                    |
| 56 | The Minnesota and Manitoba Railroad Company  | 21                            | 400,000.00              |                    |
| 57 | The Minnesota and Ontario Bridge Company..   | 21                            | 100,000.00              |                    |
| 58 | Montreal and Province Line Railway Company   | 27                            | 1,000,000.00            |                    |
| 59 | *Montreal and Southern Counties Railway<br>Company.....  | 1                             | 500,000.00              | 165,600.00         |
| 60 | The Montreal and Vermont Junction Railway<br>Company.....  | 30                            | 197,300.00              |                    |
| 61 | *Montreal Fruit & Produce Terminal Company,<br>Limited.....  | 1                             | 500.00                  |                    |
| 62 | *The Montreal Stock Yards Company.....   | 1                             | 350,000.00              |                    |
| 63 | *The Montreal Warehousing Company.....   | 1                             | 236,000.00              | 10,440.00          |
| 64 | Mount Royal Tunnel and Terminal Company,<br>Limited.....   | 21                            | 5,000,000.00            |                    |
| 65 | Muskegon Railway and Navigation Company..  | 46                            | 161,293.00              |                    |
| 66 | *National Terminals of Canada, Limited.....  | 1                             | 2,500.00                |                    |
| 67 | National Transcontinental Railway Branch<br>Lines Company.....   | 1                             | 500.00                  |                    |
| 68 | *The Niagara, St. Catharines and Toronto Rail-<br>way Company.....                                     | 21                            | 925,000.00              |                    |
| 69 | *The Niagara, St. Catharines and Toronto Navi-<br>gation Company (Limited).....                        | 68                            | 100,000.00              |                    |
| 70 | *The Oshawa Railway Company.....   | 1                             | 40,000.00               |                    |
| 71 | The Ottawa Terminals Railway Company.....  | 1                             | 250,000.00              |                    |
| 72 | The Pembroke Southern Railway Company..  | 1                             | 107,800.00              |                    |
| 73 | *Prince George, Limited.....   | 1                             | 10,000.00               |                    |
| 74 | *Prince Rupert, Limited.....   | 1                             | 10,000.00               |                    |
| 75 | The Quebec and Lake St. John Railway<br>Company.....   | 21                            | 4,508,300.00            | 489,160.00         |
| 76 | The Qu'Appelle, Long Lake and Saskatchewan<br>Railroad and Steamboat Company.....                      | 21                            | 201,000.00              |                    |
| 77 | Rail & River Coal Company.....   | 1                             | 200,000.00              |                    |
| 78 | St. Boniface Western Land Company.....   | 21                            | 250,000.00              |                    |
| 79 | The St. Charles and Huron River Railway<br>Company.....  | 21                            | 1,000.00                |                    |
| 80 | St. Clair Tunnel Company.....  | 1                             | 700,000.00              |                    |
| 81 | *The Thousand Islands Railway Company....  | 1                             | 60,000.00               |                    |
| 82 | †Trans-Canada Air Lines.....   | 1                             | 25,000,000.00           |                    |
| 83 | The United States and Canada Rail Road<br>Company.....   | 1                             | 219,400.00              | 475.00             |
| 84 | Vermont and Province Line Railroad Company   | 1                             | 200,000.00              |                    |
| 85 | The Winnipeg Land Company Limited.....   | 21                            | 100,000.00              |                    |
|    |  |                               | \$227,871,731.92        | \$4,567,540.00     |

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

† Treated as an Affiliated Company.



Mr. FULTON: Are the companies which are shown on page 23 included in the operating statement of the Canadian National System?

Mr. COOPER: Not all of them. If you read the description there at the end of that statement, on page 24, you will see that it says: "The income accounts of companies indicated (\*) are included in the System income account as 'separately operated properties'". You will also see another sign there which indicates that Trans-Canada Air Lines is treated as an affiliated company. In other words, with respect to those companies, they are operated and accounted for separately from the main railway system. Those which are not indicated by the asterisk are included in the System consolidated accounts and we do not keep separate accounts for them.

Mr. FULTON: I see. Now, take item 23 there, Canadian Northern Steamships, Limited; does that company operate on the Pacific coast?

Mr. COOPER: No, sir. The company which operates on the Pacific coast is No. 13, Canadian National Steamship Company, Limited.

Mr. FULTON: What is the Canadian Northern Steamships, Limited?

Mr. COOPER: It is an inactive company.

Mr. FULTON: And on page 24, Nos. 73 and 74; could you tell me what those are?

Mr. COOPER: The Prince George and the Prince Rupert, they are two ships which are operated by the Canadian National Steamship Company. It was thought desirable to incorporate a separate company in which the ownership of each particular ship is held. That is to say we have a company called the Prince George Limited which owns the S.S. Prince George, and we have another company called the Prince Rupert Limited which owns the S.S. Prince Rupert, and they operate under the Canadian National Steamship Company. That setup is used because of the limitation of liability under marine law.

Mr. FULTON: Oh, I see; each of these ships are held as a separate company. Can you tell me, please, what profit or loss there has been with respect to each of these companies; or, perhaps I should ask you about the operation of the steamship company on the Pacific coast.

Mr. COOPER: I can tell you that. The operation of the Pacific Steamship Company resulted in a loss of \$137,707.

Mr. FULTON: How does that compare in general with the record of previous years?

Mr. COOPER: In 1947 the loss was \$95,000. The operation of the S.S. Prince Rupert resulted in a loss of \$167,000. The operation of the S.S. Prince George showed a profit of \$89,000; and the dock at Vancouver resulted in a loss of \$59,000; and, that makes up the net of \$137,000.

Mr. FULTON: The only one which showed a profit was the new ship, the Prince George?

Mr. COOPER: Yes, the new vessel showed a profit.

Mr. FULTON: And the other one is an old ship?

Mr. COOPER: Yes, but it is still doing a pretty fair job.

Mr. FULTON: And might I ask you, Mr. Cooper, when you say the Prince George showed a profit, is that an operating profit, or does that take in the purchase price—is it an over-all return on the investment in the vessel or just an operating profit?

Mr. COOPER: No, it is an operating profit. It includes depreciation but not interest.

Mr. FULTON: And these vessels are held by the Canadian National Steamships?

Mr. COOPER: That is right.



Mr. FULTON: They are held by the Canadian National Steamship Company and operated by the Prince George Company?

Mr. COOPER: It is the other way around. They are owned by separate steamship companies and are operated by the Canadian National Steamship Company.

Mr. FULTON: And the one which showed a profit was a new ship and the one which showed a loss was an old ship; was the respective profit and loss due to the fact that one was a new ship and other was an old ship?

Mr. VAUGHAN: The Prince George is a large ship and carries more passengers. She costs very little if any more to operate, and she does not and for some time will not require the repairs that an older boat needs. Every year the older boat has to have a certain amount of work done on it.

Mr. FULTON: Are you making any recommendations for the replacement of the old boat?

Mr. VAUGHAN: No, sir, not as yet.

Mr. NICHOLSON: I wonder, Mr. Chairman, if we can inquire as to what the situation will be with respect to the railways in Newfoundland, now that Newfoundland becomes the tenth province. Our general understanding was that when Newfoundland came into confederation they would be operated as part of the government railway system. Can you tell us, Mr. Vaughan, if the Newfoundland railway will be incorporated into and become a part of the Canadian National System?

Mr. VAUGHAN: It is to be operated as part of the Canadian National Railways. The results will be shown in the Canadian National Railways accounts.

Mr. NICHOLSON: I wonder if Mr. Cooper has made a study of their accounting system; I mean are they using the same accounting system in Newfoundland? Would there be any problem there?

Mr. COOPER: Very far from it. They are just closing up their December accounts.

Mr. JACKMAN: Perhaps there will be a new depreciation policy.

Mr. COOPER: There may be in time.

Mr. JACKMAN: Following up one of Mr. Nicholson's questions, as responsible head of this railway system are you very eager to take on Newfoundland Railway, particularly as an incorporated entity in your whole system, rather than operate it on an agency basis as you do the Hudson Bay Railway?

Mr. VAUGHAN: We have nothing to do with the arrangement between the Canadian government and the Newfoundland people. The railway will simply be turned over to us for operation in a day or two and we will do the best we can with it.

Mr. NICHOLSON: You objected to taking over the Hudson Bay Railway on that basis for a long time.

Mr. VAUGHAN: We may have. We do not like taking over anything that is going to cost us money and that will not show a return on the investment.

Mr. NICHOLSON: Have you any idea what the operation will cost?

Mr. VAUGHAN: We cannot calculate that as yet.

Mr. FULTON: These figures you gave me of profit and loss respectively in regard to steamships, do those take in account the subsidies?

Mr. VAUGHAN: No, sir, the other lines operating get a subsidy but we do not.

Mr. FULTON: You get no subsidy?

Mr. VAUGHAN: We get no subsidy whatever for operating vessels anywhere.

Mr. FULTON: Do you have mail contracts for those vessels?



Mr. VAUGHAN: I presume they do carry some mail. I am not sure whether we get anything for carrying the mails or not. I could not say as to that; but the other companies, the Union and the C.P.R., who operate up the coast, do get a cash subsidy.

Mr. FULTON: Have you figures available to show how much subsidy you would get if you happen to be the C.P.R.?

Mr. VAUGHAN: We have not got those figures. We applied for subsidy a few years ago. We were not granted this subsidy because it was felt that the C.P.R. had been in operation before we had, although we had been operating there for thirty-five years.

Mr. FULTON: Do you recall whether the subsidy which you applied for would have made a difference between over-all profit and loss?

Mr. VAUGHAN: I do not think the subsidy would have been very large. I do not recall at the present time what it would have amounted to or what the others get. Some time ago we had the matter up.

Mr. FULTON: If it is not too much trouble, and if we are sitting here another day, could you get that information for me?

Mr. VAUGHAN: We will try to get it for you. Of course, anything paid in the way of subsidy will be shown in the government accounts.

Mr. FULTON: Yes. I would like to have your estimate of what you would get on a comparable basis with the C.P.R. We may not have the estimates up in time to find that out.

The CHAIRMAN: Are there any other questions with regard to page 24?

Mr. JACKMAN: Mr. Vaughan, I would like to ask you a question in connection with the Newfoundland Railway. Do you take the attitude that it is not yours to reason why; that you are asked to do a particular job as head of the railway system and you will take it on whatever basis it is given; that you must accept government policy as head of the railway company?

Mr. VAUGHAN: We cannot say to the government that they must not take over a railway. If they do take over a railway and turn it over to us to be managed we do the best we can with it.

Mr. JACKMAN: You do not argue with them. If they say they want you to operate the railway in a certain manner and incorporate it in Mr. Cooper's accounts, that is the end of it. You can make your protest. I will not ask you to express yourself on government policy, but it is our concern as the shareholders' representatives, so to speak, of this railway system, to consider what the likely outcome will be if the accounts of the Newfoundland Railway are incorporated and made one with those of the Canadian National Railways System.

Hon. Mr. CHEVRIER: They are. That is the decision.

Mr. JACKMAN: That is the government's decision, but it may not be the correct decision. That is the point I am getting. I am not asking Mr. Vaughan to comment on the government's decision, but I would like to ask one or two questions; first, would it make any difference to the efficient operation of the Newfoundland Railway if it were to be operated on an agency basis as the Hudson Bay Railway is, rather than on the basis of incorporation as an integral part of the C.N.R. System? Would it make any difference to the efficiency of the handling of the railway—any appreciable difference?



Mr. VAUGHAN: I do not think it would make any difference. When the line is turned over to us it will be operated in the same manner as our other railways are operated.

Mr. JACKMAN: Whether you own the line or act as manager?

Mr. VAUGHAN: Yes. We will manage it as efficiently as we can under the conditions.

Mr. JACKMAN: There is not greater substantial co-ordination possible through ownership than there would be through agency?

Mr. VAUGHAN: There may be some; we have a good many railways in the same position. We really do not own the Canadian government railways as far as that goes; it is entrusted to us for operation.

Mr. JACKMAN: That is the way they are today; their accounts are with the C.N.R. System.

Mr. VAUGHAN: Would it not be better if we left this Newfoundland Railway alone until it comes into our accounts next year? We are talking about something we do not know much about, because we do not get possession of the road until April 1.

Mr. JACKMAN: Someone must have considered what was the best way to handle the situation; the government apparently have decided one way or another, I think the only place we can get evidence as to the factors involved is in a place such as the Railway and Shipping Committee here. I do not think there is going to be extensive questioning on the matter, but I gather from you, Mr. Vaughan, that it would make very little difference whether or not the C.N. system operated the Hudson Bay Railway as it does or whether it operated it as an integral part.

Mr. VAUGHAN: I cannot see that it would make much difference.

Mr. JACKMAN: My desire, and I am sure it is the desire of some of those with whom I am associated, is that the C.N.R. be put on its own feet and be treated as a business and not as a colonization railway or a hold-all for deficit railroads or branches. We want them to have a fair chance to show the efficiency which we have seen in past years and not to be loaded with things which may be encumbrances for some years. If it is necessary to subsidize the Newfoundland Railway for some years let us make a deal, and you accept it, so you have something to show for it, not just deficits. You want to know when you show a deficit that you have had a fair chance with other railways, if you like, of breaking even or being in the same position they are in, instead of having an incubus or a white elephant—

Mr. VAUGHAN: We are all for that. We have been trying to get this committee to recommend for many years a revision of our capital.

Hon. Mr. CHEVRIER: I was thinking of that. Mr. Jackman is one who seems to have opposed that continually and still he is anxious to help the Canadian National Railways.

Mr. HAZEN: We were told last year and the year before that you would not consider revision of the capital because this matter was before the Board of Transport Commissioners.

Hon. Mr. CHEVRIER: No, you were told that the government had the matter under advisement, and the government is referring it specifically to the royal commission.



Mr. HAZEN: You should not deal with it here.

Hon. Mr. CHEVRIER: Neither should you deal with this matter, because the time was when the agreement was before the House. However, I am not going to attempt to stop Mr. Jackman.

Mr. REID: May I ask Mr. Vaughan a question with regard to refinancing? In the light of dropping passenger revenue and in the light of the modern equipment which you have to buy for your railway, with refinancing could you show a profit?

Mr. VAUGHAN: That would depend on how much we were relieved of our interest charges.

Mr. REID: There is a lot of hooey talked.

Mr. VAUGHAN: We have never once failed to make an operating profit; we have always made a profit over and above our expenses.

Mr. NICHOLSON: Coming back to Mr. Jackman's question and the answer given to it, I think that if the Canadian National Railways come back here next year with an additional \$10,000,000 deficit as a result of the acquisition of the Newfoundland Railway it is going to reflect on the railway. I understand you have given an undertaking that passenger rates will be comparable to Canadian passenger rates and freight rates are now about twice as high as Canadian freight rates, and the Canadian scale of wages is to apply. If that will increase the operating expenses—I think it is important that Canada should give Newfoundland the kind of transportation they give in other parts—I do not think it should reflect on the efficiency of the Canadian National Railways, and I think the government should have turned over the Newfoundland Railway to the Canadian National Railways on a lease basis for a number of years, without embarrassing the Canadian National Railways with an increasing deficit which is almost bound to be there.

Mr. VAUGHAN: We intend to include in our brief to the royal commission a number of matters in connection with railways which we operate and which cost us a considerable amount of money to operate, and among them will be included the Newfoundland Railway.

Mr. NICHOLSON: Have you information regarding the Newfoundland Railway deficit for the period before the war and since? What was the deficit last year?

Mr. VAUGHAN: I do not know their deficit for last year. Their accounts are just being made up for December now.

Mr. NICHOLSON: If you have to bring wages up to Canadian levels and cut their freight rates and passenger rates in half, it hardly seems possible you can operate without being in the red.

Mr. VAUGHAN: There is no doubt our losses will be quite substantial, the deficit of the Canadian National Railways will be increased by reason of the loss on the Newfoundland Railway.

Mr. FULTON: I wonder if in your report you could show which railways show losses and which profits? I asked Mr. Cooper which of these are accounted for separately and he gave me the answer that those marked with an asterisk are. Could you tell us briefly, in general, which of your railway operations are profitable and those on which you sustain a loss?

Mr. VAUGHAN: It would be impossible to give that information; it would mean analyzing all the earnings and expenses of every branch line.



Mr. FULTON: I did not mean anything like that. Take the Grand Trunk System and the Canadian Northern System—the major systems which were turned over and amalgamated—in respect to them would you have the over-all picture?

Mr. VAUGHAN: They are all welded together for operating purposes, and they all have joint facilities and joint equipment and joint repair facilities. It would simply be impossible to segregate them at the present time.

Mr. COOPER: It would be a very costly process and I do not believe it would give a great deal of information.

Mr. MOORE: I would like to ask a question about the scale of wages on Canadian railways. Do they operate from one region to another; in eastern and western divisions would the wages for similar work be the same?

Mr. VAUGHAN: Generally speaking. There may be some slight difference.

Mr. WALTON: There is some slight difference in the running trades, but generally speaking in nearly all other positions the rates are uniform.

Mr. BOURGET: Are wages higher in the west?

Mr. WALTON: They are generally uniform throughout the country.

Mr. MOORE: When the Newfoundland road is brought in will it be necessary to bring wages up to the same standard as the wages in Canada?

Mr. VAUGHAN: I understand so.

Mr. JACKMAN: The difference between the points of view which I expressed—after all there was only one point of view—is this, that I am not at all certain that the various items on which the railway would like to have a capital write-off are justified in being written off. I do not know their relationship to the earning power of the railway in this particular case. There is one thing I can say: I do not want to see the railway saddled with this additional burden which it will have to overcome so that in future years they will have a deficit and they will say: we had to take over the Newfoundland Railway; you wished it upon us and we had no alternative. That is not a satisfactory position for the management to be in before this committee. That is the distinction between the two.

Hon. Mr. CHEVRIER: I am glad to see you are keenly interested in the welfare of the Canadian National Railways, and I am happy about that position, because I think it, perhaps, shows a change of mind to some extent.

Mr. JACKMAN: I am always most interested in the welfare of the railway.

Mr. McLURE: Are you taking over the railway and just operating it in Newfoundland on the same basis as the government handed over to the Canadian National Railways the ferry system on Prince Edward Island; and they just operate that for the government? Are you going to do likewise with the Newfoundland Railway?

Mr. VAUGHAN: No sir, the situation is different. We operate the ferries for the government but they pay for the deficits. With the Newfoundland Railway we will operate the railway and assume the deficit in the accounts of the Canadian National Railway.

Mr. McLURE: Would it not be better to do it the other way and let the government assume the deficit?

Mr. VAUGHAN: We are going to operate it exactly the same as we do the Prince Edward Island Railway.

Mr. REID: A question came up the other day about the difference in gauge in Newfoundland as compared with the Canadian railways.

Mr. VAUGHAN: Yes, sir.



Mr. REID: Would it matter much what the gauge was as long as the rolling stock and the road bed was in first class condition?

Mr. VAUGHAN: I do not think so because there is no rail connection and probably never will be a rail connection between Newfoundland and the main land. The distance across the strait is too great. The line will be operated independently and we will not be able to move our cars over so the gauge is not a matter of importance.

Mr. REID: You feel you can give quite as good service on that gauge?

Mr. VAUGHAN: Yes.

Mr. NICHOLSON: I was under the impression the other day that Newfoundland is to be given as good service as the other maritime provinces. I understand Mr. Vaughan now to say that they are to have as good service as at present exists. I wonder whether the minister could say if Newfoundland is to be given a service comparable to the rest of Canada or a service which compares with that which they receive now?

Hon. Mr. CHEVRIER: The clause covering the question you have is contained in the agreement. I would not like to draw on my memory and I am sure that the honourable member has the agreement in his file, but I believe the expression is that "the service is to be adequate service."

Mr. NICHOLSON: We are going to receive a lot of criticism from the people of Newfoundland if the narrow gauge is not comparable because the sleepers are shorter and so on, and I do not think it can be as good. I think the C.N.R. will be under constant pressure to have a wider gauge.

Hon. Mr. CHEVRIER: The railway will not be under any more constant pressure from Newfoundland than it is from other parts of Canada where we are being told about the service. I have just left a delegation of sixty people who feel that the service in certain parts of Canada is not what it should be. I am getting used to hearing that the service is not as good as it should be.

Mr. NICHOLSON: I think there is no question but that the narrow gauge with its shorter sleepers and berths is not as comfortable.

Mr. VAUGHAN: The narrow gauge is used in many countries. The British South African Railways are all narrow gauge. New Zealand, Australia and India all have narrow gauge railways.

Mr. REID: I know the question will arise that it is a narrow gauge and it will be said that it is not as good as the service in the rest of Canada and that is why I ask if you can make it as good and keep the narrow gauge?

Mr. VAUGHAN: The fact that it is a narrow gauge railway is not going to make its operation inferior.

Mr. REID: I did not think it would.

Mr. FULTON: It would be more expensive, would it not, to maintain the Newfoundland Railway as an integral part of your System as a narrow gauge railway than as a standard gauge?

Mr. VAUGHAN: I do not think so. It ought to be less expensive to maintain a narrow gauge.

Mr. FULTON: By maintenance I mean maintaining the equipment and everything, because your shops are all fitted for standard work and therefore to keep it as an integral part of your system it would be less expensive if it were a standard gauge?

Mr. VAUGHAN: Newfoundland has its own shops where the repairs are made and they will continue to be made there.

Mr. FULTON: You are satisfied that you can maintain adequate service.



Mr. VAUGHAN: Yes.

Mr. REID: It is an important point because we may have pressure to lift the tracks completely and make the railway conform with the system in the rest of Canada but I am satisfied that you can make it just as good a railway.

Mr. VAUGHAN: There would be no justification for standardizing the gauge.

The CHAIRMAN: Have we any more questions on this page?

Mr. MOORE: I would like to ask some questions pertaining to the Hudson Bay Railway. The men who operate the trains at Hudson Bay have been asking for some time that their engines be equipped with automatic stokers. There is a reason given for the request. The divisions on the Hudson Bay Railway are very long, particularly the one from Churchill to Gillam and from Gillam to Wabowden—over 185 miles—and it involves working more than twelve hours in one day. Naturally it is a rather hard job. Those men have asked me to make representations for stoker equipment on the engines and that it be installed as soon as possible.

Mr. WALTON: As you know the larger locomotives are generally stoker equipped but the medium and the smaller locomotives are not so equipped. Generally on the balance of the system the engines of the size that operate on the Hudson Bay Railway are not stoker equipped. As you say, there is one subdivision which is rather long and that might be some argument in favour of supplying stokers to those locomotives. Ordinarily, the majority of the locomotives are only there for a small portion of the year when the grain is moving from Churchill and the imports are moving to Churchill. We would like to avoid the expense of equipping the engines with stokers, something which we ordinarily would not do.

Mr. WARREN: Do they make more than three or four trips a year?

Mr. MOORE: The train I am speaking of is a year round train. Due to the business there now they have been doing additional work. I was up in January and the men were still working up to twelve hours a day and sometimes more so it was not just the hauling of grain.

Mr. WARREN: They would have all year to rest.

Mr. MOORE: No, they work continually the whole year on that basis. The trains which pull grain are extra trains.

Mr. VAUGHAN: Of course they have quite a lay-over at the end of the line.

Mr. MOORE: It is not so great. They leave Churchill at 7.30 in the morning and arrive at Gillam at 9.30 at night. They have their switching to do and they would start out the next morning at 10 o'clock.

Mr. VAUGHAN: Would that be the same crew or another crew?

Mr. MOORE: That is another crew but they take another train out the next day.

Mr. VAUGHAN: They all get a certain lay-over.

Mr. MOORE: Yes, they get a lay-over but it is not very long.

I will not press the point any further but I would like you to make an investigation and do something about it.

Mr. VAUGHAN: We will be glad to look into it.

The CHAIRMAN: Have you any questions on page 25, railway equipment?



## RAILWAY EQUIPMENT

|                                    | December<br>31, 1947 | Additions<br>During<br>Year | Retirements<br>During<br>Year | Conversions<br>During Year<br>Added | Retired    | December<br>31, 1948 |
|------------------------------------|----------------------|-----------------------------|-------------------------------|-------------------------------------|------------|----------------------|
| <b>LOCOMOTIVES:</b>                |                      |                             |                               |                                     |            |                      |
| Passenger—Freight.....             | 1,935                |                             | 5                             |                                     | 22         | 1,908                |
| Switching.....                     | 536                  |                             | 3                             | 22                                  |            | 555                  |
| Electric.....                      | 24                   |                             |                               |                                     |            | 24                   |
| Diesel Electric.....               | 75                   | 34                          | 1                             |                                     |            | 108                  |
| <b>Total.....</b>                  | <b>2,570</b>         | <b>34</b>                   | <b>9</b>                      | <b>22</b>                           | <b>22</b>  | <b>2,595</b>         |
| <b>FREIGHT EQUIPMENT:</b>          |                      |                             |                               |                                     |            |                      |
| Box Cars.....                      | 70,706               | 5,874                       | 901                           |                                     | 301        | 75,378               |
| Flat Cars.....                     | 5,194                |                             | 55                            |                                     | 37         | 5,102                |
| Stock Cars.....                    | 3,007                |                             | 31                            |                                     |            | 2,976                |
| Coal Cars.....                     | 15,691               | 500                         | 105                           |                                     | 6          | 16,080               |
| Tank Cars.....                     | 140                  |                             |                               |                                     |            | 140                  |
| Refrigerator Cars.....             | 3,475                | 232                         | 21                            |                                     |            | 3,686                |
| Caboose Cars.....                  | 1,614                |                             | 39                            | 76                                  |            | 1,651                |
| Other Cars in Freight Service..... | 8                    |                             | 1                             | 4                                   |            | 11                   |
| <b>Total.....</b>                  | <b>99,835</b>        | <b>6,606</b>                | <b>1,153</b>                  | <b>80</b>                           | <b>344</b> | <b>105,024</b>       |
| <b>PASSENGER EQUIPMENT:</b>        |                      |                             |                               |                                     |            |                      |
| Coach Cars.....                    | 1,085                | 28                          | 13                            |                                     | 7          | 1,093                |
| Combination Cars.....              | 274                  | 10                          | 15                            | 1                                   |            | 270                  |
| Dining Cars.....                   | 85                   |                             | 4                             |                                     | 3          | 86                   |
| Colonist Cars.....                 | 169                  |                             |                               |                                     | 1          | 168                  |
| Parlor Cars.....                   | 61                   |                             |                               |                                     |            | 61                   |
| Cafe Cars.....                     | 27                   |                             |                               |                                     |            | 27                   |
| Sleeping Cars.....                 | 297                  | 56                          |                               |                                     | 3          | 350                  |
| Tourist Cars.....                  | 47                   |                             |                               |                                     |            | 47                   |
| Baggage and Express Cars.....      | 1,036                | 60                          | 15                            |                                     |            | 1,081                |
| Postal Cars.....                   | 49                   |                             |                               |                                     |            | 49                   |
| Unit Cars.....                     | 35                   |                             | 3                             |                                     |            | 32                   |
| Other Cars in Passenger Service..  | 53                   |                             | 1                             | 3                                   |            | 55                   |
| <b>Total.....</b>                  | <b>3,218</b>         | <b>154</b>                  | <b>43</b>                     | <b>4</b>                            | <b>14</b>  | <b>3,319</b>         |
| <b>WORK EQUIPMENT:</b>             |                      |                             |                               |                                     |            |                      |
| Cars in Work Service.....          | 7,586                | 28                          | 307                           | 274                                 |            | 7,581                |
| <b>FLOATING EQUIPMENT:</b>         |                      |                             |                               |                                     |            |                      |
| Car Ferries.....                   | 8                    |                             |                               |                                     |            | 8                    |
| Barges.....                        | 5                    | 1                           |                               |                                     |            | 6                    |
| Tugs.....                          | 4                    | 1                           |                               |                                     |            | 5                    |
| Work.....                          | 3                    |                             |                               |                                     |            | 3                    |

Mr. JACKMAN: Do I understand that these diesel engines which had to be rejected just could not do a job?

Mr. VAUGHAN: They could not do the work for which they were intended.

Mr. JACKMAN: Were they satisfactory for other types of railway haulage?

Mr. VAUGHAN: They were not satisfactory for our type of work. They were purchased for the Prince Edward Island line. You will remember a few years ago we had a discussion before this committee and stated that we intended to dieselize the line entirely and the engines were bought for the purpose. Two were bought from the Canadian General Electric Company and they were satisfactory. Eighteen were purchased from the Canadian Locomotive Equipment Company but were not satisfactory and we were obligated to refuse them. We made several tests and gave the company several opportunities to make the engine right but the company was unable to do so.

Mr. JACKMAN: Have you given similar orders to the Montreal Locomotive Works?



Mr. VAUGHAN: No, sir. We have not. The Montreal Locomotive Works do not make locomotives of the type in question. The smallest locomotive they make is 1,000 horsepower, that is, in a diesel engine type.

Mr. JACKMAN: And how many horsepower are these engines?

Mr. VAUGHAN: They are around 600 horsepower.

Mr. JACKMAN: Must we accept a defeatist attitude in Canada because they cannot make that type of engine?

Mr. VAUGHAN: No, I would not say that. These people put in certain engines but those engines would not do the work.

Hon. Mr. CHEVRIER: I understand that the Montreal Locomotive Works are going to become equipped to build these diesels in Canada.

Mr. VAUGHAN: They are building diesels now, but they are not building the smaller diesels, Mr. Chevrier.

Mr. GIBSON: Was it an American diesel engine which failed?

Mr. VAUGHAN: No, it was a Sterling engine from the United States which was put into this locomotive at the Canadian Locomotive Works. The Canadian Locomotive Company has built hundreds of steam locomotives for us and they have always done satisfactory work. But in this particular case they arranged with another locomotive company for the installation of this engine and it did not turn out well.

Mr. NICHOLSON: How many diesels did you move to Prince Edward Island?

Mr. VAUGHAN: We had four down there at one time; but we returned them all because none of them were satisfactory. They were from the Canadian Locomotive Company.

Mr. EMMERSON: According to page 25, I see there were 1,935 passenger and freight locomotives as of December 31, 1947; and I see that this year we had less, that is as of December 31, 1948. Have you any figures to show how they compared, in those two years, in the matter of tractive efforts.

Mr. WALTON: I do not have that information with me but I will get it.

Mr. EMMERSON: Do you consider that we are better off today?

Mr. WALTON: Yes, slightly.

Mr. JACKMAN: Are diesel engines not more economical?

Mr. VAUGHAN: Our experience is that they are more economical than steam for certain work, where we can get a high utilization of them; and we find them satisfactory for switching purposes because they are not burning up coal when they are not working.

Mr. JACKMAN: You are speaking of hours of work per day?

Mr. VAUGHAN: Yes, sir.

Mr. JACKMAN: Cannot the engines be used a sufficient number of hours per day to qualify them for the amount necessary to use diesels?

Mr. VAUGHAN: Well, in the case of the diesel you do not have to put it into the roundhouse nearly as often; or into a coal chute; and they do not have to be taking water all the time. But on the other hand, you have to get a high utilization out of the diesel engine because it costs a great deal more than the steam locomotive. Therefore, so far as we are concerned, we can only use these diesel road locomotives where the traffic is heavy.

Mr. JACKMAN: What about the transcontinental route?

Mr. VAUGHAN: We have not used any on our transcontinental route, but we have a number of these engines in service at the present time. We have three running on freights between Sarnia and Montreal. We also have a number in



use on our Grand Trunk western lines. We are in the process of purchasing a few more for use in our lake St. John territory. We think that, with the use of four diesels there, we will be able to release about eleven steam locomotives.

Mr. WALTON: Yes, ten or eleven steam locomotives.

Mr. JACKMAN: Is there any reason why we should not try to dieselize a very large portion of the Canadian National System?

Mr. WALTON: The first cost is the objection to doing too much of it at one time.

Mr. JACKMAN: Is there very much of our System which does not have this high utilization factor?

Mr. WALTON: Out of the 24 hours the diesel engine is available for service a high percentage of the time because, unlike the case of the steam locomotive, time is not wasted in taking on coal and water. In addition, the diesel does not require attention to flues and fire box, and so on.

Mr. JACKMAN: Why do you not have high utilization in Canada?

Mr. WALTON: The steam locomotive requires so much more attention between trips as compared to the diesel.

Mr. JACKMAN: Why do you not use diesels, if you can afford to use them?

Mr. McCULLOCH: What about the coal mines?

Mr. JACKMAN: I think it would be a fine idea to dieselize the whole Canadian National System from a standpoint of utilization.

Mr. VAUGHAN: I do not think so. We have, of course, a number of light branch lines where we have, perhaps, a train one day a week. Now, we could not possibly utilize a diesel engine in such a service and make any money out of it, having regard to its cost. But we are making a study of this whole question of dieselization of lines where it would be economical to use diesel engines, and we expect to have in our budget, from year to year, before this committee, more diesel engines.

Mr. JACKMAN: Are not some of the larger railways in the United States completely dieselized?

Mr. VAUGHAN: No, I do not think so. It is true that some of the smaller railways in the United States are entirely dieselized, and it is true that some of the larger railways are rapidly ordering diesel locomotives, so that probably, in ten years' time there will be a large number of the larger railways in the United States which will be completely dieselized.

Mr. JACKMAN: Is the Rock Island Railway completely dieselized now?

Mr. VAUGHAN: It may be dieselized in some territories but certainly the Rock Island Railway has some steam locomotives in use.

Mr. JACKMAN: These diesel engines are completely oil burning, are they not?

Mr. VAUGHAN: They use a special grade of diesel oil, not the ordinary bunker fuel oil, but a special grade of diesel oil.

Mr. JACKMAN: What do you call the eastern division of your railway, is it the Atlantic region?

Mr. LESSARD: Eastern lines.

Mr. JACKMAN: Thank you, Mr. Lessard. I remember some years ago you pointed out that you had to import coal from the United States and even service some part of your eastern lines, after a certain point because you could not get enough coal from the Nova Scotia mines. Does that condition still obtain?

Mr. VAUGHAN: No, sir. We are getting more coal now from the mines in Nova Scotia and New Brunswick.



Mr. JACKMAN: Is it correct to say that your eastern lines are not yet serviced completely with Canadian coal, and on the western end you still use some American coal?

Mr. VAUGHAN: We still use some American coal.

Mr. JACKMAN: And I take it that the reason for so doing is the cost as between domestic and imported coal?

Mr. VAUGHAN: That is correct.

Mr. JACKMAN: With respect to Alberta coal, how do you figure out your cost of hauling coal from the west to the east? According to my understanding of rate making, it is very difficult to figure out exactly how much it does cost to move a certain article, because a great deal of your investment is made up of fixed charges. But have you not got certain direct costs which you can attribute to a carload of coal, and you can move it only a certain number of miles before you run into competition from American coal?

Mr. VAUGHAN: We make use of a more or less arbitrary figure which is as near as we can get to what we call our out-of-pocket cost. Of course, in the case of commercial coal, we have to get a more than our out-of-pocket cost or we would not have any profit at all. We use a figure of from 5 to 7 mills per ton mile on our own coal.

Mr. JACKMAN: You figure you cannot bring Alberta coal further east than Manitoba?

Mr. VAUGHAN: We cannot bring Alberta coal further east with economy at the present time than Winnipeg.

Mr. JACKMAN: That is having regard only to the out-of-pocket expense?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Might I ask you then with regard to the oil situation in Canada; how many oil burning locomotives have been put into service in the west?

Mr. VAUGHAN: I cannot give you the exact number. I do not think we have it here. But we are using oil burning locomotives from Jasper as far as Prince Rupert, and mostly oil burning locomotives from Jasper into Vancouver. Since oil has become plentiful in Alberta we are having a number of coal burning locomotives converted to oil burners. We have a program at the present time under which we are converting 100 coal burners to oil burners which will be used in the vicinity of Edmonton; we will extend the use of oil to the extent that it is economical for us to do so.

Mr. JACKMAN: Is it a very simple operation to change the firebox?

Mr. VAUGHAN: Yes, it is not a very expensive operation.

Mr. JACKMAN: May I ask the same questions in relation to Alberta oil as I asked in regard to coal; how far can you haul it from the oil fields economically?

Mr. VAUGHAN: At the present time we are taking oil at Edmonton and oil at Lloydminster and moving it to Jasper where we have oil storage tanks. It is there put on tenders at Jasper and used west from there to Prince Rupert and to Vancouver.

Mr. JACKMAN: Have your research and development department made any study as to how far it is economical to transport oil by tank car at a reasonable cost?



Mr. VAUGHAN: I cannot give you that information.

Mr. JACKMAN: How far east would it be economical to bring it?

Mr. VAUGHAN: There are a great many factors included. That problem has not arisen yet; that is, the cost of moving oil from Alberta down into Ontario. There is just about sufficient oil being produced in Alberta at the present time to take care of the requirements of western Canada. It is the intention of some of the companies to built their own pipe lines from Edmonton to Regina and perhaps even further east. As you know, a pipe line can be operated much more cheaply than railways can transport oil in tank cars.

Mr. JACKMAN: It would be of some importance to the national economy. I suppose pipe lines could be used to points as far east as Winnipeg. I was wondering whether or not it would be economical and feasible to transport oil say to western Ontario by tank car. I understand, I hear, that you cannot transport oil very far because the cost is high. I was wondering if you had had an opportunity of making a study of that?

Mr. VAUGHAN: I believe our research department and our traffic department have gone into that in co-operation with the Canadian Pacific Railway. I haven't got the figures at the present time. But their study is to determine just how far it is economical to move oil in cars by railways as against a pipe line. As you know, there is a great deal of oil moved by truck to various parts of the country. The oil companies are like others, they try to obtain the lowest possible rate using every argument they can bring to bear to keep the rate down.

Mr. JACKMAN: What is the cost relationship between using coal and using oil?

Mr. VAUGHAN: You mean for railway use?

Mr. JACKMAN: Yes.

Mr. VAUGHAN: It depends, of course, on the cost of oil and the cost of coal at a given time and place. At present, the relative cost of oil is such that we figure it is economical for us to use oil on at least another one hundred steam locomotives, and for that reason we are converting these locomotives from coal to oil; and if there is a further indication of a substantial reduction in the price of oil it will be economical for us to convert more engines to oil burners.

Mr. JACKMAN: I realize the general economy of that. Can you give me the figure as to the cost of producing your power unit with oil as compared to coal?

Mr. VAUGHAN: We have that figure in the office but I haven't got it here, but we have it.

Mr. JACKMAN: Is it a very substantial reduction or just a moderate one?

Mr. VAUGHAN: It is a substantial reduction. As I say, it is more economical at certain points than coal.

Mr. WALTON: May I interrupt to say that there are, of course, indirect advantages in the use of oil fuel. One tank of oil fuel, for instance, will run the locomotive over a considerably greater mileage than would one tender full of coal. There are other factors also which tend toward less delay in operation. As I say, there are various indirect advantages.

Mr. McLURE: There is one item here under railway equipment in which I am particularly interested, and that is refrigerator cars. That is an item



which in the past has always been a worry to me. I see now you have 3,686 refrigerator cars, and that of these 232 are new. How many refrigerator cars would your company be renting at the present time from other companies?

Mr. VAUGHAN: I do not know whether we have that figure here or not.

Mr. WALTON: That varies from time to time, of course; but during the past year the number of rented cars has been comparatively low. We sometimes rent cars for specific seasonal movements, such as the Okanagan fruit crop and the Niagara fruit crop.

Mr. McLURE: I just wanted to say in regard to these cars that they are a constant source of concern to us on the Island. Last year was the best year we have had. I refer to 1948. For once we have had a sufficient service of refrigerator cars.

Mr. VAUGHAN: I am glad to hear that. We are constantly building new refrigerator cars. We have just finished building 300 new cars in our Winnipeg shops and they have started work on another 300; so we are improving right along our ownership of refrigerator cars.

The CHAIRMAN: Have we finished with page 25?

Mr. JACKMAN: Might I just ask about these pullman cars; are they air conditioned?

Mr. VAUGHAN: Most of them are air conditioned. The situation there is, as you may recall, that the pullman corporation were given the option of keeping their operating company or their car building company. They elected to keep the car building end of it and the result was that they offered to all the railways, including railways in Canada, an opportunity to buy the pullmans operating on their lines at their depreciated value with the result that we got these cars at a low price. While we own these cars at the present time they have been turned back to the pullman company to operate on a definite basis.

The CHAIRMAN: What about page 27, statistics of rail line operations?



## STATISTICS OF RAIL-LINE OPERATIONS

|  | 1948           | 1947           |
|--|----------------|----------------|
| <b>TRAIN-MILES:</b>                                      |                |                |
| Freight service .....                                    | 44,982,912     | 44,027,737     |
| Passenger service .....                                  | 23,901,589     | 23,346,277     |
| Total .....  | 68,884,501     | 67,374,014     |
| Work service .....                                       | 1,838,816      | 1,804,867      |
| Total .....  | 70,723,317     | 69,178,881     |
| <b>LOCOMOTIVE-MILES:</b>                                 |                |                |
| Freight service .....                                    | 47,897,549     | 46,793,909     |
| Passenger service .....                                  | 23,934,187     | 23,318,818     |
| Train switching—Freight .....                            | 4,070,004      | 4,092,796      |
| —Passenger .....   | 145,515        | 138,844        |
| Yard switching—Freight .....                             | 16,727,070     | 16,662,192     |
| —Passenger .....   | 1,697,406      | 1,625,954      |
| Total .....  | 94,471,731     | 92,632,513     |
| Work service .....                                       | 2,448,032      | 2,458,541      |
| Total .....  | 96,919,763     | 95,091,054     |
| <b>CAR-MILES—FREIGHT SERVICE:</b>                        |                |                |
| Loaded freight cars .....                                | 1,211,547,787  | 1,214,440,166  |
| Empty freight cars .....                                 | 496,444,069    | 510,831,225    |
| Passenger coach and combination cars .....               | 6,080,471      | 6,097,450      |
| Sleeping, parlour and observation cars .....             | 293,699        | 317,779        |
| Dining cars .....  | 14,499         | 17,308         |
| Other cars .....   | 6,979,100      | 6,583,280      |
| Caboose .....  | 44,471,685     | 43,365,340     |
| Total .....  | 1,765,831,310  | 1,781,652,548  |
| <b>CAR-MILES—PASSENGER SERVICE:</b>                      |                |                |
| Loaded freight cars .....                                | 624,574        | 326,345        |
| Empty freight cars .....                                 | 40,557         | 55,634         |
| Passenger coach and combination cars .....               | 63,942,532     | 62,266,663     |
| Sleeping, parlour and observation cars .....             | 52,072,888     | 50,052,285     |
| Dining cars .....  | 8,443,302      | 8,401,777      |
| Other cars .....   | 73,544,699     | 72,011,184     |
| Motor unit cars .....                                    | 725,399        | 791,663        |
| Caboose .....  | 694,406        | 612,939        |
| Total .....  | 200,088,357    | 194,518,490    |
| Car-miles—Total .....                                    | 1,965,919,667  | 1,976,171,038  |
| Work service .....                                       | 3,880,413      | 4,366,715      |
| Total .....  | 1,969,800,080  | 1,980,537,753  |
| <b>AVERAGE MILEAGE OF ROAD OPERATED</b> .....            | 23,400.62      | 23,402.08      |
| <b>FREIGHT TRAFFIC:</b>                                  |                |                |
| Tons carried—Revenue freight .....                       | 85,240,738     | 86,221,279     |
| Tons carried one mile—Revenue freight .....              | 32,942,999,471 | 32,945,415,090 |
| Freight revenue .....                                    | \$393,544,359  | \$342,582,003  |
| Revenue per ton .....                                    | \$4.61686      | \$3.97329      |
| Revenue per ton mile .....                               | \$0.01195      | \$0.01040      |
| Miles per revenue ton .....                              | 386.47         | 382.10         |
| Ton-miles—Revenue freight per mile of road .....         | 1,407,783      | 1,407,799      |
| Ton-miles—All freight per mile of road .....             | 1,532,282      | 1,533,213      |
| Gross ton-miles of cars, contents and cabooses .....     | 76,355,177,207 | 76,607,077,276 |
| Net ton-miles of freight (revenue and non-revenue) ..... | 35,856,347,990 | 35,880,383,954 |
| Train-hours in freight road service .....                | 2,923,646      | 2,918,906      |
| <b>PASSENGER TRAFFIC:</b>                                |                |                |
| Passengers carried .....                                 | 20,083,064     | 21,226,889     |
| Passengers carried one mile .....                        | 1,754,856,873  | 1,844,649,873  |
| Passenger revenue .....                                  | \$41,562,141   | \$43,017,690   |
| Revenue per passenger .....                              | \$2.06951      | \$2.02657      |
| Miles per revenue passenger .....                        | 87.38          | 86.90          |
| Revenue per passenger mile .....                         | \$0.02368      | \$0.02332      |
| Passenger-miles per mile of road .....                   | 74.992         | 78.824         |
| <b>NET RAILWAY OPERATING INCOME:</b>                     |                |                |
| Gross revenue per mile of road .....                     | \$20.993.89    | \$18,724.74    |
| Gross railway operating charges per mile of road .....   | \$20,559.04    | \$17,711.56    |
| Net railway operating income per mile of road .....      | \$434.85       | \$1,013.18     |



Mr. HAZEN: Just a minute, Mr. Chairman. I notice here on page 15 of the report that apparently you had more accidents in 1948 than you had in 1947. I notice on page 15, injuries to persons amounted in 1948 to \$818,000 while in 1947 it was \$625,000. Were there more accidents last year than the year before, or is it just a larger amount?

Mr. VAUGHAN: We will get that for you, Mr. Hazen. We haven't got the figure here but we will get it for you.

Mr. HAZEN: As compared with previous years, if you have that.

Mr. VAUGHAN: We will get that for you.

Hon. Mr. CHEVRIER: I would think there would be fewer accidents in 1948 than there were in 1947, would there not?

Mr. WALTON: I would think so. That is my recollection.

The CHAIRMAN: What about page 27?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: What about page 28—operated mileage?

OPERATED MILEAGE, DECEMBER 31, 1948

| OPERATED ROAD MILEAGE Territory      | Owned            | Leased        | Trackage        | Total            |
|--------------------------------------|------------------|---------------|-----------------|------------------|
| Atlantic region .....                | 2,985.78         | 6.41          | 82.95           | 3,075.14         |
| Central region .....                 | 7,093.53         | 348.09        | 27.86           | 7,469.48         |
| Western region .....                 | 11,339.40        | 34.84         | 92.54           | 11,466.78        |
| Grand Trunk Western lines .....      | 901.68           | 9.50          | 59.75           | 970.93           |
| Central Vermont lines .....          | 237.92           | 125.18        | 58.73           | 421.83           |
| <b>Total first main track .....</b>  | <b>22,558.31</b> | <b>524.02</b> | <b>321.83</b>   | <b>23,404.16</b> |
| Lines in Canada .....                | 21,203.28        | 216.97        | 198.96          | 21,619.21        |
| Lines in United States .....         | 1,355.03         | 307.05        | 122.87          | 1,784.95         |
| <b>OPERATED MILEAGE—ALL TRACKS</b>   |                  |               |                 |                  |
| First main track .....               | 22,558.31        | 524.02        | 321.83          | 23,404.16        |
| Second main track .....              | 1,221.07         | 9.34          | 85.42           | 1,315.83         |
| Third main track .....               | 27.95            | ....          | 3.49            | 31.44            |
| Fourth and other main tracks .....   | 10.78            | ....          | 5.09            | 15.87            |
| Spurs, sidings and yard tracks ..... | 5,962.57         | 170.09        | 1,206.41        | 7,339.07         |
| <b>Total all tracks .....</b>        | <b>29,780.68</b> | <b>703.45</b> | <b>1,622.24</b> | <b>32,106.37</b> |

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Then we come to page 31—I guess that is the next one—disbursement of total operating revenues and expenses.

DISBURSEMENT OF TOTAL OPERATING REVENUES AND EXPENSES

|  | Operating revenues were disbursed |               | Operating expenses were disbursed |               |
|--|-----------------------------------|---------------|-----------------------------------|---------------|
|  | 1948-%                            | 1947-%        | 1948-%                            | 1947-%        |
| Labour .....                                 | 57.15                             | 54.55         | 60.41                             | 60.20         |
| Fuel .....                                   | 11.65                             | 11.21         | 12.32                             | 12.36         |
| Other Expenses .....                         | 25.80                             | 24.87         | 27.27                             | 27.44         |
| <b>Total Operating Expenses..</b>            | <b>94.60</b>                      | <b>90.63</b>  | <b>100.00</b>                     | <b>100.00</b> |
| Available for Taxes and Other Accounts ..... | 5.40                              | 9.37          |                                   |               |
| <b>Total .....</b>                           | <b>100.00</b>                     | <b>100.00</b> | <b>100.00</b>                     | <b>100.00</b> |
| Maintenance of Way Accounts ..               | 17.51                             | 17.17         | 18.51                             | 18.95         |
| Maintenance of Equipment Accounts .....      | 20.01                             | 18.20         | 21.16                             | 20.09         |
| Traffic Accounts .....                       | 1.78                              | 1.76          | 1.88                              | 1.94          |
| Transportation Accounts .....                | 49.94                             | 48.02         | 52.79                             | 52.99         |
| Miscellaneous Accounts .....                 | 1.06                              | .98           | 1.12                              | 1.07          |
| General Accounts .....                       | 4.30                              | 4.50          | 4.54                              | 4.96          |
| <b>Total Operating Expenses ..</b>           | <b>94.60</b>                      | <b>90.63</b>  | <b>100.00</b>                     | <b>100.00</b> |



## EMPLOYEES AND THEIR COMPENSATION

| Year | *Average Number<br>of Employees | *Total Payroll | % Inc. over Previous Year |         |
|------|---------------------------------|----------------|---------------------------|---------|
|      |                                 |                | Employees                 | Payroll |
| 1939 | 78,129                          | \$122,354,101  |                           |         |
| 1940 | 82,831                          | 132,584,063    | 6.02                      | 8.36    |
| 1941 | 89,536                          | 153,654,368    | 8.09                      | 15.89   |
| 1942 | 94,592                          | 177,042,773    | 5.65                      | 15.22   |
| 1943 | 101,126                         | 195,555,045    | 6.91                      | 10.46   |
| 1944 | 102,764                         | 222,649,839    | 1.62                      | 13.86   |
| 1945 | 105,624                         | 220,507,637    | 2.78                      | .96     |
| 1946 | 105,353                         | 237,335,781    | .26                       | 7.63    |
| 1947 | 108,440                         | 258,337,684    | 2.93                      | 8.85    |
| 1948 | 111,072                         | 305,397,747    | 2.43                      | 18.22   |

\* Includes railway, express and telegraph employees. Excludes hotel and subsidiary company employees.

Mr. HAZEN: In connection with expenses I want to ask this. I have been looking at this report and I would like to know how many copies of this report were printed, who printed it, what it cost, and do you think that you are justified in printing such an elaborate report as this? I have here a copy of the Rock Island report, a very modest one. I sometimes get copies of the Canadian Pacific report and it seems to me to be a more modest one.

Mr. VAUGHAN: We can get you the information which you ask. I may say that we have had thousands of favourable comments on our reports. It is the custom now of many large companies to elaborate in their reports and to give as much information as possible to their shareholders. However, we will give you the information you ask for. These reports are sent to the heads of many businesses with which we deal and we have found it desirable to follow that practice.

The CHAIRMAN: Gentlemen, we might just see what is left in the report, there are only a couple of pages. Page 28.

Hon. Mr. CHEVRIER: We have an opportunity of discussing this on the estimates.

Mr. FULTON: We have other Canadian National reports to take up in committee.

The CHAIRMAN: That is right.

Mr. FULTON: Then it is not a question of finishing these pages and letting the officials go.

The CHAIRMAN: Do you wish to sit tonight? We did not sit this morning because there were eight members of this committee sitting on the Public Accounts Committee and we have tried to co-operate with that committee. Public Accounts are again going to sit on Thursday and it is up to you gentlemen to decide whether you wish to carry on tonight.

Mr. JACKMAN: Tonight seems a better time to meet than in the daytime.

The CHAIRMAN: Is it agreed that we shall sit tonight from 8 o'clock until 10 o'clock?

Agreed.

The committee adjourned to meet again at 8.00 p.m.



## EVENING SESSION

The committee resumed at 8 p.m.

The CHAIRMAN: Gentlemen we were dealing with page 31.

Mr. HAZEN: I was going to ask how many meetings of directors were held in 1948?

Mr. VAUGHAN: As I recall there were eleven regular meetings.

Mr. HAZEN: Where were those meetings held?

Mr. VAUGHAN: Held in the board room of the Canadian National Railways.

Mr. HAZEN: All in Montreal?

Mr. VAUGHAN: Yes.

Mr. HAZEN: What was the average attendance?

Mr. VAUGHAN: I would say the attendance was about 99 per cent.

Mr. McCULLOCH: That is a pretty good average.

Mr. VAUGHAN: I might say in addition to attending meetings the directors are available for anything required and they are often called upon between meetings.

Mr. HAZEN: What would be the length of those meetings. Would they last a day?

Mr. VAUGHAN: It depends what is before the meeting. The meetings start at 10 o'clock in the morning and sometimes they go on through the afternoon.

The CHAIRMAN: Are there any other questions on page 31?

Mr. HATFIELD: Mr. Chairman, this is the first time I have been here—I have been sick with the 'flu. What is 31?

The CHAIRMAN: Page 31, but Mr. Picard wants to ask a question on employees' compensation.

Mr. PICARD: It may be that I am concerned with more than one question. I think the matter has been brought before the committee previously but I do think it is time that it was brought in a more precise fashion.

Concern has been expressed throughout the country for the last few years as to the causes which prevent better unity being achieved, and of course people will find different answers. It will sometimes be said that in certain parts of the country there may have been inequality of response to obligations which we feel are obligations on the part of the citizens. There is another feeling that there is inequality of treatment given to different groups in the country. I am very much concerned with the question of employment of French speaking people in the ranks of the Canadian National Railway—not only employees in the higher brackets but in the rank and file. I have figures here which I cannot use because they are contained in letters written years ago and marked personal, but I will ask some questions. The answers may indicate a brighter picture than the one contained in these letters.

I would like to know figures, not only for the province of Quebec but for all of Canada as to the number of employees in the Canadian National Railway receiving less than \$3,600 per annum who are considered French Canadians or French speaking. How many in the same salary group are English speaking but bilingual—not just able to say yes or no, but really bilingual? How many can speak only English?

I would like to have the same information for people receiving more than \$3,600 per annum. The answers can be divided into two groups, those in the jurisdiction confined to Quebec and those outside of the jurisdiction of the Quebec area, as I understand the Canadian National Railways treats the two different categories separately.



I would also like the same figures throughout the country and as well for the Canadian National Steamships. How many persons have been engaged between the two wars—between 1920 and 1940—and I am speaking of all ranks and of all racial groups? How many of those are veterans?

Very often the reason is given that the proportion of French speaking employees is lower because not a sufficient number of French speaking Canadians enlisted in the first war and I would like to ascertain how many of the new employees are veterans.

I would also like to know how many employees were not born in Canada but who arrived in Canada just a few years before they began their employment with the C.N.R. I am speaking there of people who may have lived in England and seen service in the first war, came to Canada in 1920 or thereabouts, and since then have been employed by the C.N.R.

My reason for asking these questions is that there is a feeling which may be wrong but which is that the proportion of French Canadians employed by the C.N.R. is not adequate. I want to know if the figures which I have but cannot disclose have not been bettered in recent years. It may be that is not true and there is no ground for complaint. I just want to know. In the case of at least two corporations in Montreal from whom I have received figures there is a considerable improvement shown over the past twenty-five years. Perhaps the same thing is true of the Canadian National Railway. The figures I have for 1937 are not so bright, if I may use the expression. The matter was brought up in the House in 1939 by Mr. LaCroix when he proposed Bill No. 3 of 1939. The figures given then can be easily looked up by officers of the C.N.R. and I would like to know if there is appreciable improvement? Figures were given on the 17th of February, 1939, regarding the details of employment at Moncton. I would like to know if that situation has improved in the last ten years. I would like the information also with respect to the Pullman car service, the dining car service, and so on, in order that I may discover whether the situation has been bettered since 1936.

Mr. VAUGHAN: You realize that you have given a tremendous order.

Mr. WARREN: Before Mr. Vaughan answers may I ask Mr. Picard the object of his questions? Are you trying to divide us into a number of nationalities in this Canada of ours?

Mr. PICARD: Unfortunately a lot of people do that, and discrimination exists in many places.

Mr. WARREN: You are dividing our Canada into a number of nationalities.

Mr. PICARD: The ethnical composition of Canada results from historical events but of course we cannot solve the question tonight.

Mr. WARREN: What is the object?

Mr. VAUGHAN: You will get your answer in so far as we can give it.

Mr. PICARD: I feel that a situation exists which warrants investigation and I do not see why I cannot ask my questions.

Mr. McLURE: There is the question of seniority rights too.

Mr. PICARD: That is why I ask how many have been engaged or employed in a given number of years.

Mr. WARREN: Do you not think that we are all Canadians?

Mr. PICARD: I do not wish to touch on the question of seniority rights nor on the question of brotherhood. I just want to know how many new men have been employed, how many are Canadians, how many are from overseas, how many are bilingual, and how many are not? I am awfully sorry if the questions hurt some people.



Mr. VAUGHAN: It must be realized that from 1939 to 1947 we had to take anyone whom we could get whether they were French Canadians or English Canadians. We had to take anyone in the country of any nationality at all. We took every French Canadian we could get during those years.

Mr. VAUGHAN: The last survey was made in 1947 and taking the country as a whole there were 24 per cent French Canadians employed.

Mr. PICARD: I would like to have the answers to my questions.

Mr. VAUGHAN: When we get a copy of the record and see just what you want we will know how much of the information we can obtain and we will obtain it.

The CHAIRMAN: You may proceed, Mr. Picard.

Mr. PICARD: Mr. Chairman, I have a letter here which is not personal. It was sent by your former president to a gentleman in Ste. Marie Beauce. It gives an account of the fact that on the Intercolonial railway, between Montreal and Halifax, very few employees are bilingual. It states that the present management have very little to do with the policy of engaging the employees in question. I agree with you and that is why I have asked you for the figures since that time and since 1927. This letter is dated in 1936.

My second point concerns the statement that it is advisable to employ strictly bilingual people only in Quebec. I submit that equality of treatment is not only a matter of sentiment but that it should derive from the national economy as such. You cannot take only into account the fact that the Canadian National Railways obtains its revenue from certain companies or from certain people whether they be English speaking or French speaking. The bulk of the business of the company is based upon the consumption of goods because the consumption of goods makes for higher traffic. The larger the proportion of consumers in the country, the larger the volume of traffic for the railway. Therefore as a matter of business French-Canadians are entitled to a proportion of jobs on the C.N.R. in keeping with their proportion of the population. I am sure that the situation has been better since these figures were supplied, at least I hope it is.

Mr. VAUGHAN: I do not disagree with what you say, so far as general employment is concerned, but what bothers me is the length of time it is going to take to give you the information which you desire. You have asked me for a lot of information and it will take some months in order to get it out.

Mr. PICARD: The last information I got took a month and a half.

Mr. VAUGHAN: On June 30, 1947, we made a survey.

Mr. PICARD: I would be satisfied to have that survey.

Mr. WARREN: How could you get around the problem of finding out who is a Frenchman, who is an Englishman, or who is an Irishman, let us say, in Renfrew county? I say it is a problem but they are all Canadian; they are all regarded as Canadians. So how in the world are you going to segregate them into different groups? You cannot do it. Perhaps you might be able to do it in your riding, Mr. Picard, but certainly not in mine.

Mr. PICARD: I am asking the chairman of the Canadian National Railways about it, not you, Mr. Warren.

Mr. VAUGHAN: I do not believe, Mr. Picard, that the figures would have much significance between 1939 and 1947 because, as I have stated before, we had to employ anybody we could get who was available, whether he be a French Canadian or an English Canadian, regardless of his nationality. I would be glad to give you this information as of June 30, 1947. It shows that at that time we had 24.1 per cent of French Canadians employed in the System.

Mr. PICARD: That is surely a better figure than I have here.



Mr. VAUGHAN: On the Atlantic region we had 32·5. In the Quebec district we had 91·5. In the Montreal district we had 49. And as we go west into Ontario, French Canadians become lower in proportion in the over-all picture so that we had, out of 94,526 employees in the System, 22,832 who were French Canadians or 24·1 per cent. That is pretty well up to, or in line with the percentage of French Canadians in Canada.

Mr. PICARD: I do not think that is exactly so but it is much better than it was.

Mr. VAUGHAN: It is not that we want to hold anything back. We are delighted to give such information to you, if it is available.

Mr. PICARD: You have the figures before you, it might be easy for you to state the proportion you have for the whole line, and as well for the province of Quebec.

Mr. VAUGHAN: I have each district right from the Atlantic to the Pacific.

Mr. PICARD: Could they be easily given to us.

Mr. VAUGHAN: Oh, yes. I shall have this extracted and put on the record if you wish.

Mr. PICARD: Yes, if you please. If you will let me have the figures it would be to the advantage of everybody because they will show that there has been some improvement. As I have said, it is not only a question of sentiment but it is one of proving to the public that there is equity of treatment; and it would make it easier for me to defend many policies which I have defended in the past and in the last six or seven years. When we are faced with something rather unfavourable, it is difficult to explain it and to work for closer unity.

Mr. REID: Could you not give us the proportion for British Columbia because we in British Columbia are also interested in the problem. We would like to know what proportion of French Canadians you have on the railways in our province, because we have 18,000 French Canadians in the whole province. You can understand how we look upon it.

Mr. McCULLOUGH: Do you think this is the right place to talk about this matter? We are here to go over the business of the Canadian National Railways.

Mr. PICARD: I do not think ten minutes of time taken up at this meeting will impede the business of the Canadian National Railways and, anyway, this is an important question.

Mr. McCULLOUGH: You have the figures now.

Mr. PICARD: I understand that the figures will be produced.

Mr. McCULLOUGH: They will be.

Mr. VAUGHAN: I may say, without reservation, that our headquarters are concerned. We are very particular about giving French Canadians a share of the positions which are available when they are available and have the experience for those positions.

Many a time I have personally said to our people: "Well, now, are you sure you have not got a French Canadian in that French Canadian district who is available for that job?"

Mr. PICARD: What you say, Mr. Vaughan, holds true for many of the authorities and for many heads of departments, but it is not always the case when we go down the line.

Mr. VAUGHAN: In the Quebec district 91·5 per cent of our employees are French Canadians.

Mr. PICARD: I would quote my figure of 1936. The figure I have here says that of the employees whose jurisdiction was confined to the province of Quebec, 59·1 were French-Canadians and the proportion of French-Canadian employees



with jurisdiction outside Quebec was 21·8. So, by what you are giving us now—and I do not doubt your figures—there is surely an improvement. So my point has not been raised in vain because it will show people who are criticizing us that something has been done. And might I say that something has been done in the case of many corporations in Montreal who deal with the public at large in the province.

Mr. VAUGHAN: I shall have these figures placed on the record. They are as of the 30th of June, 1947.

Mr. PICARD: I have no personal interest; and I would like my friends to note that I have no personal interest, and I do not wish to cast any aspersions on the Canadian National Railways or on the government because I happen to be on the government side, that is, the government of the moment. But if we can obtain figures which show a betterment of the position I think it will be a help to many people who are here, even though they may come from Renfrew or Halifax, and who will have some concern in the next election and may not be on the same side of the House if Quebec members are not re-elected because the electorate feels they have been discriminated against by government departments or government controlled companies.

The CHAIRMAN: Mr. Hatfield has a question or two. He has been ill, I believe, and we would like to show him every courtesy.

Mr. HATFIELD: I would like to ask the Canadian National Railways the reason for their taking advantage of the United States rates on the shipment of goods from the maritime provinces to points in the United States. Take, for example, Detroit, Michigan. You charge \$182 more for hauling a car from Charlottetown or from Prince Edward Island to Detroit, Michigan, than you do to haul that car to Windsor, Ontario. You charge \$182 just for taking that car across the river. I think that is unfair to the people who live in the maritime provinces and I think it is also unfair to the railway because the railway is going to lose business. The result will be that these goods will be supplied from points nearer to Detroit, and the railway will lose that long haul from the maritimes, from New Brunswick and Prince Edward Island. Take, for example, a car of potatoes. The rate to Windsor, Ontario, is 56 cents on a 45,000-pound car. The rate from New Brunswick to Detroit is 97 cents a hundred. So you have taken full advantage of the 50 or 60 per cent advance in the freight rates in the United States, yet that car is hauled over your own Canadian railway clear to Windsor, Ontario.

Mr. VAUGHAN: That is correct.

Mr. HATFIELD: I know you have the authority, but why do you do it? I submit that you are unfair in taking advantage of that authority.

Mr. VAUGHAN: Do you know by what percentage those rates were advanced? I have not got the tariffs here.

Mr. HATFIELD: Oh, they advance their rates in the United States about every week, and the result is that they are losing their business. It is going to the trucks and the buses. When you ride on a train today in the United States, you will find that the coach or pullman car has very few occupants. I was in the United States just before I came up here and I found that on a 20-car train, two cars would take care of all the passengers on that train. They are losing their business. That is what I am getting at. This practice has gone on for years and I submit it is very unfair of you to take advantage of the United States rates and to charge \$182 just to haul a car from New Brunswick to Windsor, and \$252 on a minimum car. You charge \$434 on a car from New Brunswick to Detroit, a minimum car; and you charge \$182 just for hauling it across the river into Detroit, Michigan.

Mr. VAUGHAN: There is probably some explanation for it. I shall put a memorandum on the record about it.



Mr. HATFIELD: What effect will the St. Lawrence seaway have on your railway?

Mr. VAUGHAN: That question was brought up here the other day and I answered it. You will find my answer in the record.

Mr. HATFIELD: What effect has the increase of 21 per cent had on your revenue?

Mr. COOPER: 18·2 per cent.

Mr. HATFIELD: 18·2 per cent less?

Mr. COOPER: No. An increase of 18·2 per cent on the traffic to which it related.

Mr. HATFIELD: Oh, I see.

The CHAIRMAN: Is there anything else you have to ask, Mr. Hatfield?

Mr. HATFIELD: That is all, I think.

Mr. PICARD: Before we leave the question of employees, would you tell me what the proportion is of administrative jobs in the Canadian National Railways above \$3,600, held by people coming from the ranks, be they either French or English.

Mr. VAUGHAN: About 100 per cent.

Mr. PICARD: I was going to ask as well for the proportion of those who were brought into the Canadian National Railways at \$3,600 or more.

Mr. VAUGHAN: Nearly everybody in the Canadian National Railways System starts at the bottom whether he be a professional man or an engineer. For example, he might start out on the road.

Mr. PICARD: Not when he is an engineer?

Mr. VAUGHAN: A lawyer might come into our service at a salary of perhaps \$3,000 a year. But, generally speaking, every man starts practically at the bottom.

Mr. PICARD: Do you mean to say that your engineers and your administrative officers start at the bottom?

Mr. VAUGHAN: Yes. We take on a certain number of graduates every year from the universities and colleges and they start, on the average, at \$250 per month.

Mr. PICARD: What would you ask in the way of qualifications from a man of that age when he enters your company? How do you gauge him? What sort of education do you require?

Mr. VAUGHAN: It all depends on the work he is engaged to do. Of course, a man has to have certain qualifications.

Mr. PICARD: Do you ask for a college or university degree?

Mr. VAUGHAN: Not for every position. For example, if we were to engage a man in the engineering department, he might be a draftsman. He might be a college man. Nearly all our technical men are college graduates.

Mr. PICARD: Now what about the administrative officers generally, besides the technicians?

Mr. VAUGHAN: Most of our men start at the bottom. As I have said, a great many of our men may start on the road.

Mr. PICARD: What would you say was the average salary and age of the men who enter the company in administrative jobs?

Mr. VAUGHAN: No man enters the railway in an administrative job. He has got to work up to that administrative job after years of service.

Mr. PICARD: You mean to say he would start in a clerical job?



Mr. VAUGHAN: Yes, on the road or in the shop, or as a telegraph operator, or something of that kind, and then he would work his way up.

Mr. PICARD: And if you bring a man in without any special railway qualifications, do you not think he would be equally suitable if he were a college graduate of French descent as if he were a college graduate of English descent?

Mr. VAUGHAN: They are given equal opportunity.

Mr. PICARD: They are?

Mr. VAUGHAN: Yes.

Mr. PICARD: And where do they apply?

Mr. VAUGHAN: We have an employment department and if a man is seeking a position he will apply to the employment department and give his qualifications and when there is a position available for him he will be called.

Mr. PICARD: As far as I know there are no schools in Canada giving railroad training. I know there are some in the United States but not in Canada. How do you account for the fact that there are not very many French Canadians in administrative positions with your System?

Mr. VAUGHAN: I do not know that I can account for it. As you know, in the past the French Canadians have leaned more towards the arts and the sciences and things of that kind rather than towards railway business.

Mr. PICARD: But if a French Canadian is qualified he would have an opportunity in your legal department, let us say?

Mr. VAUGHAN: Oh yes, we have some good French Canadian lawyers.

Mr. PICARD: You say they are employed in your legal department to handle the French business?

Mr. VAUGHAN: That would be the logical place for them to go.

Mr. PICARD: Yes, and there are many jobs on the railroad for which many French Canadians might be qualified.

Mr. WARREN: Since this question of employment has come up may I ask if you have openings for students and young graduates?

Mr. VAUGHAN: Yes, we take a number of them on in the summertime.

Mr. WARREN: I suppose you take different groups, according to their qualifications.

Mr. VAUGHAN: We are very glad to get college graduates. We take a certain number every year.

Mr. PICARD: What is the setup in your Paris office? It is a French company you have there, is it not?

Mr. VAUGHAN: Yes, it is a French company, owned by the Canadian National Railways.

Mr. PICARD: And I understand it is supervised by your man in London.

Mr. VAUGHAN: Yes, our European general manager has jurisdiction of that office.

Mr. PICARD: And what is his name?

Mr. VAUGHAN: Mr. J. B. Thom is our European general manager and his office is in London, and we employ only Parisian French in our Paris office. We have Mr. Regamey there.

Mr. PICARD: Mr. Regamey is of Swiss nationality. Now, as far as that is concerned, would it be pertinent to say whether or not you are satisfied with the setup in Paris at the present moment?

Mr. VAUGHAN: We believe that Mr. Regamey is a very good man.



Mr. PICARD: I agree with you, he is a splendid man, and I am interested in seeing that you have a young man picked out to take his place, a young man of great promise. I know the men about whom you are speaking, and they are very good men, but they have not the staff nor the facilities to work with. The point I have in mind is this, that C.P.R. in Paris seem to have very much better facilities for handling passenger traffic and meeting the public and giving service than you do. They have a larger and better paid staff and, as I understand it, their policy is to contact a French company they know is doing business with Canada, and to give them service right through to the point of destination in Canada. They have a man right there to solicit business, and a staff to see it through, while you have only two men in your office there with one clerk and a stenographer. I have been over there quite a few times in the last few years, and I used to go over there frequently before the war, and I think the other company there is spending more money and paying better salaries and doing a better job, and that your men cannot give all their measure because of lack of help and poor salaries. It shows poor planning either in Montreal or London.

Mr. VAUGHAN: I agree that there is something in what you say, Mr. Picard. We are talking about re-arranging our office in France. Of course, we have no trans-Atlantic ships such as the Canadian Pacific Railway have, and naturally they have to have more staff than we need in our Paris office.

Mr. PICARD: But you serve as agents for other companies?

Mr. VAUGHAN: Yes, we do.

Mr. PICARD: I venture to say that Canadians in Paris have a better service from Regamey than from anybody else; his assistant also is a very fine fellow; but I do feel that the C.P.R. are making a bigger splash, and they are getting more business for their boats and for their line than your office. As you say, you have the same facilities with regard to shipping using such lines as Cunard and others, you are concerned in getting traffic for them.

Mr. VAUGHAN: Yes, we represent many lines in Paris, and our T.C.A. office also is there.

Mr. PICARD: The T.C.A. is just getting set up.

Mr. VAUGHAN: As I say, we have some reorganization plans there. We have in mind strengthening our office because we realize there is some room for improvement.

Mr. HATFIELD: Further to my question about shipping conditions in New Brunswick, there was an agent placed at Cote Siding in the busy part of the season, from September until I believe June this last year. I have asked in regard to making his position permanent. This is a very important shipping point, one of the most important shipping points on your line in New Brunswick, outside of your terminal points. Is there anything in the estimates with regard to having a station erected at Cote siding?

Mr. VAUGHAN: Is here any information on that?

Mr. WARREN: While that is being looked up might I ask to whom a college man would apply for employment with your company?

Mr. VAUGHAN: To Mr. S. W. Fairweather, our director of research and development who looks after these young college men.

Mr. WARREN: What is the address?

Mr. VAUGHAN: 360 McGill Street, Montreal.

Mr. COOPER: In reply to Mr. Hatfield, there is nothing in our estimates at the present time for Cote Siding, for a station there.



Mr. HATFIELD: At the present time, the agent is operating in a box car, or a converted old passenger coach. That is one of the largest shipping points in the province.

Mr. REID: I have a question I would like to ask, possibly it has already been asked but I am still curious. I notice that your average number of employees has increased by three thousand, while your freight tonnage shows a very considerable decrease. Does the business carried over your line have any direct relationship to the number of employees? You take since 1939 you show a progressive increase every year right all the way along, and of course that carries with it an increase in your payroll total. Yet when you look over the volume of business carried you found there has been a considerable drop in 1948 as compared to 1947. How do you explain that?

Mr. VAUGHAN: Our employees fluctuate with the business we have in the ordinary course of events. We were very short of men for some time both on track maintenance and for our shops but we are catching up on some of that work now, and when we catch up with it the number of employees will be reduced. Our employee figure almost automatically goes up and down with business as indicated by the train service. We have so many trains to move and if we require less trains naturally the engineers, conductors, firemen and brakemen have to be laid off. This increase is mostly in the maintenance department.

Mr. JACKMAN: You have a guaranteed weekly minimum of hours?

Mr. VAUGHAN: I think there is for some classes of employees, but we are not obligated to hire anybody if we haven't work for them.

Mr. JACKMAN: Do you not have to provide a certain number of hours of work for them?

Mr. VAUGHAN: No.

Mr. JACKMAN: A short time ago reference was made to the employment of college graduates. Do you know how many university men you have employed, let us say in 1948; how many of these particularly technical men, science or engineering graduates?

Mr. VAUGHAN: I cannot tell you off hand but I will be glad to get you that information.

Mr. JACKMAN: What is your general policy in that regard? Do you send men around to graduating classes?

Mr. VAUGHAN: Our research and development department have an arrangement with the deans of the various faculties at the universities and an understanding that they will recommend a number of young graduates each year whom they consider would make good railroad men and who want to go into the railroad business. These are the men who are employed by our railway. After looking them over we try them out for two or three years in the various departments and we feel that after a time we can tell whether they are going to be railroad men or not. Some drop by the wayside, some leave for employment elsewhere, which they consider more to their advantage; but we are trying to get into our organization a certain number of college graduates each year.

Mr. JACKMAN: How many would you take on, would you take as many as fifty a year?

Mr. VAUGHAN: No, I do not see how we could use as many as fifty each year. We probably get at the present time a dozen a year.

Mr. JACKMAN: That includes science graduates?

Mr. VAUGHAN: Yes.

Mr. McLURE: Does that take in your shop men, I think you call them apprentices? Do these figures show all the people employed on your system?



Mr. VAUGHAN: No, it takes in everything. It takes in all our employees of every kind, including hotels.

Mr. McLURE: There is another question in which I am interested, that of taking on apprentices in our province. I am informed that apprentices from our province are under the office at Moncton. I think we should be entitled to have a certain number of apprentices taken on each year. You stated last year that there would be a quota given to each of the provinces relating to its mileage.

Mr. VAUGHAN: I think at that time our Moncton vice-president was instructed to see that each locality got its quota of apprentices.

Mr. McLURE: We got two, I think.

Mr. WALTON: We only took on twenty-two at all points in the maritimes last year. This year our program calls for fifty, and we have made provision for Prince Edward Island in that.

The CHAIRMAN: Are there any questions on employees, gentlemen?

Mr. JACKMAN: Mr. Vaughan, have you figures showing the hours worked per week over forty-eight? I have worked out some arithmetic here myself but I haven't checked it. It seems to me that in 1948 the average work week was 49·43 hours as against 45 hours in 1946. Does that seem reasonable to you?

Mr. VAUGHAN: What page are you looking at?

Mr. JACKMAN: Page 7.

Mr. VAUGHAN: I thought we had adopted that.

Mr. JACKMAN: We are on page 31 but this is what is called a back reference in order to explain an item here.

Mr. VAUGHAN: Off hand I do not know the reason for that.

Mr. JACKMAN: Did you work 49·3 hours a week in 1948?

Mr. WALTON: As you know, the flood situation in British Columbia made it a heavy year for overtime in the west.

Mr. VAUGHAN: Mr. Cooper says he has the answer.

Mr. COOPER: We show on page 7, that the average compensation per employee in 1948 was \$2,750 and in 1939 it was \$1,566, an increase of 76 per cent whereas according to the average rate per hour the increase was 62·28 per cent. I think you have in mind the disparity between 62 per cent and 76 per cent; is that right, Mr. Jackman?

Mr. JACKMAN: Not only did the men earn more because of the dollar rate but I think they earned more for the number of hours put in.

Mr. COOPER: In 1939 the average hours worked were 2,369; in 1948 the average number of hours worked were 2,567. That is an increase of 198 hours.

Mr. JACKMAN: That is right.

Mr. COOPER: And 198 hours represent \$212 per employee, and if you deduct \$212 from the \$2,750 you will find that the increase in annual total compensation equals the increase in the rate per hour.

Mr. VAUGHAN: I think Mr. Jackman's question is why did our men work longer in 1948 than in 1947.

Mr. JACKMAN: I am not saying that it is anything bad—43 hours against 45; it is a longer working day.

Mr. VAUGHAN: I cannot tell you the reason offhand. It may be as Mr. Walton said, that during the flood season men worked morning, afternoon and night. Some of them worked as long as they could stand on their feet.

Mr. JACKMAN: Under most of your union rules when does overtime start?



Mr. WALTON: For the majority of them it is time and a half after eight hours. In some cases it is a 44-hour week and in some cases it is a 48-hour week, and in any case the majority of them are on a basis of time and one-half after eight hours per day.

Mr. JACKMAN: May I ask what is happening to the white-collared class in the railway—the class who are not unionized? How far do your unions go in your non-running trades—those having to do with offices?

Mr. VAUGHAN: I do not think I can give you the information as to the percentage of our employees who belong to the unions. A very large percentage do. Do you recall, Mr. Walton, how many organizations we have on the line?

Mr. WALTON: Around 110 altogether; some are small—110 organizations in Canada and the United States.

Mr. JACKMAN: What percentage of your payroll receive under \$2,750 as the average? What percentage of your payroll receive under \$3,000 which would be non-unionized, approximately?

Mr. WALTON: It is rather hard to give a guess. I say maybe 4 or 5 per cent.

Mr. JACKMAN: A small percentage?

Mr. WALTON: Yes.

Mr. JACKMAN: May I ask if you can tell me approximately how much the increase in compensation has been to the white-collared class since 1939, having in view that the average compensation for employees has increased 76 per cent since that time?

Mr. COOPER: The average employee received an increase of \$88.57 per month. That is equal to \$1,062 per annum.

Mr. JACKMAN: That is for the average employee throughout the whole system?

Mr. COOPER: It is for every employee. Every employee working on regular time received first of all the cost-of-living bonus, which was \$19.93; in 1943 they received an increase of 6 cents an hour; in 1946 they received an increase of 10 cents an hour; in 1948 they received an increase of 17 cents an hour.

Mr. JACKMAN: Perhaps I can put the question this way, because those figures do not mean very much to a layman. The average increase since 1939 has been 76 per cent. Could you tell me what class of people and how many had been receiving an increase of at least 60 per cent since 1939?

Mr. COOPER: When you put it on a percentage basis it is rather difficult. Last year they all received an increase of \$35.36 a month or \$425 a year. If a man were receiving \$1,000 a year he received an increase of 42 per cent; if he were receiving \$2,000 a year he received an increase of 21 per cent; if he were receiving \$3,000 he would only receive an increase of 14 per cent, although they all received the same absolute amount of increase.

Mr. JACKMAN: The absolute amount?

Mr. COOPER: Yes.

Mr. JACKMAN: They received the same absolute amount?

Mr. COOPER: Yes. A labourer may have received an increase of 40 per cent and an engineer might have received an increase of 10 per cent or 12 per cent.

Mr. JACKMAN: You do not think we do enough socialization down here and you would like to help us?

Hon. Mr. CHEVRIER: That is an embarrassing question.

Mr. COOPER: The wage award was 17 cents an hour across the board.

Mr. JACKMAN: That would apply to everybody except that 4 to 5 per cent who are not unionized?



Mr. COOPER: Although it did not apply to non-union members it was given by the railway to non-union members; everybody in the railway received it, except the president.

Mr. JACKMAN: There are some brackets in the railway employ who have not received 60 per cent increase, then, since 1939?

Mr. COOPER: Not as a percentage, no. They all received at least \$1,062, but percentage-wise it would vary according to the wage bracket.

Mr. JACKMAN: Is everybody happy under that scale?

Mr. COOPER: They should be.

Mr. PICARD: Who is happy in this world?

Mr. McLURE: Can anything be done for the retired pensioner? Today some of these men receive \$30 a month and up to \$125 a month, and find it almost impossible to live. I understand that some petitions have come in from certain provinces with respect to this matter and I think they are taking the matter to the railways.

Mr. VAUGHAN: We have had representations from the various organizations of employees to increase our pension, but we have not done so because we felt we could not afford to do so. Many of our employees have not been contributors to our pension fund as they had an opportunity to be. Had they done so most of them would have had a reasonable pension. Most of the complaints are from those who did not contribute to the pension fund.

The CHAIRMAN: Gentlemen, page 34,—Revenue tonnage by commodities.

#### REVENUE TONNAGE BY COMMODITIES

|  | Year              | Year              | Increase or      |              |
|--|-------------------|-------------------|------------------|--------------|
|  | 1948              | 1947              | Decrease         |              |
|  | Tons              | Tons              | Tons             | Percent      |
| <b>AGRICULTURAL PRODUCTS:</b>                              |                   |                   |                  |              |
| Wheat.....   | 4,900,373         | 5,682,704         | 782,331          | 13.77        |
| Corn.....  | 398,784           | 571,085           | 172,301          | 30.17        |
| Oats.....  | 1,197,443         | 1,472,167         | 274,724          | 18.66        |
| Barley.....  | 1,245,513         | 1,185,407         | 60,106           | 5.07         |
| Rye.....   | 152,952           | 220,853           | 67,901           | 30.74        |
| Flaxseed.....  | 218,916           | 122,072           | 96,844           | 79.33        |
| Other Grain (including dried peas, beans, soya beans)..... | 146,217           | 159,306           | 13,089           | 8.22         |
| Flour.....   | 1,005,790         | 1,222,383         | 216,593          | 17.72        |
| Other Mill Products.....                                   | 1,977,329         | 2,362,341         | 385,012          | 16.30        |
| Hay and Straw.....   | 201,218           | 208,363           | 7,145            | 3.43         |
| Cotton.....  | 68,590            | 75,396            | 6,806            | 9.03         |
| Apples (fresh).....  | 97,315            | 109,979           | 12,664           | 11.51        |
| Other Fruit (fresh).....                                   | 331,239           | 432,027           | 100,788          | 23.33        |
| Potatoes.....  | 405,147           | 472,754           | 67,607           | 14.30        |
| Other Fresh Vegetables.....                                | 205,616           | 269,586           | 63,970           | 23.73        |
| Other Agricultural Products.....                           | 704,736           | 678,649           | 26,087           | 3.84         |
| <b>Total.....</b>  | <b>13,257,178</b> | <b>15,245,072</b> | <b>1,987,894</b> | <b>13.04</b> |
| <b>ANIMAL PRODUCTS:</b>                                    |                   |                   |                  |              |
| Horses.....  | 37,952            | 55,859            | 17,907           | 32.06        |
| Cattle and Calves.....                                     | 365,874           | 318,005           | 47,869           | 15.05        |
| Sheep.....   | 13,286            | 19,060            | 5,774            | 30.29        |
| Hogs.....  | 144,285           | 159,402           | 15,117           | 9.48         |
| Poultry (live).....  | 247               | 227               | 20               | 8.81         |
| Dressed Meats or Dressed Poultry (fresh or frozen).....    | 245,497           | 226,116           | 19,381           | 8.57         |
| Dressed Meats (cured or salted).....                       | 88,015            | 122,777           | 34,762           | 28.31        |
| Other Packing House Products (edible).....                 | 42,908            | 56,621            | 13,713           | 24.22        |
| Eggs.....  | 57,133            | 80,326            | 23,193           | 28.87        |
| Butter.....  | 42,416            | 52,379            | 9,963            | 19.02        |
| Cheese.....  | 37,880            | 52,320            | 14,440           | 27.60        |
| Wool.....  | 40,977            | 47,402            | 6,425            | 13.55        |
| Hides and Leather.....                                     | 83,963            | 90,654            | 6,691            | 7.38         |
| Other Animal Products (non-edible).....                    | 106,073           | 96,528            | 9,545            | 9.89         |
| <b>Total.....</b>  | <b>1,306,506</b>  | <b>1,377,676</b>  | <b>71,170</b>    | <b>5.17</b>  |



## REVENUE TONNAGE BY COMMODITIES (Continued)

|  | Year       | Year       | Increase or |         |
|--|------------|------------|-------------|---------|
|  | 1948       | 1947       | Decrease    |         |
|  | Tons       | Tons       | Tons        | Percent |
| <b>MINE PRODUCTS:</b>  |            |            |             |         |
| Anthracite Coal.....   | 3,218,395  | 2,884,036  | 334,359     | 11.59   |
| Bituminous Coal.....   | 11,656,145 | 11,108,778 | 547,367     | 4.93    |
| Sub-Bituminous Coal.....   | 1,293,059  | 1,282,751  | 10,308      | .80     |
| Lignite Coal.....  | 518,153    | 440,564    | 77,589      | 17.61   |
| Coke.....  | 976,450    | 942,499    | 33,951      | 3.60    |
| Iron Ores and Concentrates.....  | 785,034    | 1,353,480  | 568,447     | 42.00   |
| Copper Ore and Concentrates.....   | 188,813    | 180,520    | 8,293       | 4.59    |
| Other Ores and Concentrates.....   | 2,248,705  | 2,110,800  | 137,905     | 6.53    |
| Base Bullion, Matte, Pig and Ingot (non-ferrous metals)...               | 684,538    | 584,576    | 99,962      | 17.10   |
| Sand and Gravel.....   | 2,151,189  | 2,032,852  | 118,337     | 5.82    |
| Stone (crushed, ground, broken).....                                     | 2,638,687  | 2,802,921  | 164,234     | 5.86    |
| Slate, Dimension or Block Stone.....                                     | 146,925    | 101,407    | 45,518      | 44.89   |
| Crude Petroleum.....   | 429,179    | 571,879    | 142,700     | 24.95   |
| Asphalt (natural, by-product petroleum).....                             | 353,448    | 335,703    | 17,745      | 5.29    |
| Salt.....  | 489,000    | 527,107    | 38,107      | 7.23    |
| Other Mine Products (not fully processed).....                           | 2,203,341  | 1,911,149  | 292,192     | 15.29   |
| Total.....   | 29,981,061 | 29,171,022 | 810,039     | 2.78    |
| <b>FOREST PRODUCTS:</b>  |            |            |             |         |
| Logs, Posts, Poles, Piling.....  | 875,559    | 972,063    | 96,504      | 9.93    |
| Cordwood and Other Firewood.....   | 359,223    | 424,265    | 65,042      | 15.33   |
| Ties.....  | 52,209     | 53,680     | 1,471       | 2.74    |
| Pulpwood.....  | 6,667,578  | 5,719,321  | 948,257     | 16.58   |
| Lumber, Timber, Box, Crate and Cooperage Material....                    | 4,770,041  | 5,102,127  | 332,086     | 6.51    |
| Other Forest Products.....   | 319,769    | 343,578    | 23,809      | 6.93    |
| Total.....   | 13,044,379 | 12,615,034 | 429,354     | 3.40    |
| <b>MANUFACTURES AND MISCELLANEOUS:</b>                                   |            |            |             |         |
| Gasolene.....  | 1,906,372  | 1,771,692  | 134,680     | 7.60    |
| Petroleum Oils and Petroleum Products (except asphalt and gasolene)..... | 1,767,020  | 1,921,540  | 154,520     | 8.04    |
| Sugar.....   | 368,478    | 281,504    | 86,974      | 30.90   |
| Iron, Pig and Bloom.....   | 416,421    | 430,574    | 14,153      | 3.29    |
| Rails and Fastenings.....  | 55,063     | 42,105     | 12,958      | 30.78   |
| Iron and Steel (bar, sheet, structural, pipe).....                       | 2,061,373  | 2,093,002  | 31,629      | 1.51    |
| Castings, Machinery and Boilers.....                                     | 358,766    | 377,146    | 18,380      | 4.87    |
| Cement.....  | 882,285    | 740,366    | 141,919     | 19.17   |
| Brick and Artificial Stone.....  | 381,683    | 366,417    | 15,266      | 4.17    |
| Lime and Plaster.....  | 514,624    | 434,930    | 79,694      | 18.32   |
| Sewer Pipe and Drain Tile.....   | 63,823     | 48,395     | 15,428      | 31.88   |
| Agricultural Implements and Vehicles other than Autos...                 | 390,382    | 319,432    | 70,950      | 22.21   |
| Automobiles, Auto Trucks and Auto Parts.....                             | 1,830,767  | 1,725,981  | 104,786     | 6.07    |
| Household Goods and Settlers Effects.....                                | 22,160     | 24,021     | 1,861       | 7.75    |
| Furniture.....   | 56,693     | 63,798     | 7,105       | 11.14   |
| Beverages.....   | 444,703    | 506,870    | 62,167      | 12.26   |
| Fertilizers, all kinds.....  | 1,161,272  | 1,189,576  | 28,304      | 2.38    |
| Newsprint Paper.....   | 1,959,861  | 1,966,108  | 6,247       | .32     |
| Other Paper.....   | 440,246    | 430,121    | 10,125      | 2.35    |
| Paper Board, Pulpboard and Wallboard (paper).....                        | 638,293    | 589,387    | 48,906      | 8.30    |
| Woodpulp.....  | 1,339,588  | 1,353,003  | 13,415      | .99     |
| Fish (fresh, frozen, cured, etc.).....                                   | 121,174    | 117,885    | 3,289       | 2.79    |
| Canned Goods (all canned food products).....                             | 677,318    | 762,948    | 85,630      | 11.22   |
| Other Manufactures and Miscellaneous.....                                | 7,441,382  | 7,741,115  | 299,733     | 3.87    |
| Merchandise (all L.C.L. Freight).....                                    | 2,351,867  | 2,514,559  | 162,692     | 6.47    |
| Total.....   | 27,651,614 | 27,812,475 | 160,861     | .58     |
| Grand Total.....   | 85,240,738 | 86,221,279 | 980,541     | 1.14    |



Mr. REID: On page 34, revenue tonnage by commodities is given under certain headings, like agricultural products, animal products, mine products, forest products and manufactures and miscellaneous. The question is if you take the agricultural products there are sixteen enumerated and you hauled 13,257,178 tons. If you go down below you will find in the mine products that there were over 16,000,000 tons hauled in four products. I am just wondering if you have a breakdown as to what the revenue would be on those four products as compared with the sixteen products? What I have in mind is this, that in the hauling of those products it is just as costly for you to haul coal as wheat. You are using an engine, cars, track, and maintenance men. We have these four articles—coal products—giving a total of 16,785,752 tons and above that you have thirteen articles of the whole agricultural industry which give a total of only 13,000,000 tons. I am wondering just how those sixteen articles under agricultural products compare with the four products of coal. You have them segregated here and I wonder if you have any figures which would show the ratio. It would be an interesting picture to see perhaps where losses are and whether you are charging too much here and too little there?

Mr. VAUGHAN: We know that we are not charging too much anywhere on anything.

Mr. REID: I look at four articles which represent 16,000,000 tons and I look at all the agricultural products and they reflect only 13,000,000 tons. Are those sixteen articles carrying a greater load than the four articles carry? I presume they are. It would be interesting to know what revenue you received from each of those categories—I do not mean individually but lumped together.

Mr. VAUGHAN: I do not know whether the audit department could get information of that kind. It would mean a tremendous amount of work and it would take us some time to analyze and segregate the charges. It would mean examining a good many waybills.

Mr. REID: I will let it go but it is a thought worth pursuing.

The CHAIRMAN: Can we go on to page 35?

The CHAIRMAN: If there are no questions on Page 35 would someone move the adoption of the report?

Mr. McCULLOCH: I would so move.

Mr. PICARD: I second.

The CHAIRMAN: Before we go on with the Canadian National Steamships Limited it has been suggested at various times that some of us might go to Montreal to see some of these items which we must discuss, for instance the Aviation Building. We are asked to supply funds for certain things on the system and a number of members have thought it might be wise for the committee to inspect some of these buildings. It would be worth while taking a day perhaps to look them over. If the members feel that is good business we could arrange to go down next Monday. I wonder if I might name one member from each group who would tell me tomorrow morning how many members of the committee would go next Monday and I could then make the arrangement? Perhaps Mr. Jackman, you would look after your group?

Mr. JACKMAN: I think perhaps Colonel McLure should do that.

Hon. Mr. CHEVRIER: You should not let Mr. Jackman get out of it so easily.

The CHAIRMAN: Mr. Nicholson, would you report for your group?

Mr. NICHOLSON: Very well.

The CHAIRMAN: Mr. Hlynka, you are the only one present from your group? Would you go next Monday?

Mr. HLYNKA: I do not know. When is the recess coming?



The CHAIRMAN: Perhaps Friday.

Mr. HLYNKA: I will have to go out campaigning.

Hon. Mr. CHEVRIER: I would not start too early if I were you.

The CHAIRMAN: Unless a reasonable number will go there is not much use in arranging the trip.

Mr. HATFIELD: What are you going to Montreal for?

The CHAIRMAN: A number of members have said they would like to look at the new Aviation Building and it has been under discussion at various times.

Mr. HATFIELD: Is it complete?

The CHAIRMAN: I do not think it is complete.

Mr. VAUGHAN: We have quite a few things in Montreal that might be of interest. We have the shops in Montreal, we have the terminal there, we have the Aviation Building, we have our laboratory and other things. If a sufficient number of you gentlemen would like to go Mr. McGregor has kindly offered the services of an aeroplane to take you down and back and the railway will look after you in Montreal.

Mr. HATFIELD: I would be more interested in having this committee go down to Portland, Maine, to see those old ships.

Mr. VAUGHAN: We would take you there.

Mr. HATFIELD: I would like to see the committee go.

Mr. VAUGHAN: They are not much to be proud of.

Mr. HATFIELD: I think I would give them to the city of Portland.

The CHAIRMAN: Then I will ask Mr. Nicholson, Mr. McLure, and Mr. Hlynka to report for their groups and I will try to look after the Liberal group. I would like to know your views tomorrow morning so that the necessary arrangements can be made.

Now, gentlemen, we will go on with the Canadian National (West Indies) Steamships Limited. I suppose Mr. Vaughan should read the report, he generally does.

MONTREAL, March 10, 1949.

THE HONOURABLE LIONEL CHEVRIER, K.C., M.P.,  
Minister of Transport,  
Ottawa.

Sir:—The following report is submitted of the operations of the Canadian National (West Indies) Steamships, Limited, for the calendar year 1948.

The operating results for the year compare with the previous year as follows:

|                              | 1948           | 1947           | Increase or<br>Decrease |       |
|------------------------------|----------------|----------------|-------------------------|-------|
| Operating Revenues . . . .   | \$7,964,719.82 | \$7,857,470.82 | \$ 107,249.00           | 1.36% |
| Operating Expenses . . . . . | 7,320,614.29   | 7,028,193.20   | 292,421.09              | 4.16% |
| Operating Profit . . . . .   | \$ 644,105.53  | \$ 829,277.62  | \$ 185,172.09           |       |

The volume of freight carried during the year, 407,979 tons, compared favourably with the pre-war tonnage, being exceeded only in 1947, in which year 6 per cent more tonnage was carried. Export tonnage decreased 52,533 tons or 26 per cent, reflecting the import restrictions imposed by the Islands consequent upon the dollar shortage; cargo movements being restricted to essential commodities. Import tonnage increased 26,726 or



11.5 per cent, principally due to increased sugar tonnage. The number of completed voyages was sixty-five, an increase of one over the previous year.

Freight revenue amounted to \$6,546,770, a decrease of \$818,361 or 11.1 per cent from the previous year.

Passenger revenue amounted to \$962,887, an increase of \$523,088 over the previous year, mainly due to the operation of the *Lady Nelson* and *Lady Rodney* for the full year 1948; these vessels having resumed service in July and August 1947.

Operating expenses were again much higher. The 1947 expenses included \$700,000 representing the balance of the reconversion and overhaul costs of the two "Lady" vessels on their return from war service. Omitting this special item the increase in expenses amounted to \$992,421 or 15.7 per cent. This increase is due to higher costs for labour, materials, stevedoring and other port services, and to the full year's operation of the *Lady Nelson* and *Lady Rodney*.

The following table indicates the extent to which operating expenses have increased:

|                              | Percentage<br>1948 over<br>1947 | Increase<br>1948 over<br>1939 |
|------------------------------|---------------------------------|-------------------------------|
| <b>Labour</b>                |                                 |                               |
| Ship Crews .....             | 12.4                            | 212.6                         |
| Shore Staffs .....           | 16.9                            | 83.0                          |
| Freight Handling .....       | 13.7                            | 58.9                          |
| <b>Material and Supplies</b> |                                 |                               |
| Fuel Oil .....               | 50.9                            | 229.5                         |
| Diesel Fuel Oil .....        | 37.8                            | 91.6                          |
| Provisions .....             | 14.1                            | 131.0                         |
| Other Supplies .....         | 18.5                            | 88.0                          |

Operating profit for the year was \$644,105, a decrease of \$185,172 from the previous year. After payment of interest on bonds and government advances there was a surplus of \$166,044. The full income statement is shown on Page 8.

There was no change in the fleet during the year, which at present comprises the following vessels:

|                                 |                                  |               |               |
|---------------------------------|----------------------------------|---------------|---------------|
| <i>Lady Nelson</i> .....        | Freight and Passenger .....      | 7,970         | 6,370         |
| <i>Lady Rodney</i> .....        | Freight and Passenger .....      | 8,194         | 4,665         |
| <i>Canadian Challenger</i> ...  | Diesel powered and refrigerated. | 6,745         | 7,460         |
| <i>Canadian Constructor</i> ... | Diesel powered and refrigerated. | 6,745         | 7,460         |
| <i>Canadian Cruiser</i> .....   | Diesel powered and refrigerated. | 6,745         | 7,460         |
| <i>Canadian Conqueror</i> ...   | Non-refrigerated .....           | 2,930         | 4,532         |
| <i>Canadian Highlander</i> ...  | Non-refrigerated .....           | 2,966         | 4,532         |
| <i>Canadian Leader</i> .....    | Non-refrigerated .....           | 2,930         | 4,532         |
| <i>Canadian Observer</i> .....  | Non-refrigerated .....           | 2,967         | 4,532         |
| <i>Canadian Victor</i> .....    | Non-refrigerated .....           | 2,963         | 4,532         |
|                                 |                                  | <u>51,155</u> | <u>56,075</u> |

The balance in the Vessel Replacement Fund at the end of the year was \$3,449,717, and the Self Insurance Fund totalled \$1,764,720.

It will be remembered that the Company was incorporated in 1927 to implement the trade agreement of July 6, 1925. In the first five years of operation, while the trade was being built up, operating deficits were incurred, but since 1934 the Company has consistently shown operating profits and a surplus after the payment of fixed charges. Out of such operating profit there has been paid \$6,992,237 for interest on bonds held by the public and \$7,689,604 to the Government for principal and interest. The amounts paid to the Government for interest include \$3,456,413 for interest on advances for the deficits in the development period 1929-1934.



The advances in question did not represent additional capital investment in the enterprise nor did they provide assets capable of earning an interest return.

The accounts of the Company do not, however, reflect the full financial advantages to Canada of the Company's operations. Prior to the inauguration of its services an annual subsidy of \$340,666 had been paid to private operators for service to the eastern group of islands only. Under the 1925 trade agreement Canada undertook to provide certain ship tonnages and services for which tenders were invited from steamship interests. Private interests asked for an annual subsidy of \$582,783 for operation of the eastern service only. No offers were made for the western service. The Company was therefore incorporated for the purpose of carrying on both of the services called for in the trade agreement; and on the basis of the above-mentioned tender for part of the service only it is reasonable to assume that Canada has thereby saved a very large sum in subsidy payments.

During the period of operations, 1929-1948, export cargoes from Canada to the Islands totalled 2,960,834 tons with a trade value in excess of \$250 millions. Import tonnage was 4,053,852, with an estimated trade value of over \$152 millions. The extensive endeavour put forth by the Company to further and develop trade between Canada and the West Indies has been of inestimable value to Canada and the Islands. It is hoped that in any new agreement which may be negotiated cognizance will be taken of the greatly increased cost of operation by the inclusion of enhanced subsidy provisions, and that it will contain some measure of assurance that the company will continue to obtain a fair share of the available tonnage movement commensurate with the services operated.

The Directors record their appreciation of the services rendered by the officers and employees during 1948.

THE CHAIRMAN: Are there any questions?

Mr. HATFIELD: What effect is the sterling restriction going to have on your lines?

Mr. VAUGHAN: It has already had a substantial effect. The West Indian Islands are not buying from Canada the goods they bought before the sterling restriction went into effect. They now buy more from the sterling countries and less from Canada.

Mr. HATFIELD: What are the prospects for the future? We cannot get orders, we come under quotas and the quotas are very small. Permits must be issued to buy from dollar countries and I wonder what effect that is going to have on your steamship trade?

Mr. VAUGHAN: We believe that so long as the restrictions are in effect they are going to have a substantial effect on our trade. The exports are going to lessen rather than increase while the restrictions exist.

Mr. HATFIELD: The buying in sterling countries is going to increase.

Mr. VAUGHAN: Yes, but it is something over which we have no control as it is an arrangement between the British government and the colonies.

Mr. REID: In what funds do West Indies people pay for freight?

Mr. VAUGHAN: I did not catch that question.

Mr. REID: I have in mind British ships on the high seas and Britain looks upon those ships as bringing capital, money, to the British people. Your Canadian ships are operating between Canada and the West Indies and they bring back freight. There are charges made and I ask what currency is used for payment?



Mr. VAUGHAN: I think there is more Canadian currency used than any other. There is some United States currency but a large portion of the north-bound tonnage is sugar brought in by the dominion government and that is paid for in Canadian funds.

Mr. REID: It would not be sterling, and it would be a gain to the country as far as currency is concerned?

Mr. VAUGHAN: The difficulty is that these countries are restricted from buying in dollar countries.

Mr. REID: I know, but people buying passage on the ships or sending freight from there pay in the West Indies before the passengers or freight leave. What currency is used in payment?

Mr. VAUGHAN: Nearly all our freight is paid in Canadian currency.

Mr. REID: Would sterling restrictions have any effect on freight and passenger tickets?

Mr. VAUGHAN: I do not think I understood your last question, Mr. Reid.

Mr. REID: The question was, in what currency is the freight and passenger account from the islands stated? I mean, people in the West Indies, who buy passage on steamships coming to Canada?

Mr. VAUGHAN: They pay for it in Canadian currency.

Mr. HATFIELD: Do you accept any prepaid freight from the West Indies on goods shipped up here, in sterling?

Mr. VAUGHAN: As to what amount there is of that, I could not tell you, Mr. Hatfield. It would be very limited, I think.

Mr. HATFIELD: Would it not be to your advantage to accept sterling in payment?

Mr. VAUGHAN: I am not just sure, to be perfectly candid, as to the amount of prepaid goods that we would get.

Mr. HATFIELD: You do accept pre-payment then?

Mr. VAUGHAN: Yes, we do. If it were prepaid, we would probably accept sterling. But I shall find out about that.

Mr. HATFIELD: I don't know how you are going to compete with foreign trade, with foreign ships, because they are lowering their tariffs every day. I do not know how you are going to compete with them.

Mr. VAUGHAN: It is getting more difficult to do so every day.

Mr. HATFIELD: And what are you going to do about it?

Mr. VAUGHAN: We have not reached a point yet where we are losing any money.

Mr. HATFIELD: But you will reach such a point.

Mr. VAUGHAN: We are doing everything we can to get all the business we can, having regard to the fact that there are still some obligations in relation to the Canada-West Indies trade agreement, which we are endeavoring to continue to carry out.

Mr. HATFIELD: Is that trade agreement going to be renewed?

Mr. VAUGHAN: That is a matter of government policy and I cannot tell you.

Mr. JACKMAN: What is the subsidy provision now, Mr. Vaughan?

Mr. VAUGHAN: We get no subsidy, of course, from Canada but we do get some small subsidies from the islands. I think the subsidies amount to \$130,000.

Mr. COOPER: In 1948 we received £30,500 which, converted into Canadian currency was equal to \$122,610.



Mr. NICHOLSON: I notice that your surplus for the year amounts to \$166,044.43. I remember three years ago we had quite a long discussion about the deficit item in the balance sheet. I notice that it is now down to \$2,880,324.78. I wonder if Mr. Vaughan could make some statement as to how many years it would take to pay off this deficit at the rate we have been going and also as to what representations have been made to the government towards giving some relief.

Mr. VAUGHAN: We have asked the government for relief and I think the matter is in hand by the government. But as to just what they will do about it I do not know. It would take a number of years yet at the profit which we made last year to pay off all the amounts which the government has charged against us together for interest on the deficits which were incurred in the early stages of operation.

Mr. NICHOLSON: I wonder if the minister would care to make some comment with respect to page 5 of the report having regard to the fact that over a number of years the government has been paying a subsidy of \$340,666 each year to the private companies, and the fact that private interests asked for an annual subsidy of \$582,783 for the eastern service only. Because of this fact, it seems to me that the government might give possible consideration to some relief in order to remove this deficit of \$2,880,324.78.

Hon. Mr. CHEVRIER: As the president of the Canadian National Steamships has said, representations have been made by Canadian National Steamships to the government over a period of years asking the government to grant relief in connection with the amount paid for interest, and arrears of interest, over the years when there was unprofitable operation, between 1925 and 1934.

Mr. VAUGHAN: It was 1929 to 1934.

Hon. Mr. CHEVRIER: Yes, 1929 to 1934; and consideration has been given to that problem from time to time, but the government has not seen fit to grant relief.

Mr. NICHOLSON: It does not appear that they are making very much progress.

Hon. Mr. CHEVRIER: If you will just allow me to complete my statement, Mr. Nicholson. I was going to say that from year to year the government has given consideration—at least, for the past two years—but it has not seen fit to grant the relief requested. This year representations were again made by Canadian National Steamships, and as a result a subcommittee of the cabinet was established to deal with the problem. So the problem is now under consideration by that subcommittee.

Mr. HATFIELD: Do you still have to operate under the Canada-West Indies Trade Agreement? I mean, you cannot stop at another port even if there is profitable business to be obtained there. You have to pass it in order to carry out the Canadian West Indies agreement?

Mr. VAUGHAN: We do not call at all the small places. We used to do so and we still call at most of them.

Mr. HATFIELD: You go right by Havana, Cuba.

Mr. VAUGHAN: Yes.

Mr. HATFIELD: You could not go in there?

Mr. VAUGHAN: I do not think we are entirely prevented from doing so; but we could not maintain our schedule if we did so.

Mr. HATFIELD: You call at Porto Rico?

Mr. VAUGHAN: No. The schedule of calls is outlined in the Canada-West Indies Trade Agreement.

Mr. HATFIELD: You are prevented under that trade agreement from calling at those profitable ports?



Mr. VAUGHAN: We do call at them occasionally when we can get a reasonable cargo of sugar. Sometimes we have called at Dominica; and we have called occasionally at Cuba for sugar on the northern trip. But we do not call at those places very often.

Mr. REID: That item in the consolidated balance sheet of passage money paid in advance in the amount of \$239,851.64 seems to be quite a large sum of money. That is a lot of money to be paid for passage in advance. You might give us some explanation about that.

Mr. COOPER: When you buy a ticket to the West Indies, ordinarily you pay for your passage in advance. We do not treat that as revenue until the purser's manifest comes in at the end of the voyage. It is prepaid passage money, just what it says.

Mr. REID: There must be a lot of passages involved in that sum of money.

Mr. VAUGHAN: There has been a big demand for passenger accommodation. Some people pay their passage money six months before they travel.

Mr. REID: And that item of advances to captains, crews, etc., of \$35,698.12; what about that?

Mr. COOPER: Those are advances to the captain. He makes port purchases and advances money to the crew against their wages. It is a working advance.

Mr. McCULLOCH: I understand that passages are sometimes booked seven months ahead of time.

Mr. VAUGHAN: Some of them are.

Mr. REID: With regard to that item of 50.9 per cent increase in fuel oil mentioned on page 4, does that mean increased oil consumption or does that mean increased prices for fuel oil?

Mr. VAUGHAN: It is an increased price entirely. Since this report was published, there has been some small reduction in the price of fuel oil.

Mr. REID: It seems quite an increase, and that is why I asked about it.

Mr. HAZEN: I understand there has been some complaint among the apple growers of Nova Scotia concerning the transportation of apples to the British West Indies. I believe the apple growers complain that there are no proper cold storage facilities provided for the carriage of apples. And I am also informed that they state that last season they could have found a market for 10,000 barrels of apples in the British West Indies, had the steamships provided proper storage facilities to take those apples down there. Are there any grounds for those complaints?

Mr. VAUGHAN: I think there may be, Mr. Hazen. The only ships which we have with cold storage accommodation of any consequence are those three diesel ships. We did carry some apples but we received so many complaints from the other shippers who shipped goods in the same cold storage compartment that the odour of the apples had an effect on the other goods that we were forced to decline to accept apples on some of our ships.

Mr. HAZEN: I was informed that these boats had three separate refrigerated compartments. The apple growers thought that one of those compartments might have been made available for them, and that they might have been allowed one of those compartments in which to put their apples.

Mr. VAUGHAN: That complaint came to my attention only a short time ago. We are looking into it to see if it is possible for us to comply with their wishes.

Mr. HAZEN: If there is an opportunity to develop the market in the West Indies I think we should take advantage of the situation and try to develop it, particularly in view of the loss of markets in Great Britain which we have sustained. I understand that we are looking around for further markets.



Hon. Mr. CHEVRIER: Mr. Hazen, may I ask if you have any idea of the quantity of apples that might be required to be shipped?

Mr. HAZEN: My information was that there was a market for 10,000 barrels last season and that we were not able to avail ourselves of this market because they could not get proper transportation facilities on government boats.

Mr. VAUGHAN: I think there is something in that complaint which came to our attention some time ago. We have investigated to see if there is not some place where we could stow these apples in cold storage compartments in a way that would not affect other products in cold storage.

Mr. HAZEN: There is another matter I want to ask you about, something I read about in the papers. I saw in the press that you are having strikes on the "Lady" boats. Would you care to make any comment on that situation?

Mr. VAUGHAN: We have had a strike on one of our boats there, the *Lady Rodney* and the *Challenger*.

Hon. Mr. CHEVRIER: You mean the *Lady Rodney*.

Mr. VAUGHAN: The *Lady Rodney*, I should have said, and the *Challenger*. There was a board of conciliation appointed by the Minister of Labour to deal with the wage situation. That board, including the representatives of the men made a unanimous report. The representative of labour and the Canadian Seamen's Union concurred in the report. There was no reduction in wages. The principal thing that was eliminated from the previous agreement was the provision with regard to the hiring hall. Under the old agreement the company was required to hire all its men through the hiring hall but under the new agreement the men could be hired either through the hiring hall or from the employment agencies. We accepted the award of the board of conciliation, but the day before the *Lady Rodney* was to sail the men said that they would not accept the award although it was made several weeks ago. No men had been signed on for the trip but about eighty men remained on board and are still there and have refused to get off. We are dealing with the matter in a way that we think will be effective and we hope to get the situation clarified in a few days.

Mr. HAZEN: You say that the men said that they would not accept the award. Was there a representative of the men sitting on the board or was it a representative of the union?

Mr. VAUGHAN: It was the representative of the men.

Mr. HAZEN: And was he a representative of the union?

Mr. VAUGHAN: Yes, he was president of the union.

Mr. HAZEN: You say they had a representative on the board and he concurred in the findings.

Mr. VAUGHAN: They had their own man as a representative on the board of conciliation. He signed the award along with the other two representatives, the chairman and the representative of the shipping federation.

Hon. Mr. CHEVRIER: And the findings of this board to which you have referred were unanimous?

Mr. VAUGHAN: Yes.

Mr. MOORE: Your report shows an insurance fund there of \$1,764,000. Are there any other vessels included in the insurance scheme beside those named?

Mr. VAUGHAN: The only vessels are those given in the report here. Their names are in the report. The names of the vessels with their tonnage is given.

Mr. HATFIELD: I would like to ask you again about the situation at the port of St. John. That is a matter which I have taken up with the minister.

Mr. VAUGHAN: We have tried to explain that matter to you, Mr. Hatfield, but I know you were not satisfied.



Mr. HATFIELD: No, but we are finding a way around it, we ship it by other lines. We were almost forced to take that business away from the C.N. Steamships because of the arrangement which would not permit us to load at St. John because the boats were going around to Halifax. The result was that we had to ship our stuff by freight to Halifax and we have found that that is not satisfactory. I was just wondering whether you had not changed your attitude on this matter.

Mr. VAUGHAN: We did not think it desirable or practicable for us to do that, Mr. Hatfield. I think we gave a memorandum on that last year.

Mr. HATFIELD: That is all right. As you know, we had to give the business to some other lines.

Mr. VAUGHAN: We do not like to see the business going elsewhere and we are trying to work out some way of handling it satisfactorily.

Mr. HATFIELD: I would like to get some explanation as to why they do not take on freight when the boats leave St. John where it calls on schedule.

Mr. VAUGHAN: We gave a memorandum on that last year I think, Mr. Hatfield.

Mr. HATFIELD: Yes. Your memorandum stated that they had to open all the hatches at Halifax. I do not think it is necessary for them to open up all the hatches. They said they had to open up all the hatches at Halifax and that made the cargo open to damage by frost.

Mr. VAUGHAN: We felt that we would have too many complaints in respect to damaged goods, which we did have.

Mr. HATFIELD: I do not see why you could not fill one of the holds at St. John with potatoes and then not open it when a boat was loading at Halifax.

Mr. VAUGHAN: We went into the matter very fully with our steamship people down there.

Mr. HATFIELD: Stowage in Halifax has been awful, it has damaged more goods—we have had to use other lines.

The CHAIRMAN: Are there any other questions on the balance sheet?

Mr. HAZEN: Is there any reason for the strikes on these boats? Is it due to communist activity?

Mr. VAUGHAN: We believe it is and we think the time has come for a show-down, that we have got to run our own ships.

Mr. HAZEN: Yes.

Mr. JACKMAN: Do you find that this labour trouble has interfered with the operation of your boats, that you are running behind your budget because of troubles of this kind which you could not foresee?

Mr. VAUGHAN: Yes, this strike has been expensive to us. We have not only lost cargo but the expenses have increased considerably.

Mr. JACKMAN: Have you had to meet very much competition because the price of sugar is down a cent a pound or so? Has that made a reduction in your revenues? Have you had to reduce your rates?

Mr. VAUGHAN: We have not cut our rates on sugar. The rates on sugar are fixed each year with the Sugar Control Board.

Mr. JACKMAN: How much do you get for transporting sugar?

Mr. VAUGHAN: We haven't those figures here but I could get them for you.

Mr. JACKMAN: Am I correct in my understanding that the passenger accommodation on these boats is limited?

Mr. VAUGHAN: Yes.



Mr. JACKMAN: How many passengers will these boats accommodate?

Mr. VAUGHAN: Our lady boats carry 110 passengers each and our diesel ships only 12 passengers to each ship.

Mr. JACKMAN: That is quite a difference.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Do you know whether your passenger service is profitable?

Mr. VAUGHAN: There is not much profit in it. We have the passenger accommodation and we might as well use it, and it is also a condition of the West Indies Trade Agreement, that we provide certain passenger accommodation.

Mr. JACKMAN: There are quite a few people travelling. Last year your revenue from passenger travelling increased very substantially while your freight traffic went down.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Is it the intention of the company to develop the passenger traffic if it proves profitable, if it looks like good business, if it looks as though there were greater profit in it than in freight; or, was it really established just to implement the trade agreement?

Mr. VAUGHAN: If there should be any indication that there would be a fair profit in from an increased passenger service, or even in freight service, we would ask for sufficient boats to take care of it. We want to make a profit wherever we can. We don't want to put more ships in service than we feel can be operated profitably. We do not think we could get new ships today at the price we would have to pay and operate them at a profit.

Mr. HATFIELD: I agree with you on that.

Mr. JACKMAN: Is it the policy of the company to expand the service as far as it proves profitable, or is the primary purpose and policy of the company to provide a minimum service between Canada and the West Indies. What is the policy of the company? Are you out for all the business you can get and all the profit you can make, or are you operating primarily because we have a trade agreement with the West Indies and you are only operating a sufficient number of boats to meet that requirement?

Mr. VAUGHAN: The service was established in the first place to implement the Canada-West Indies Trade Agreement, but we are operating it as a commercial concern and we will carry anything if it is profitable to do so.

Mr. JACKMAN: Have you had much competition in recent years?

Mr. VAUGHAN: We have plenty of competition; there is the Saguenay terminals who have several boats going to the West Indies; then there is Pickford & Black who also have some.

Mr. JACKMAN: Have most of these lines been established since the war?

Mr. VAUGHAN: Pickford & Black is an old line. The Saguenay terminals owned by the Aluminum Co. of Canada was running before the war. Then there is the Aluminum Company of the United States who have ships operating under U.S. registry. They carry bauxite from the West Indies to the Saguenay and then come up to Montreal for return cargo, and they offer very keen competition to us.

Mr. HATFIELD: But their competition is all outward trade.

Mr. VAUGHAN: Yes, but they do carry some sugar coming up, particularly Alcoa vessels owned by the Aluminum Company in the United States.

Mr. JACKMAN: What do you intend to do with this vessel replacement fund of \$3,449,000?



Mr. VAUGHAN: If sufficient business develops to warrant us increasing our fleet we would then use that fund for that purpose but we do not think business would justify it at the present time. As a matter of fact business is so slack now that we have taken five boats out of the West Indies service and chartered them outside. We have actually only five boats in the West Indies service today, the others are chartered for service elsewhere.

Mr. JACKMAN: If you do not see any use for that vessel replacement fund, particularly in view of what you say, and also in view of the fact that we have been through a peak in business, you would hardly expect you would have to use more ships or to have more carrying capacity for some years to come. I may be wrong in this statement but I make it anyway. Why, therefore, do you not use some of that money to retire some of the 5 per cent guaranteed bonds?

Mr. VAUGHAN: Those bonds are not callable bonds. If the replacement fund is not used for the construction of new vessels it will be used to pay off the bonds when they become due.

Mr. JACKMAN: In the meantime is the replacement fund invested in government bonds?

Mr. VAUGHAN: In government bonds.

Mr. JACKMAN: If you were to put them on the market in New York now what would they sell for?

Mr. VAUGHAN: I do not know what they sell for in New York but I think they sell for about \$120 in Canada.

Mr. HATFIELD: Could some of those ships be used in Newfoundland trade?

Mr. VAUGHAN: We cannot tell until we get into that trade. As you know the Newfoundland Railway has twelve to fifteen vessels of its own.

Mr. HATFIELD: You would not consider replacing any of those steamships plying the West Indies under conditions as they are today, would you?

Mr. VAUGHAN: No, sir, we would not.

Mr. WARREN: It being 10 o'clock would it not be a sensible idea to carry to the end of page 8 and call it a day?

The CHAIRMAN: Pages 6, 7, and 8.



## CONSOLIDATED BALANCE SHEET

AT 31st. DECEMBER, 1948.

### ASSETS

|  |                     |                        |
|--|---------------------|------------------------|
| INVESTMENTS:                               |                     |                        |
| Vessels.....                               | \$9,844,445.48      |                        |
| Less Accrued Depreciation.....             | <u>3,605,981.90</u> |                        |
|  | \$6,238,463.49      |                        |
| Vessel Replacement Fund.....               | <u>3,449,717.47</u> | \$ 9,688,180.96        |
|  |                     |                        |
| CURRENT ASSETS:                            |                     |                        |
| Cash in Banks.....                         | \$ 1,244,311.35     |                        |
| Special Deposits.....                      | <u>3,350.00</u>     |                        |
|  | \$ 1,247,661.35     |                        |
| Accounts Receivable.....                   | 47,682.62           |                        |
| Freight, Passenger and Agency Balances.... | 185,716.33          |                        |
| Inventories.....                           | 25,407.01           |                        |
| Advances to Captains, Crews, etc.....      | 35,698.12           |                        |
| Due from Insurance Fund.....               | <u>5,499.87</u>     | 1,547,665.30           |
| INSURANCE FUND.....                        |                     | 1,764,720.14           |
| DISCOUNT ON CAPITAL STOCK.....             |                     | 40,000.00              |
|  |                     | <u>\$13,040,566.40</u> |

### LIABILITIES

|   |                   |                        |
|---|-------------------|------------------------|
| CAPITAL STOCK:  |                   |                        |
| Authorized and issued 400 Shares of \$100.00 each.....              | \$                | 40,000.00              |
|   |                   |                        |
| FUNDED DEBT:  |                   |                        |
| 25 Year 5% Government of Canada Guaranteed Gold Bonds due 1955..... |                   | 9,400,000.00           |
| GOVERNMENT OF CANADA ADVANCES.....                                  |                   | 3,698,817.11           |
|   |                   |                        |
| CURRENT LIABILITIES:  |                   |                        |
| Accounts Payable.....   | \$ 551,878.42     |                        |
| Interest Matured Unpaid.....  | 3,350.00          |                        |
| Unmatured Interest Accrued.....                                     | 156,666.67        |                        |
| Passage Money paid in Advance.....                                  | <u>239,851.64</u> | 951,746.73             |
| UNADJUSTED CREDITS.....   |                   | 65,607.20              |
| INSURANCE RESERVE.....  |                   | 1,764,720.14           |
| PROFIT AND LOSS— <i>Deficit</i> .....                               |                   | <u>2,880,324.78</u>    |
|   |                   | <u>\$13,040,566.40</u> |

NOTE:—A reserve has been provided for pension contracts in force under the C.N.R. 1935 contractual plan, but not for pensions conditionally accruing.

T. H. COOPER,  
Vice-President and Comptroller.

### CERTIFICATE OF AUDITORS

We have examined the books and records of the Canadian National (West Indies) Steamships, Limited and Subsidiary Companies for the year ended the 31st. December, 1948. We certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Steamships at the 31st. December, 1948, and that the relative Income and Profit and Loss Accounts for the year ended the 31st. December, 1948, are correctly stated. We have reported to Parliament in respect of our annual audit.

10th, March, 1949.

GEORGE A. TOUCHE & CO.,  
Chartered Accountants.



## CONSOLIDATED INCOME ACCOUNT

| OPERATING REVENUES:                   | 1948                  | 1947                  |
|---------------------------------------|-----------------------|-----------------------|
| Freight .....                         | \$6,546,770.68        | \$7,365,132.12        |
| Passenger .....                       | 962,886.88            | 439,798.74            |
| Miscellaneous .....                   | 66,374.11             | 47,307.65             |
| Subsidies .....                       | 122,610.00            | 33,567.00             |
| Charter .....                         | 266,078.15            | 28,334.69             |
| Total .....                           | <u>\$7,964,719.82</u> | <u>\$7,857,470.82</u> |
| <br>                                  |                       |                       |
| OPERATING EXPENSES:                   |                       |                       |
| Voyage Accounts .....                 | \$6,524,876.10        | \$6,255,313.10        |
| Depreciation on Vessels.....          | 492,222.15            | 493,593.60            |
| Management and Office Expenses.....   | 229,291.04            | 213,536.62            |
| Pensions .....                        | 31,792.43             | 38,449.38             |
| Other Expenses .....                  | 42,432.57             | 27,300.50             |
| Total .....                           | <u>\$7,320,614.29</u> | <u>\$7,028,193.20</u> |
| Operating Profit .....                | <u>\$ 644,105.53</u>  | <u>\$ 829,277.62</u>  |
| <br>                                  |                       |                       |
| Vessel Replacement Fund Earnings..... | \$ 85,733.06          | \$ 266,697.59         |
| Interest on Bonds held by Public..... | 470,000.00            | 470,000.00            |
| Interest on Government Advances.....  | 93,794.16             | 103,298.14            |
| Surplus .....                         | <u>\$ 166,044.43</u>  | <u>\$ 522,677.07</u>  |

## CONSOLIDATED PROFIT AND LOSS ACCOUNT AT 31st DECEMBER, 1948

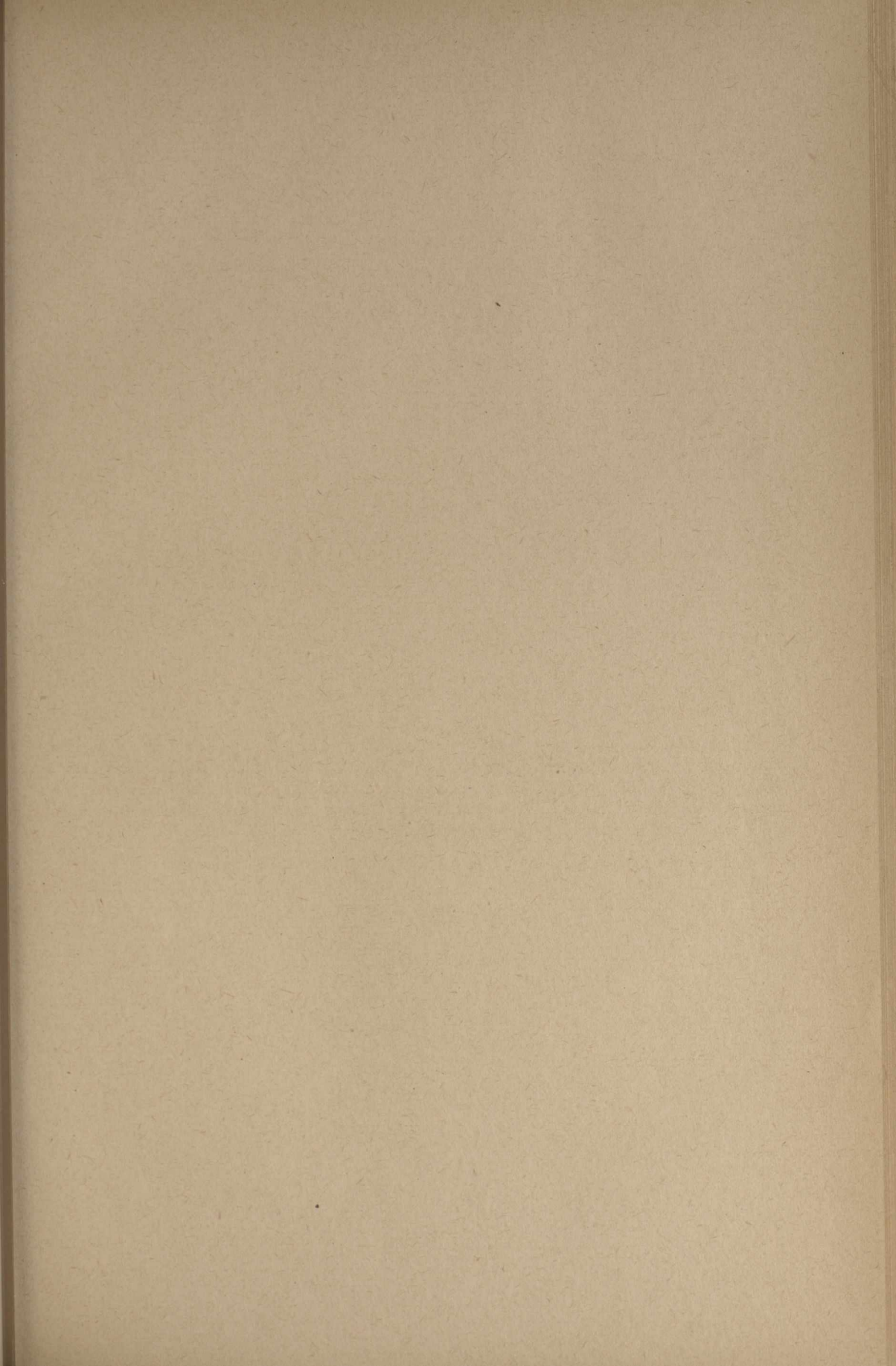
|  |                       |
|--|-----------------------|
| Balance at 31st December, 1947— <i>Deficit</i> ..... | \$3,046,369.21        |
| Surplus as per Income Account, Year 1948.....        | 166,044.43            |
| Balance at 31st December, 1948— <i>Deficit</i> ..... | <u>\$2,880,324.78</u> |

The CHAIRMAN: Gentlemen, shall these pages carry?  
Agreed.

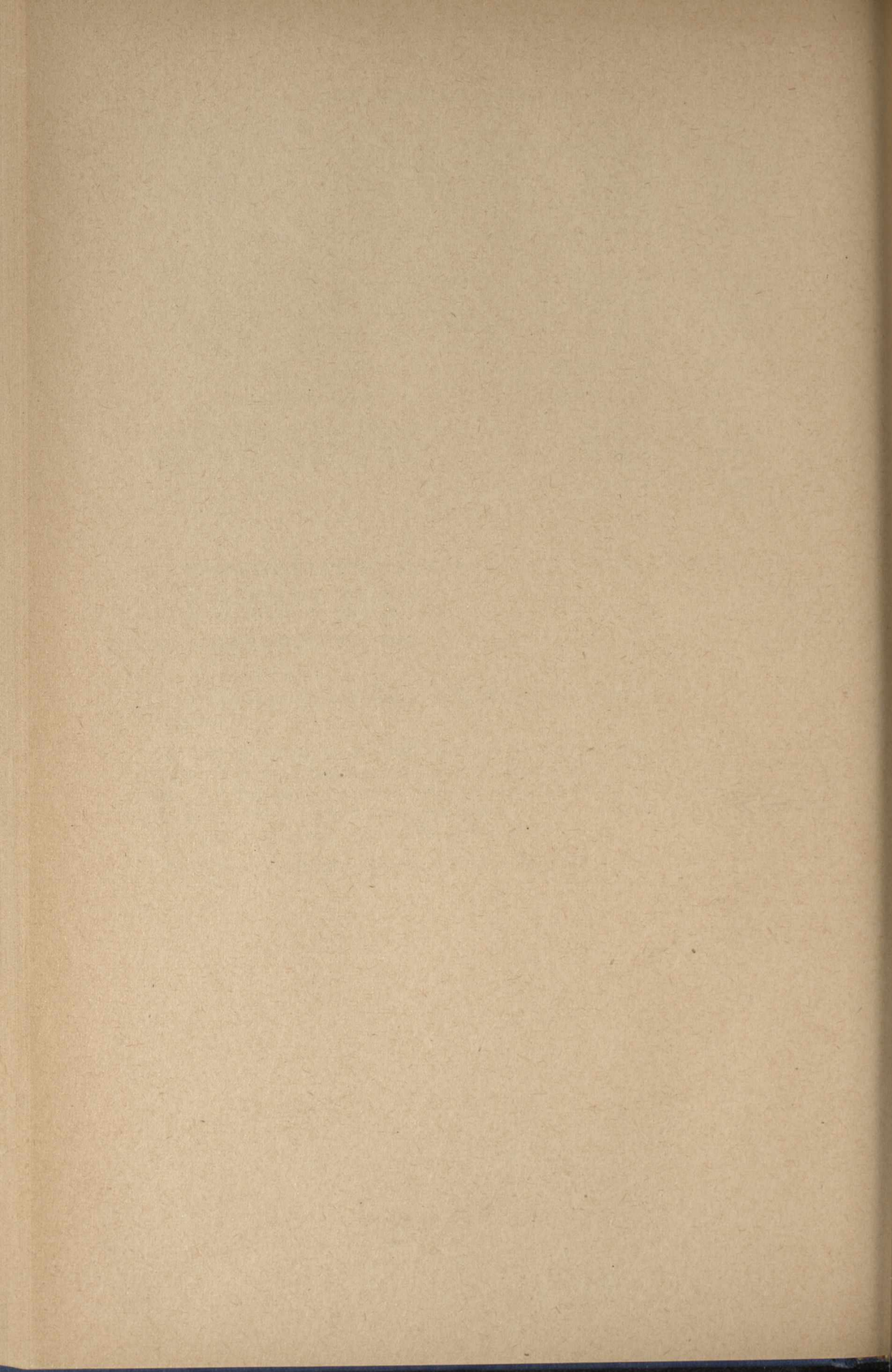
Tomorrow morning, we will meet at 11 o'clock, gentlemen. We have the Canadian National Railway and the Canadian National West Indies Steamships budget, the Canadian National Railway security trust, the auditor's report, and the minister has I believe three estimates. If we meet at 11 o'clock and again at 4 we should certainly clean this up tomorrow.

The meeting adjourned to meet March 30, 1949, at 11 o'clock.

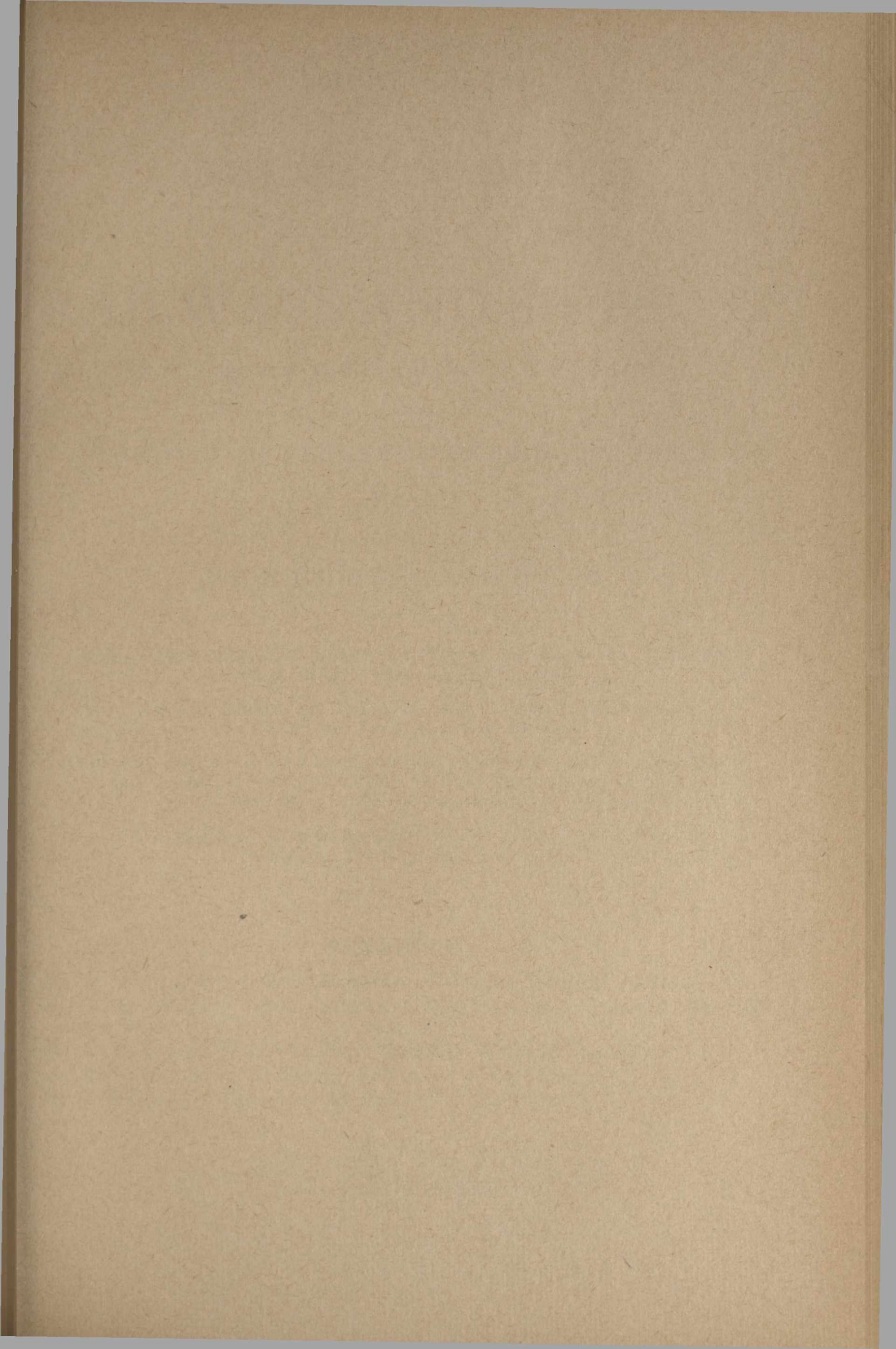




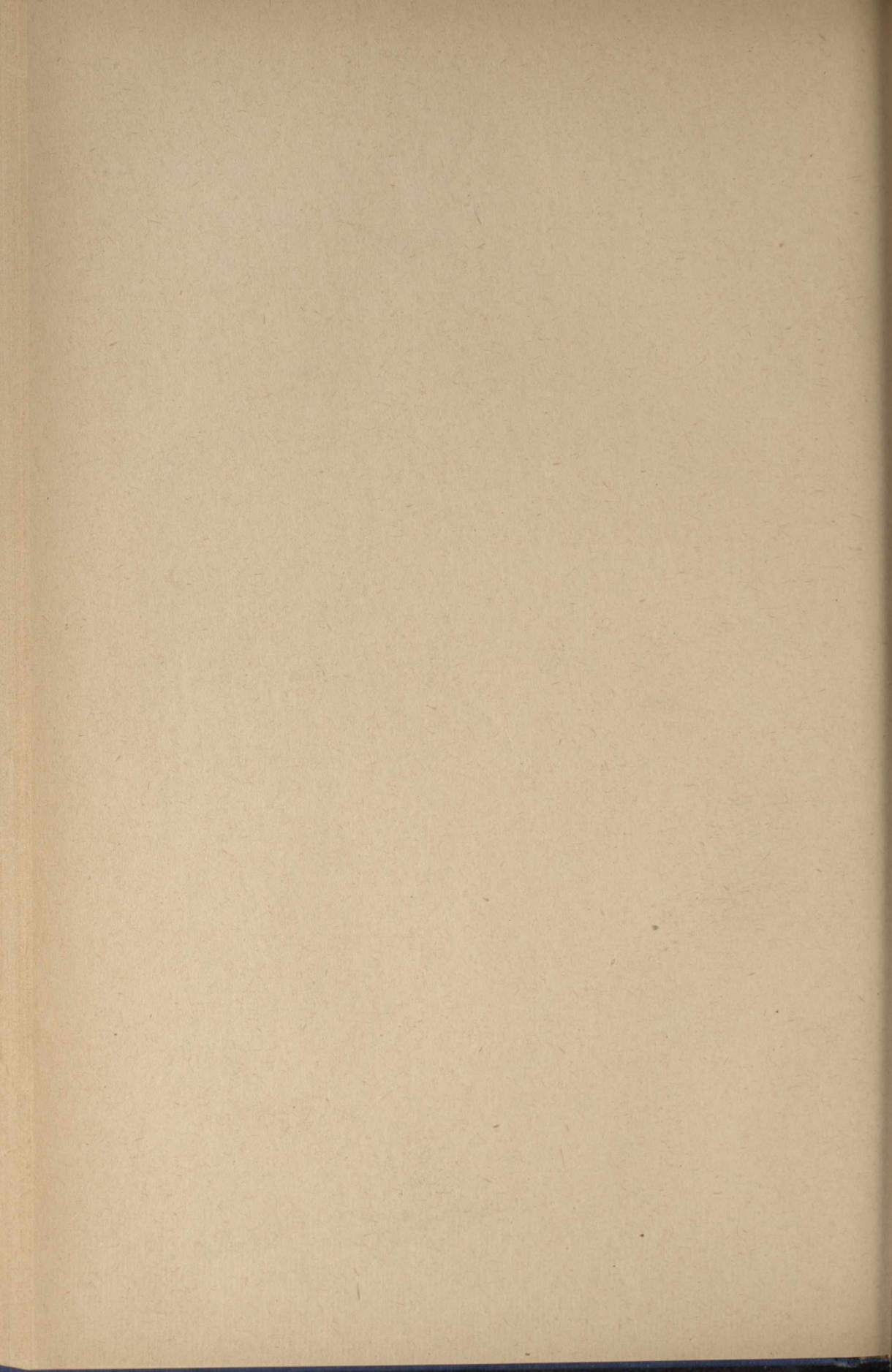














SESSION 1949

HOUSE OF COMMONS

# SESSIONAL COMMITTEE

ON

# RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

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WEDNESDAY, MARCH 30, 1949

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Budget 1949—Canadian National Railways and Canadian National  
(West Indies) Steamships, Limited.

Annual Report of The Canadian National Railways  
Securities Trust for Year 1948

Auditors' Report to Parliament (1948)—Canadian National Railways  
and Canadian National (West Indies) Steamships, Limited.  
Items 488, 489 and 556 of estimates for 1949-50.

Consolidated Income Account Fiscal Years 1948-49 and  
1947-48 of Hudson Bay Railway.

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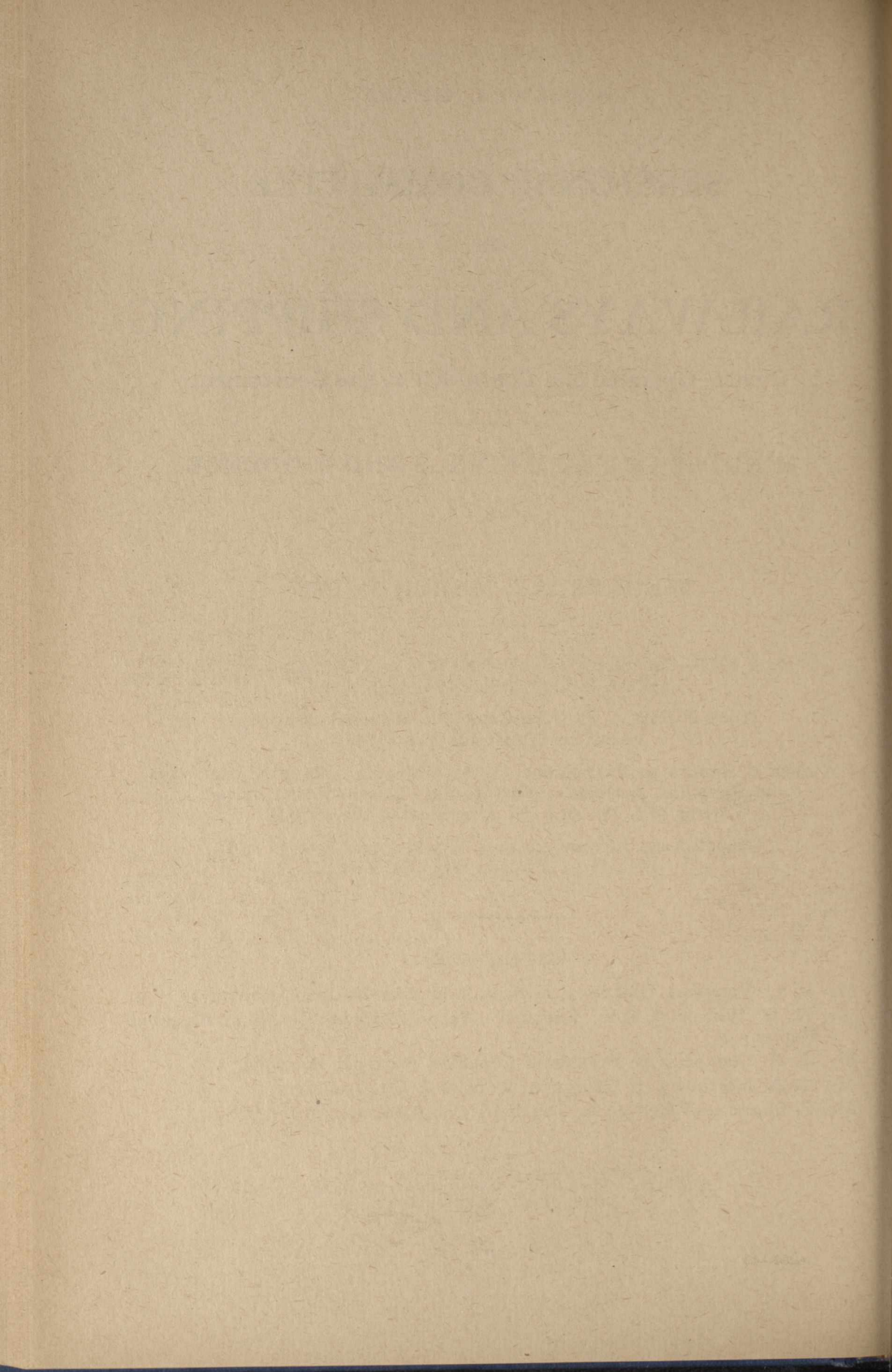
## WITNESSES:

- Mr. R. C. Vaughan, C.M.G., President, Canadian National Railways;  
Mr. N. B. Walton, C.B.E., Executive Vice-President, Canadian National  
Railways;  
Mr. T. H. Cooper, Vice-President, Canadian National Railways;  
Mr. O. A. Matthews, of George A. Touche & Co., Auditors;  
Mr. P. Bennett, of George A. Touche & Co., Auditors.

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

1949







## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,  
WEDNESDAY, March 30, 1949.

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 11.00 o'clock a.m. The Chairman, Mr. S. M. Clark, presided.

*Members present:* Messrs. Bourget, Chevrier, Clark, Emmerson, Fulton, Hatfield, Hazen, Hlynka, Jackman, Maybank, McCulloch (*Pictou*), McLure, Moore, Mutch, Nicholson, Picard, Pouliot, Reid, Warren.

*In attendance:*

*From the Canadian National Railways:* Mr. R. C. Vaughan, President; Mr. N. B. Walton, Executive Vice-President; Mr. T. H. Cooper, Vice-President.

*From George A Touche & Co., Auditors:* Mr. O. A. Matthews and Mr. P. Bennett.

*From the Department of Transport:* Mr. J. C. Lessard, Deputy-Minister.

Messrs Walton and Cooper, for the Canadian National Railways, were called and they furnished answers to certain questions asked by the Committee at a previous session. Mr. Walton, in compliance with a request by Mr. Picard, a member of the Committee, filed a statement on the number of names of French origin appearing on Canadian National Railways payrolls as at June 30, 1947. The said statement was ordered to be printed as appendix "A" to to-day's printed Minutes of Evidence.

The Committee considered the application of the Winnipeg Chamber of Commerce for a hearing before the Committee of a delegation from Manitoba concerning the affairs of Trans-Canada Air Lines.

After some discussion on the subject, on motion of Mr. McLure, it was agreed that consideration of the Annual Report of TCA for 1948 be deferred to Tuesday, 5th April, 1949; further, that the special delegation from Manitoba be so notified through the Winnipeg Chamber of Commerce. Mr Maybank, of the Committee, was further authorized to communicate the decision of the Committee by telephone to the interested parties.

The Committee considered the Budget for 1949 of Canadian National Railways and Canadian National (West Indies) Steamships, Limited.

Messrs. Vaughan, Walton and Cooper were questioned thereon.

At 1.00 o'clock p.m., the Committee adjourned to meet again at 4.00 o'clock in the afternoon.



## AFTERNOON SESSION

The Committee met at 4.00 o'clock p.m., the Chairman, Mr. S. M. Clark, presided.

*Members present:* Messrs. Bourget, Chevrier, Clark, Emmerson, Fulton, Hatfield, Hazen, Jackman, Lockhart, McCulloch (*Pictou*), Moore, Mutch, Nicholson, Picard, Warren.

*In attendance:* The same officials of Canadian National Railways, George A. Touche & Co., Auditors, and the Department of Transport as are listed as in attendance at the morning session.

The Committee resumed consideration of the Budget of 1949 of Canadian National Railways and Canadian National (West Indies) Steamships Limited.

Messrs. Vaughan, Walton and Cooper were recalled and questioned thereon.

With the permission of the Committee, Mr. A. L. Smith (*Calgary West*) asked certain questions of Mr. Vaughan in connection with the proposed addition to the Hotel MacDonald, at Edmonton, Alberta.

After further discussion thereon, the budget was adopted.

The Committee then considered the Annual Report of the Canadian National Railways Securities Trust for the year ended December 31, 1948, which was adopted.

The Committee thereafter considered the Auditor's Report to Parliament, covering the operations of Canadian National Railway System and the Canadian National (West Indies) Steamships, Limited, for the year ended the 31st December, 1948.

Mr. O. A. Matthews and Mr. P. Bennett, representing George A. Touche & Co., Auditors, were called.

Mr. Bennett read the Auditors' report and both he and Mr. Matthews were questioned thereon.

After some discussion, the report was adopted.

The following items of estimates for 1949-50 were considered and adopted by the Committee.

|   |              |
|---|--------------|
| Vote 488—Maritime Freight Rates, Act, Canadian National Railways; .....           | \$5,503,000. |
| Vote 489—Maritime Freight Rates Act, Railways other than Canadian National; ..... | 1,400,000.   |
| Vote 556—Prince Edward Island Car Ferry and Terminals, Deficit 1949: .....        | 1,159,000.   |

It was ordered that a Report to the House be made recommending the adoption of the above items.

Hon. Lionel Chevrier, Minister of Transport, tabled the Consolidated Income Account for the Fiscal Year 1948-49 and Fiscal Year 1947-48 of the Hudson Bay Railway, which was considered by the Committee.

At 5.40 o'clock p.m., the Committee adjourned to meet again at 11.00 o'clock a.m., Tuesday, 5th April, 1949.

ANTOINE CHASSÉ

*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,  
March 30, 1949.

The Sessional Committee on Railways and Shipping met this day at 11 a.m. The Chairman, Mr. S. M. Clark, presided.

The CHAIRMAN: Gentlemen, I believe we have a quorum. First of all, I think Mr. Walton has some answers to questions.

Mr. WALTON: I have the answer to a question which was asked by Mr. Hazen in regard to the accident situation in the Canadian National Railways. My answer to his question is in the same form in which we report to the Dominion Bureau of Statistics. The number of passengers killed per 100,000,000 passenger miles in 1947 was 1.770. In 1948, it was .8008.

The number of passengers injured per 100,000,000 passenger miles in 1947 was 11.445; and in 1948, it was 6.6527.

Mr. HAZEN: And how many would that be in actual people?

Mr. WALTON: We can get that for you as well.

Mr. HAZEN: Yes, I would like to have it.

Mr. WALTON: I gave you my answer in the same form in which we reported it last year to the Dominion Bureau of Statistics. The further information you seek may also be obtained, of course.

Mr. HAZEN: Yes, I would like to have it.

Mr. WALTON: I have an answer to a question asked by Mr. Emmerson as to the number of pounds of tractive effort of locomotives in the Canadian National Railways. As of December 31, 1948, it was 113,080,100; and as of December 31, 1947, it was 112,350,250.

Mr. EMMERSON: You have increased your power, although your engines are down in number.

Mr. COOPER: I have an answer to a question asked by Mr. Hazen with respect to the number of copies printed of our annual report. There were 7,750 copies printed, of which 650 were forwarded to the Department of Transport for distribution to parliament and other governmental departments. The Printing was done by the Southam Press, Montreal; and the cost was \$8,864.

I have an answer to a question asked by Mr. Jackman as to the amount of acreage in the various provinces in which the mineral and oil rights have been retained. In Manitoba, the figure is 377,097 acres; in Saskatchewan, 2,907,829 acres; and in Alberta, 6,331 acres.

The CHAIRMAN: I have before me a statement which was asked for by Mr. Picard containing the number of names of French origin which appear on Canadian National Railways payrolls as of June 30, 1947. Gentlemen, I find myself in rather an awkward position this morning. We had intended to go on with the T.C.A. when we finished with Canadian National Steamships. I am not sure if all the members present today were here yesterday when I tabled a letter from the Winnipeg Chamber of Commerce. You may recall that the suggestion made yesterday was that we take up their request when we started with T.C.A. Now, we would like to go on with T.C.A., but we have only one of the members from Winnipeg here this morning. So the question is, when should this group come down, or perhaps I should say, if they should come down. I might say that I think the telegram from the Prime Minister suggested that they could meet this committee. Am I right in that?



Mr. JACKMAN: What telegram was this?

Mr. MUTCH: The telegram the Prime Minister read in the House the other day.

Mr. JACKMAN: So there was a change of heart on the part of some of the members. Is that the case?

The CHAIRMAN: No, Mr. Jackman, there was some trouble about moving the head office of T.C.A. from Winnipeg to Montreal.

Mr. JACKMAN: It should be moved to Toronto.

The CHAIRMAN: I wonder if we might discuss this matter this morning.

Hon. Mr. CHEVRIER: We have already begun to dispose of the business of the Canadian National Railways. So it would seem to me, with all deference, that the proper time to deal with this matter would be when we are finished with the business of the railways and have reached the stage where we may deal with the business of T.C.A.

The CHAIRMAN: That is what we decided yesterday, I think. I do not want to get into a jam.

Mr. MUTCH: Well, I think we are on the way to do just that, unless we are careful. I pointed out yesterday that, in my view, the province of Manitoba, the city of Winnipeg, the associated boards of trade of the province of Manitoba, the chamber of commerce of the city of Winnipeg and certain labour and other organizations had been informed that the committee would be here and that they would have the right to apply to this committee for a hearing.

There was some discussion the other day as to whether or not the committee would hear them, and it was indicated that the question would be one for the consideration of the committee. Yesterday I raised the point that it would not be fair to the delegation, if we are to hear them, to wait until we are ready to start, let us say for example, this afternoon, and then say to them in Winnipeg that if they want to come they might do so at a time when it was virtually physically impossible for them to get here.

You tabled their letter with the consent of the committee, Mr. Chairman, and I concurred with the reservation which I made yesterday. You tabled the letter at that point with the understanding that we should decide about this matter later. I shall think there is an advantage in the committee reaching a decision in advance, if the committee decides to hear them, as I feel sure the committee will do.

So far as I am concerned, I think we should continue to sit and discuss T.C.A. until the delegation has time to get here because I think we are committed to do so. It may be said that such a procedure would be wasteful of time. But I think the proper procedure for the committee to follow, if we are going to hear them, or to hear some one representing them, is to decide now, or to decide today at some time, as early as possible, as to the time we may hear them and to fix the time at which they are to come.

I, for one, would not be party to discussing the report in the absence of people whom we may subsequently hear, only permitting them to come when, to all intents and purposes, it would mean a sort of additional tagged-on meeting.

For instance, I know that a delegation comprised of all of the Liberal members of the province of Manitoba as well, I think, as most of the members from the other parties in the province of Manitoba—although I have no authority to speak for them—will desire to attend this hearing.

In view of the communications which have been exchanged, three in number, I think, between the Prime Minister and the province of Manitoba and these other bodies which I have mentioned, for us to proceed without notice, in view of the correspondence, and then for us perhaps to tack on a meeting at a later date in order that they might come down here and be heard, would not be doing credit to the committee and it certainly would not be helpful to the T.C.A.



I submit it would be distinctly offensive to those representative and responsible bodies who are quite within their rights in requesting to be heard and who are entitled to serious consideration with respect to that particular application.

Mr. EMMERSON: When will T.C.A. be before the committee?

The CHAIRMAN: We should finish with the Canadian National today and we could go on with the T.C.A. tomorrow.

Mr. MUTCH: Have we finished with the Canadian National Steamships yet?

The CHAIRMAN: We have finished with the Steamships.

Mr. MUTCH: It is not unusual, in the life of this committee, to have a gap. There have been gaps on previous occasions. Two years ago I think there was a gap of ten days, or a considerable length of time, between the hearing of the auditors of the Canadian National Railways and the hearing of the auditors for the T.C.A. I, for one, urge very strongly that there be no attempt to proceed until the other matter has been decided and until due notice has been given.

Mr. HAZEN: What would you consider to be due notice?

Mr. MUTCH: Well, I think due notice would mean time sufficient for them to get here from Winnipeg. For instance, three days.

The CHAIRMAN: Would Tuesday of next week be satisfactory?

Mr. MAYBANK: I have just been talking with these people in Winnipeg by telephone. They say they could be here Monday. But I think the understanding was, although more or less tentatively decided, that this committee would be taking a trip on Monday.

I am only explaining it from the point of view of the people out there. If they could be here for Monday, of course, Tuesday would be equally good; so that really answers your question. The only thing they could not do would be to come this week. Now, we have only Thursday and Friday remaining. I think there is more or less of a feeling that we should not sit—or rather I should say we should try to avoid having committees sit on Fridays. That idea is current, in a good many committees at any rate. So, if that is the feeling here as well, there is only one day, Thursday.

Now, I was urged very strongly to have matters so arranged that the delegation could be present when the T.C.A. report is considered. I would also say that every member of the Manitoba caucus—I mean the Liberal caucus, although I think this would apply to others as well—would like to come forward at the same time. So I have been asked to request this committee, on behalf of that group as well, that representatives from Manitoba—and it should not be said from Winnipeg—but representatives from Manitoba be heard in the manner that has been indicated here this morning.

My request is made on behalf of the mayors of two cities, and the boards of trade of every place in Manitoba. It is also made on behalf of the premier of Manitoba as well as on behalf of numerous other bodies. Having regard to the amount of time at stake, it would seem to require one day, Thursday, or at the utmost, two days.

The CHAIRMAN: Gentlemen, the position I find myself in is this: We know the T.C.A. is ready to go on, but they could come back Tuesday instead of going on tomorrow, if the committee is willing. I would not want to see the committee ready to go on with T.C.A. tomorrow and this delegation not to have an opportunity to be heard.

I should like to hear what some of the other members of this committee have to say. I think it could be arranged with T.C.A. for them to start on Tuesday and thus give this delegation a chance to get here. I wonder if that suggestion meets with the approval of the committee? I would like to hear what the members may have to say about it.



Mr. McLURE: I move that the special delegation from Manitoba be notified that this committee would be pleased to meet them on Tuesday or on whatever date you might decide.

Mr. JACKMAN: I second that motion.

Mr. MAYBANK: That means that you would be taking up T.C.A. on Tuesday.

The CHAIRMAN: If that is agreeable, gentlemen, we will do so.

Mr. HLYNKA: Should we not first decide, Mr. Chairman, whether we are going to limit the representations to this Manitoba delegation, or hear other delegations which may wish to come before us. Mr. Nicholson mentioned one the other day, a delegation from the province of Sasatchewan. Are we going to throw our doors wide open to any delegation which may want to come?

The CHAIRMAN: Suppose some other group desires to come before us. In such a case I think we should meet the situation as and when it arises. Is that fair?

Mr. MUTCH: Yes, Mr. Chairman. That has been our practice in times past. Any application for a hearing before any committee of parliament has to be decided by that committee upon its merits. Otherwise you would be issuing a blanket invitation. But I do think that every bona fide application should be considered by this committee.

The CHAIRMAN: Very well then, I believe we are agreed. Today we have to consider the budget requirements of the Canadian National.

Mr. MAYBANK: Mr. Chairman, I promised that I would telephone an answer to those people who spoke to me this morning from Winnipeg. Would I be justified in telephoning advance notice to them? Would there be any objection to my doing so by telephone, and to tell them that this matter has been arranged for Tuesday?

The CHAIRMAN: Very well then, Mr. Maybank, I think that is agreeable to the committee. You may advise them that the time will be Tuesday morning next at 11 o'clock.

Now I find myself in a jam with T.C.A. and I shall have to make my peace with them. We have before us this morning the Canadian National budget requirements.

Mr. JACKMAN: On a point of order, Mr. Chairman, you raised this matter yesterday, and I think you did so on a number of previous occasions. Have we not always taken up the auditor's report at the conclusion of the hearing?

The CHAIRMAN: Yes, Mr. Jackman.

Mr. JACKMAN: Well, it does seem me to be much more logical to take up the auditor's report in respect of each company immediately following our discussions with the executives of that company or of that particular organization because the subject matter is still fresh in our minds. We might want to question the auditors about matters which we have been discussing, perhaps, during the previous half hour. Also, our consideration of the budget should be a matter which is taken into consideration after we have considered the objective report as well as the report of the directors of the company itself.

I make that suggestion to you, Mr. Chairman, as being the more logical way to go about this matter, providing it does not inconvenience the auditors. I think that at most of our hearings in the past the auditors have not always been present the first day. However, I think this is certainly a better method to follow.

Hon. Mr. CHEVRIER: I do not think it matters very much. The procedure last year was to take the budget for the reason Mr. Jackman mentioned, namely, that we have the affairs of the railway and the steamships fresh in our minds from last year; then we come to the budget with its requirements in this form



after having looked at the report in both cases. Personally, I have no preference one way or the other, and I do not think it makes any difference to the officers of the railway.

Mr. VAUGHAN: I do not think it makes any difference to us except that it seems to me that it would be desirable to put the budget through first. All these matters have been discussed which are referred to in the budget, as the minister has said. They are fresh in our minds. It does not really make any difference.

The CHAIRMAN: We should do it all today, Mr. Jackman in any event. We certainly want to.

Mr. JACKMAN: I am assuming that we just do not rubber-stamp the budget. There might be some question which arose during the course of the hearing of the auditors which might have a bearing on the budget.

Mr. NICHOLSON: I think we might learn within another hour what is contained in the reports.

Mr. MUTCH: We, down at this end, would like to hear what is being said at the other end of the room.

The CHAIRMAN: Last year I think we took up the budget following the report. Is that agreeable? I do not like to say who is in favour and who is not in favour of anything like this. I prefer to co-operate in any way that I can.

Mr. JACKMAN: I brought the matter up for the sake of the orderliness of the whole procedure.

Mr. McCULLOCH: Then let us carry on.

The CHAIRMAN: We must have been wrong in other years.

Mr. JACKMAN: It is quite possible. Now, when we have got the Canadian National System fresh in our minds I think we ought to take up the auditor's report. That would be the customary thing to do in the case of a private company.

The CHAIRMAN: Is it agreeable with you gentlemen that we take up the budget?

Mr. McCULLOCH: Let us carry on.

Mr. HAZEN: Might I suggest that next year—those of us who may be here—we adopt the procedure as suggested by Mr. Jackman.

Mr. MUTCH: That is fine encouragement!

The CHAIRMAN: Very well. We shall now give consideration to the budget of the Canadian National. Perhaps Mr. Cooper will be good enough to explain it to us.

Mr. COOPER: The budget is presented in the usual manner. We show the figures for 1949 and for comparative purpose we show the amount budgeted in 1948 and the actual expenditure for 1948. The budget is also divided as between operating and capital. Our operating budget for 1949 estimates a deficit of \$37,800,000, as compared to a deficit of \$33,532,000 in 1948. It might be pointed out that in the 1949 budget no provision has been made for any additional revenue which may result from the hearings now going on before the Board of Transport Commissioners in respect to increased freight rates.

Mr. JACKMAN: But your estimate does not include the 21 per cent increase which is in operation now?

Mr. COOPER: Yes, the 21 per cent increase went into effect on April 6, 1948.

Mr. JACKMAN: How do you know that you are going to be allowed to keep those revenues?



Mr. COOPER: This is on the assumption that they will not be reduced, but we have not included in the figures any additional revenues which may result from this present hearing.

Mr. MUTCH: But it is based on the assumption that you would be able to retain the whole of the 21 per cent which you now have?

Mr. COOPER: Yes, sir. It is also based on the assumption that there is going to be no substantial increase in the price of materials. It is also based on the assumption that there will be no further wage increases in Canada. We have made provision in this budget for the increases which have been agreed to with respect to our American operations. The non-operating forces received a 7 per cent increase from the 1st of October; and as from September 1, 1949 they will be put on a 40-hour week instead of a 48-hour week at the same rate of pay which they received for a 48-hour week. But we are not including in our budget any estimate with respect to additional revenues which we may receive as a result of a favourable decision on the present hearing now before the Board of Transport Commissioners.

Mr. JACKMAN: And as I understand it the objective of your present application is a further increase of 15 per cent. You now have the benefit of the increase granted last year of 21 per cent, and you are anticipating a further percentage increase which will help your revenues?

Mr. VAUGHAN: We have another application in for a further increase of 20 per cent.

Mr. NICHOLSON: Does your estimate include any deficit anticipated in connection with the operation of the Newfoundland railways?

Mr. COOPER: Yes, it includes an estimated deficit because of the operation of the Newfoundland railways as from the 1st of April to the end of the year.

Mr. NICHOLSON: How much would that amount to, could you tell us that?

Mr. COOPER: We have estimated for an operating deficit of \$2,200,000.

Mr. MUTCH: Is that based on experience over a certain number of years?

Mr. COOPER: No, sir, it is the best forecast we can make. We have made provision for, perhaps I should say we have made allowance for a reduction in freight and passenger rates and we have also made provision for some increase in wage rates. But the \$2,200,000 is the best estimate we can make of what it will cost the C.N.R. in 1949 through the taking over of that railway.

Mr. NICHOLSON: Is there any provision in there for the additional facilities you would have to provide in handling freight to Newfoundland by rail haul to east coast ports. I understand that more traffic is to go by rail through eastern ports than by boat, that there will be a considerable movement from Montreal to St. John by rail instead of by steamship. I am thinking also of the facilities that you will have to construct to handle that merchandise by rail.

Mr. COOPER: There is some provision in the capital budget for the improvements which we think should be made in the year 1949 but the provision of additional facilities would form no part of the operating budget.

Mr. JACKMAN: Do we have to assume any outstanding obligations of the Newfoundland railway?

Mr. COOPER: I understand there are some obligations to the Reconstruction Finance Corporation which we shall have to take over, that is a rather small amount.

Mr. JACKMAN: It is not appreciable?

Mr. COOPER: No.

Mr. JACKMAN: Does this budget estimate include provision for interest for the System?



Mr. COOPER: You mean does our 1949 figure include interest on the System?

Mr. JACKMAN: Yes. Well, I see you are budgeting for a deficit.

Mr. COOPER: But we also expect to have some additional revenue too, Mr. Jackman. The details of the operating budget are shown on page 2. We estimate that our operating revenues in 1949 will be \$520,900,000 which is a substantial increase over the actual revenue figure for 1948. It is also more than twice the amount of what we considered our normal revenue on this railway prior to the war.

Mr. REID: And that is mostly from the increase in freight traffic?

Mr. COOPER: Oh yes.

Mr. HAZEN: And if you are granted a further increase in rates that will of course increase your revenues?

Mr. COOPER: That is so, that is what I expect. Our operating expense for 1949 we estimate will be \$494,000,000 making a net operating revenue of \$26,600,000. Net income charges, excluding interest, \$18,290,000. Interest on funded debt—public, \$22,833,000. Interest on government loans, \$23,277,000. That draws down to an estimated total deficit of \$37,800,000.

Mr. MUTCH: Would it be fair to say that the higher the revenue the greater would be your deficit?

Mr. COOPER: No sir. The deficit of the Canadian National is caused by two things, in my opinion; one of them is the terrifically high amount of fixed charges which are quite disproportionate to the earning power of the railway; and then there is the imbalance between the increased cost of operation and the increased revenue. We show, as I told you before, that as compared with 1939 we have received as a result of increases in freight rates \$74,000,000, on the other hand our increased costs due to wage increases and increases in the cost of materials have amounted to \$170,000,000, so there is nearly \$100,000,000 difference between the increase in costs as compared with the increased revenues brought about by changes in the price level and having nothing to do with increased business.

Mr. HAZEN: And what would be included in that item, net income charges—excluding interest?

Mr. COOPER: There are a lot of items enter into that, Mr. Hazen. We have taxes, equipment rents, discount on funded debt, separately operated properties, and things of that sort. If you will look at page 4 of the printed report, first of all you see a group of railway operating revenues, and that is followed by railway operating expenses; and then you have three groups of items; and it is the net of those three groups which amount to the figure of \$18,290,000. You will note in that particular group that as compared with 1948 there is an increase of approximately \$3,000,000, that is brought about by the fact that in 1949 we expect to call an issue of \$57,728,000 5 per cent bonds which can be called on October 1, 1949 at a premium of 5 per cent which will cost us \$2,886,000. There is also \$975,000 in unamortized discount on that issue which will have to be written off. That is the reason for the increase in that particular item as compared with 1948. Next comes interest on funded debt in the hands of the public and that is shown there as \$22,833,000, a small increase as compared to 1948. Then you have your interest on government loans, \$23,277,000 which is an increase of \$1,600,000 over the previous year.

Then, coming down to the capital budget—that is, referring back to page 1, Additions and betterments, \$24,500,000. The details of that are shown on page 3 of the pamphlet which you have in front of you. I do not know whether you wish me to call the figures off by regions. Perhaps I should just give you a summary. Under the heading of new equipment we are budgeting for a total of \$8,700,000; to complete the Barraute branch line, \$612,000; to purchase



certain securities and to retire certain capital obligations, we are asking for \$1,692,000; all of which adds up to \$35,500,000. Then we have a credit for the amounts available from reserves for depreciation and debt discount amortization \$15,738,000, making a net capital budget for 1949 of \$19,766,890, as compared with the capital budget in 1948 of \$65,882,200, and an expenditure in 1948 of \$51,908,000. In 1948 we asked for additional working capital of \$20,000,000, but we are not asking for any additional working capital for 1949. That is the summary of the budget.

### CANADIAN NATIONAL RAILWAYS

#### SUMMARY OF FINANCIAL REQUIREMENTS—YEAR 1949

|   | 1948<br>Budget | 1948<br>Actual | 1949<br>Budget | Details<br>on Page |
|---|----------------|----------------|----------------|--------------------|
|   | \$             | \$             | \$             |                    |
| <b>OPERATING BUDGET—</b>  |                |                |                |                    |
| Surplus.....  | 6,287,000      |                |                | 2                  |
| Deficit.....  |                | 33,532,741     | 37,800,000     | 2                  |
| <b>CAPITAL BUDGET—</b>  |                |                |                |                    |
| Additions and Betterments.....  | 18,879,000     | 13,983,318     | 24,500,000     | 3                  |
| New Equipment.....  | 60,371,000     | 49,184,949     | 8,700,000      | 4                  |
| Barrate Branch Line.....  | 1,440,000      | 1,414,549      | 612,890        | 5                  |
| Acquisition of Securities and retirement of<br>Capital Obligations.....                           | 1,007,200      | 1,298,846      | 1,692,000      | 6                  |
|   | 81,697,200     | 65,881,662     | 35,504,890     |                    |
| Less amounts available from reserves for<br>Depreciation and Debt Discount Amort-<br>ization..... | 15,815,000     | 13,973,087     | 15,738,000     |                    |
| Total Capital Budget.....   | 65,882,200     | 51,908,575     | 19,766,890     |                    |
| Additional Working Capital.....   | 20,000,000     | 20,000,000     |                |                    |

New equipment to be financed in 1949 is estimated at \$31,200,000, of which \$22,500,000 will be covered by a proposed equipment trust issue, leaving the balance of \$8,700,000 to be provided under the Canadian National Railways Financing and Guarantee Act, 1949.

The amount of \$20,000,000 shown as actual 1948 requirements for additional working capital includes \$800,000 which will be drawn down prior to March 31st, 1949.

The authorized Capital Stock of the Trans-Canada Air Lines is \$25,000,000. During the year 1948, the Canadian National Railways paid \$2,400,000. The Capital Stock is now fully paid up.

The details of the capital expenditures are shown on pages 2, 3, 3-A, 4, 5 and 6.

### CANADIAN NATIONAL RAILWAYS

#### OPERATING BUDGET

|   | 1948<br>Budget | 1948<br>Actual | 1949<br>Budget |
|---|----------------|----------------|----------------|
|   | \$             | \$             | \$             |
| Operating Revenues.....                     | 418,270,000    | 491,269,950    | 520,900,000    |
| Operating Expenses.....                     | 419,583,000    | 464,739,970    | 494,300,000    |
| Net Operating Revenues.....                 | 61,687,000     | 26,529,980     | 26,600,000     |
| Net Income Charges, excluding Interest..... | 11,087,000     | 15,232,870     | 18,290,000     |
| Interest on Funded Debt—Public.....         | 23,133,000     | 23,202,818     | 22,833,000     |
| Interest on Government Loans.....           | 21,180,000     | 21,627,033     | 23,277,000     |
| Surplus.....                                | 6,287,000      |                |                |
| Deficit.....                                |                | 33,532,741     | 37,800,000     |

NOTE: The 1949 Budget includes \$3,045,000 for contribution to the deficit of the I.C.R. and P.E.I. Provident Fund, also \$100,000 for contribution to the Grand Trunk Superannuation Fund Association.

The 1949 Budget does not provide for any additional revenue which may result from the hearings now before the Board of Transport Commissioners in respect of increased freight rates.



## CANADIAN NATIONAL RAILWAYS

## ADDITIONS AND BETTERMENTS AND NEW EQUIPMENT

|  | 1948<br>Budget | 1948<br>Actual | 1949<br>Budget |
|--|----------------|----------------|----------------|
|  | \$             | \$             | \$             |
| <b>ADDITIONS AND BETTERMENTS—</b>  |                |                |                |
| Atlantic Region.....   | 1,909,665      | 1,423,850      | 2,367,020      |
| Central Region.....  | 9,916,680      | 6,767,123      | 12,007,383     |
| Western Region.....  | 4,432,085      | 2,899,416      | 6,035,003      |
| Grand Trunk Western Railroad Company.....  | 3,468,217      | 1,359,994      | 3,005,678      |
| Central Vermont Railway.....   | 386,670        | (Cr.) 436,784  | 337,843        |
| Subsidiary Companies.....  | 1,376,503      | 885,497        | 44,001         |
| Express, Telegraphs, and other Departments.....  | 2,588,410      | 2,565,218      | 4,306,694      |
| Additions and Betterments to Equipment (Canada).....   | 2,536,435      | 2,056,329      | 5,216,528      |
| Equipment Retirements.....   | (Cr.)2,735,665 | (Cr.)3,537,325 | (Cr.)3,820,150 |
|  | 23,879,000     | 13,983,318     | 29,500,000     |
| Less—Portion of projects included in the above require-<br>ments not physically completed by the end of the<br>year..... | 5,000,000      |                | 5,000,000      |
| Total—Additions and Betterments.....   | 18,879,000     | 13,983,318     | 24,500,000     |
| <b>NEW EQUIPMENT—</b>  |                |                |                |
| 1946 Programme—Financed under Trust Series "R".....  |                | 3,928,924      |                |
| 1947 Programme—Financed under Trust Series "S".....  |                | 25,956,385     |                |
| 1948 Programme.....  | 59,000,000     |                |                |
| Miscellaneous Equipment.....   | 1,371,000      | 1,126,683      |                |
| Trust Series "T".....  |                | 18,172,957     |                |
| 1949 Programme (Details on page 4).....  | \$30,337,138   |                |                |
| Less Trust Series.....   | 22,500,000     |                |                |
|  | 7,837,138      |                |                |
| Miscellaneous Equipment.....   | 862,862        |                | 8,700,000      |
| Total—New Equipment.....   | 60,371,000     | 49,184,949     | 8,700,000      |



**CANADIAN NATIONAL RAILWAYS SYSTEM**  
**ADDITIONS AND BETTERMENTS BUDGET—YEAR 1949**  
**EXPENDITURES LESS RETIREMENTS APPLICABLE TO CAPITAL ACCOUNT**

|   | Atlantic<br>Region | Central<br>Region | Western<br>Region | Grand Trunk<br>Western<br>Lines | Central<br>Vermont<br>Railway | Other            | Total             |
|---|--------------------|-------------------|-------------------|---------------------------------|-------------------------------|------------------|-------------------|
| <b>ADDITIONS AND BETTERMENTS—</b>   |                    |                   |                   |                                 |                               |                  |                   |
| Rails and Fastenings.....   | 123,840            | 1,739,044         | 945,564           | 262,300                         | 23,301                        |                  | 3,094,049         |
| Tie Plates and Rail Anchors.....  | 199,847            | 849,658           | 979,209           | 159,600                         | 40,352                        |                  | 2,228,666         |
| Ballast.....  | 229,514            | 265,834           | 44,240            | 287,300                         | 67,194                        |                  | 894,082           |
| Widening Cuts and Fills.....  |                    |                   | 82,000            |                                 | 4,000                         |                  | 86,000            |
| Rip-Rap, Retaining Walls and Cribwork.....  | 9,000              | 6,200             | 26,800            |                                 | 10,597                        |                  | 52,597            |
| Ditching, Drainage and Sewers.....  |                    | 5,000             | 27,510            |                                 |                               |                  | 32,510            |
| Yard Tracks and Sidings.....  | 125,693            | 601,083           | 193,203           | 284,924                         |                               |                  | 1,204,903         |
| Roadway Machines.....   |                    | 371,840           | 296,385           | 19,900                          |                               |                  | 688,125           |
| Bridges, Trestles and Culverts.....   | 118,420            | 399,713           | 504,939           | 157,107                         | 67,021                        |                  | 1,247,200         |
| Tunnels.....  |                    | 189,881           | 178,500           |                                 |                               |                  | 368,381           |
| Highway and Crossing Protection.....  | 57,700             | 242,740           | 139,600           | 38,931                          |                               |                  | 478,971           |
| Montreal Office Building.....   |                    | 2,152,323         |                   |                                 |                               |                  | 2,152,323         |
| Stations and Station Facilities.....  | 164,436            | 1,923,648         | 1,148,568         | 244,640                         |                               |                  | 3,481,292         |
| Water Supplies.....   | 35,240             | 127,930           | 62,882            | 10,237                          |                               |                  | 236,289           |
| Fuel Stations.....  |                    | 97,610            | 96,120            | 5,000                           |                               |                  | 198,730           |
| Shops, Enginehouses and Machinery.....  | 472,330            | 2,017,973         | 527,058           | 230,612                         | 5,245                         |                  | 3,253,218         |
| Docks and Wharves.....  |                    | 89,000            | 15                | 135,014                         |                               |                  | 224,029           |
| Grain Elevators.....  |                    | 25,000            | 26,250            |                                 |                               |                  | 51,250            |
| Signals and Interlockers.....   |                    | 1,104,400         | 997,515           | Cr. 3,793                       |                               |                  | 2,098,122         |
| Telegraphs—Railway.....   |                    |                   |                   |                                 |                               | 973,601          | 973,601           |
| Telegraphs—Commercial.....  |                    |                   |                   |                                 |                               | 2,431,991        | 2,431,991         |
| Land.....   | 3,000              | 20,000            | 9,310             |                                 |                               |                  | 32,310            |
| General Additions and Betterments and Contingencies.....  | 828,000            | Cr. 231,977       | Cr. 258,845       | 172,342                         | 12,500                        | Cr. 85,002       | 437,018           |
| Express and Miscellaneous Equipment.....  |                    | 10,483            | 8,180             |                                 |                               | 477,699          | 496,362           |
| Subsidiary Companies.....   |                    |                   |                   |                                 |                               | 44,001           | 44,001            |
| Hotels.....   |                    |                   |                   |                                 |                               | 508,405          | 508,405           |
| Additions and Betterments to Equipment.....   |                    |                   |                   | 1,001,564                       | 107,633                       | 5,216,528        | 6,325,725         |
| Equipment Retirements.....  |                    |                   |                   |                                 |                               | Cr. 3,820,150    | Cr. 3,820,150     |
| <b>TOTAL ESTIMATED ADDITIONS AND BETTERMENTS.....</b>   | <b>2,367,020</b>   | <b>12,007,383</b> | <b>6,035,003</b>  | <b>3,005,678</b>                | <b>337,843</b>                | <b>5,747,073</b> | <b>29,500,000</b> |
| <i>Less—Portion of projects included in the above requirements which will not be physically completed by December 31, 1949.....</i> |                    |                   |                   |                                 |                               |                  | 5,000,000         |
| <b>NET ESTIMATED ADDITIONS AND BETTERMENTS.....</b>   |                    |                   |                   |                                 |                               |                  | <b>24,500,000</b> |



## CANADIAN NATIONAL RAILWAYS SYSTEM

## NEW EQUIPMENT

## CANADIAN NATIONAL RAILWAYS SYSTEM—

## 1949 PROGRAMME—

- 20 1000 H.P. diesel switchers  
4 3000 H.P. diesel road engines

## REVOTE OF EQUIPMENT AUTHORIZED IN 1948 BUDGET—

- 500 50-ton box cars (G.T.W. Lines)  
300 40-ton automobile cars  
500 70-ton gondola cars  
300 50-ton overhead refrigerator cars  
50 50-ton overhead refrigerator cars (G.T.W. Lines)  
490 60-ton flat cars  
2 135-ton depressed flat cars  
10 steel cabooses (G.T.W. Lines)  
25 air-conditioned coaches  
20 sleeping cars  
50 overhead express refrigerator cars  
50 baggage cars

## EQUIPMENT ON ORDER FOR NEWFOUNDLAND RAILWAY—

- 6 locomotives  
50 flat cars.  
8 coaches

Total cost, including Sales Tax and Inspection Charges..... \$30,337,138  
Less amount of proposed Equipment Trust Issue..... 22,500,000 \$7,837,138

## MISCELLANEOUS EQUIPMENT—

- 2 25-ton cranes with 1½ cubic yard buckets  
20 air dump cars, 30 cubic yards capacity  
11 snow plows  
15 water transports constructed from salvage  
1 fire fighting unit constructed from salvage  
2 rubbish cars constructed from box cars  
30 cinder cars constructed from box cars  
2 scrap cars constructed from box cars  
3 units of work equipment constructed from box cars  
8 units of work equipment constructed from troop sleepers to be purchased (G.T.W. Lines)  
2 water transports (G.T.W. Lines)  
1 250-ton wrecking crane (G.T.W. Lines)  
1 instruction car constructed from old coach (C.V. Lines)

Total—Miscellaneous Equipment..... \$ 862,862

GRAND TOTAL..... \$8,700,000

Equipment to be delivered in 1949, being part of 1947 and 1948 programmes. To be financed through Trust Series S and T.—

1947 Programme: 18 660 H.P. diesel locomotives  
68 overhead refrigerator cars  
1948 Programme: 72 50-ton box cars (G.T.W. Lines)  
700 40-ton automobile cars  
500 70-ton hopper cars  
75 8000-gallon tank cars  
20 1000 H.P. diesel-electric switching locomotives  
Total.....\$12,922,582

## CANADIAN NATIONAL RAILWAYS

CONSTRUCTION OF NEW BRANCH LINE FROM BARRAUTE TO KIASK FALLS, PROVINCE OF QUEBEC

AUTHORIZED UNDER STATUTES OF CANADA 10 GEORGE VI CHAPTER 41  
ASSENTED TO AUGUST 31, 1946

## SCHEDULE OF ACT

| Location   | Mileage | Estimates      |                              |
|--|---------|----------------|------------------------------|
|  |         | To be Expended | Average Expenditure per Mile |
| From Barraute to Kiask Falls on the Bell River, in the Province of Quebec..... | 55      | \$ 4,125,000   | \$ 75,000                    |



The location surveys for the above line were completed in September 1946 and contract was awarded to the lowest tenderer on December 26, 1946, namely, the Therrien Construction Company Limited, for the clearing, grading, culverts and trestles from mileage 0 to mileage 39.02.

Up to December 31, 1948, the contractor completed all of the clearing, grading, culverts and bridges. During the same period the Railway completed 98 per cent of the tracklaying; 90 per cent of ballast; 100 per cent of automatic signals; 100 per cent of telegraph line; 50 per cent of stations, freight and express buildings; 100 per cent of temporary section-men's dwellings; 90 per cent of water tanks and engine watering facilities, and 25 per cent of the right-of-way fencing.

\$2,621,477.74 has been expended on the line under the authority of this Act to December 31, 1948, of which \$1,414,549.18 was the expenditure between January 1, 1948 and December 31, 1948.

During the calendar year 1949 it is anticipated that the Railway will complete the final surfacing of the track up to mileage 39.02 and complete the erection of permanent section houses, fuel stations, and other buildings.

Construction work has so far progressed as to permit of opening of the line during the month of February 1949, and this has been authorized by Order No. 71982 of the Board of Transport Commissioners.

The estimated expenditure for the calendar year 1949 is \$612,890.

#### CANADIAN NATIONAL RAILWAYS

##### ACQUISITION OF SECURITIES AND RETIREMENT OF CAPITAL OBLIGATIONS

|   | 1948<br>Budget | 1948<br>Actual | 1949<br>Budget |
|---|----------------|----------------|----------------|
| TORONTO TERMINALS RAILWAY—  | \$             | \$             | \$             |
| Joint with Canadian Pacific Railway Co.:  |                |                |                |
| General Additions and Betterments—  |                |                |                |
| C.N.R. Proportion, 50%.....   | 25,000         |                | 90,000         |
| NORTHERN ALBERTA RAILWAYS—  |                |                |                |
| Joint with Canadian Pacific Railway Co.:  |                |                |                |
| General Additions and Betterments—  |                |                |                |
| C.N.R. Proportion, 50%.....   | 375,000        | 675,000        | 400,000        |
| CHICAGO AND WESTERN INDIANA RAILROAD—   |                |                |                |
| Advances under agreement of March 1, 1936.....  | 172,200        | 176,857        | 180,000        |
| ATLANTIC AND ST. LAWRENCE RAILROAD—   |                |                |                |
| Purchase of Capital Stock.....  | 5,000          | 14,520         | 5,000          |
| MONTREAL WAREHOUSING COMPANY—   |                |                |                |
| Purchase of Capital Stock.....  |                | 1,800          |                |
| Final Payment to State of Michigan re Wider Woodward<br>Avenue, Detroit.....  | 430,000        | 430,669        |                |
| TRANS-CANADA AIR LINES—   |                |                |                |
| 1948—Advances.....  | \$1,500,000    |                |                |
| 1949—Repayment of Advances.....   | 1,500,000      |                |                |
| DOMINION TELEGRAPH SECURITIES, LIMITED—   |                |                |                |
| Purchasing of remaining interest in the lease (expiring in<br>1978) of the properties of the Dominion Telegraph<br>Company, the rental payable by the Canadian<br>National Telegraphs under said lease being \$62,500<br>per annum..... |                |                | 1,017,000      |
|   | 1,007,200      | 1,298,846      | 1,692,000      |



## CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

|  | 1948<br>Budget | 1948<br>Actual | 1949<br>Budget |
|--|----------------|----------------|----------------|
|  | \$             | \$             | \$             |
| <b>OPERATING BUDGET—</b>   |                |                |                |
| Operating Revenues.....  | 6,998,500      | 7,964,719      | 6,549,000      |
| Operating Expenses.....  | 5,929,632      | 7,320,614      | 6,451,000      |
| Net Operating Income.....  | 1,068,868      | 644,105        | 98,000         |
| Vessel replacement fund earnings.....  | 90,000         | 85,733         | 105,000        |
| Interest Requirements on 5%—25 year Bonds due 1955,<br>principal amount \$9,400,000..... | 470,000        | 470,000        | 470,000        |
| Interest on Government Notes and Advances.....   | 98,868         | 93,794         | 93,000         |
| Surplus.....   | 590,000        | 166,044        |                |
| Deficit.....   |                |                | 360,000        |
| <b>CAPITAL BUDGET—</b>   |                |                |                |
| General Betterments.....   | 30,000         |                |                |

Mr. JACKMAN: You take that amount of \$15,738,000 which is available from reserves for depreciation and debt discount amortization, does the debt discount amortization amount to very much of that figure?

Mr. COOPER: No, it is not a substantial figure.

Mr. JACKMAN: It is not?

Mr. COOPER: I would not say so. Apart from the special item to which I have referred it would be of the order of between \$400,000 to \$500,000. The item \$15,738,000 is substantially all depreciation.

Mr. JACKMAN: Would it not be possible for the railway to limit its depreciation allowance and apply it to a reduction in capital requirement?

Mr. COOPER: On that point, Mr. Jackman, I would think that the most informative answer I could give you would be to take our capital requirements over a period of years. I am sure you all have the impression that we require very substantial amounts of capital money year by year. I have taken off the figures for the period 1932 up to the end of 1947, a period of 16 years, to find out how much we increased our capital debt in that period. I am sure there is no member of the committee who could guess even approximately close to the figure because surprising as it may appear to you, in those 16 years instead of increasing our capital debt we reduced it by \$20,000,000. I am speaking of the funded debt in the hands of the public and also including all the money borrowed from the government on capital account, and in the whole period of 16 years we reduced our capital debt by \$20,000,000.

Mr. JACKMAN: May I suggest to you that that happy result was because of the fact that you are not subject to excess profits tax and income taxes, the same as other major business enterprises are.

Mr. COOPER: There are two factors involved, Mr. Jackman; one is the fact that we have been setting aside substantial amounts of depreciation—it is in the neighbourhood of \$117,000,000 in this period; and the other is, of course, the wartime profits which amounted to \$112,000,000. In addition, as we mentioned yesterday, we made a gain of some \$19,000,000 on the repatriation of securities, and these things in combination have more than sufficed to provide all the capital expenditures of the Canadian National Railways in this sixteen year period.



Mr. JACKMAN: But you naturally have not been subjected to the excess profits taxes and the income taxes which have to be carried by the private corporations. We could appreciate your position much better had you been doing business on the same basis throughout the wartime as any other company. It would give us a better basis of comparison if your operations were brought more closely in line with the operations of other companies. I am not depreciating at all the very splendid contribution you have made during the war, but at the same time you had certain advantages which other companies did not.

Mr. COOPER: May I say this to you, Mr. Jackman, on that point, just to carry back to the point you have made. So long as we do not earn our fixed charges there can be no question of income tax. Naturally we made large profits in the years 1940, 1941, 1942, and 1943. Those were war years, and we had substantial profits. But we would have been entitled for tax purposes to carry forward our losses from the previous five years and thus substantially to have reduced our tax liability. On this question of taxation I think I am prepared to say this: that the Canadian National Railways has no objection to being made subject to taxation so long as we do not have to carry fixed charges which are disproportionate to our earning capacity. I say that the National Railway is desirous of being subject to income tax, so as to be operating on a basis common to other railways, provided our fixed charges also are put on a parity with those of other railways. We cannot be subject to all the disabilities and receive none of the advantages.

Mr. VAUGHAN: Our competitors have very decided tax advantages in some directions which we have not got. Of course we also pay very substantial sums to the government in the way of sales taxes and duty.

Mr. COOPER: Even in the war years we had to pay back to the government everything we made whether it went through the Department of National Revenue or whether it went into the Department of Finance.

Mr. JACKMAN: I know.

Mr. COOPER: The result was the same.

Mr. JACKMAN: I was only analysing what you say. Mr. Vaughan does not mean that the rates are higher than those which apply to the Canadian Pacific.

Mr. VAUGHAN: The Canadian Pacific has certain exemptions in various parts of the country, provided for in their charter. Such as from Winnipeg west to the Rocky Mountains. In Winnipeg alone we pay over \$300,000 per annum in taxes. The C.P.R. I understand pays only a token tax of a few thousand dollars.

Mr. COOPER: When we give a wage increase of \$100 it costs us \$100. When the Canadian Pacific pays \$100 in increased wages it only costs them \$67.

Mr. JACKMAN: That is one way of looking at it.

Mr. COOPER: It is the factual position.

Mr. JACKMAN: Unfortunately it is, and that is perhaps why the system is a little bit bad.

Mr. HAZEN: Where does the balance that must be paid for the Aviation Building show in this statement?

Mr. COOPER: It is shown on page 3A, Mr. Hazen, about halfway down. It is under the heading of Central Region, the Montreal office building, and the amount is \$2,152,000.

Hon. Mr. CHEVRIER: Is that the amount required to complete the building?



Mr. COOPER: Substantially, yes. To be precise the entire amount is not chargeable to the Aviation Building proper. Some of it is chargeable to associated railway work. Some of it is chargeable to the connecting building, but I can give you the figure. Of the amount I mentioned \$1,627,156 is chargeable directly to the International Aviation Building.

Mr. WARREN: Mr. Cooper, you made the remark a moment ago that a \$100 raise costs the C.N.R. \$100 whereas it only costs the C.P.R. \$67. How does that come about?

Mr. COOPER: If we spend \$100 it increases our expenses \$100. If the C.P.R. spends \$100 it increases their expenses \$100 but they get a reduction through their taxes because operating costs go to reduce their taxable income.

Mr. HAZEN: On what hotels is the \$508,000 to be expended?

Hon. Mr. CHEVRIER: Some of it is to be spent on the hotel in Edmonton.

Mr. COOPER: There will be spent on the Nova Scotian \$5,100; on the Charlottetown \$15,000; on the Chateau Laurier \$12,914; on the Fort Garry \$4,578; on the Bessborough \$73,000; the Port Arthur \$53,565; the Prince Edward \$34,000; Jasper Park \$85,698; the Vancouver hotel \$24,550; and there is also included \$200,000 as an expenditure to be made in 1949 with respect to the extension of the Macdonald hotel at Edmonton.

Mr. HAZEN: Is that going to be a new development—I am speaking of the extension to the hotel at Edmonton?

Mr. VAUGHAN: Yes, it will be when it is proceeded with. It will be an extension to the existing hotel to take care of additional accommodation needed in Edmonton as the result of growth of that city.

Mr. HAZEN: Does that hotel pay?

Mr. VAUGHAN: We have a statement here showing the figures.

Mr. COOPER: In 1948 the net revenue after taxes was \$119,000; in 1947 it was \$149,000.

Mr. HAZEN: Does that allow for interest?

Mr. COOPER: It does not include interest.

Mr. HAZEN: Nor depreciation?

Mr. COOPER: No sir.

Mr. HAZEN: How many new rooms will this wing have?

Mr. VAUGHAN: Approximately 300 rooms—a few less than 300.

Mr. HAZEN: Extra rooms?

Hon. Mr. CHEVRIER: Yes.

Mr. HAZEN: I do not want to encourage you to make expenditures but it seems to me that sometime the face of the Chateau Laurier might be cleaned and it would improve the appearance of Ottawa. It is certainly getting very dirty.

Mr. VAUGHAN: What part of it are you referring to?

Mr. HAZEN: The outside.

Mr. VAUGHAN: That might be a sandblasting job and some day we may get to it when money is plentiful.

Mr. JACKMAN: What do you do on the overall system of hotels?

Mr. VAUGHAN: We make a little money.

Mr. COOPER: \$915,175.

Mr. McLURE: What did the Chateau make?

Hon. Mr. CHEVRIER: That is net after payment of taxes, the \$915,000?

Mr. COOPER: Yes, sir, after expenses and taxes.

Mr. JACKMAN: You do pay municipal taxes to Ottawa on the Chateau?



Mr. COOPER: Yes.

Mr. JACKMAN: At a regular rate? It is not an arbitrary rate fixed by the Crown but it is just as if you were a private corporation?

Mr. VAUGHAN: We pay municipal taxes in every city on our hotels.

Mr. COOPER: We paid \$95,000 at the Chateau.

Hon. Mr. CHEVRIER: Is that figure reached by agreement or by assessment?

Mr. VAUGHAN: By negotiation and assessment.

Mr. HAZEN: What did the Edmonton hotel cost?

Mr. COOPER: It cost \$2,302,000.

Mr. JACKMAN: How can I get in my mind, Mr. Cooper, what your figure for depreciation on that hotel in Edmonton for last year is? How much do you write off for replacement or renewals and how much do you charge for operation for the year?

Mr. COOPER: I would have to get a detailed account on that, Mr. Jackman. The occupancy of the Edmonton hotel is 96 per cent, which is an unusually high occupancy.

Mr. JACKMAN: It could not be much better. Did you find occupancy in the system of hotels dropping very much towards the end of last year, or is it dropping currently? Is it off very much?

Mr. COOPER: At the Chateau in 1947 occupancy was 84 per cent. In 1948 it was 82 per cent and that would mean 3 per cent less occupancy in 1948 than in 1947.

Mr. JACKMAN: You find this tendency is for occupancy to go down just now?

Mr. VAUGHAN: That is correct.

Mr. JACKMAN: Have you any idea what the breaking even point on occupancy, considering the higher costs we have now as against 1939?

Mr. VAUGHAN: We have the figure in Montreal.

Mr. JACKMAN: We will say that occupancy was 65 per cent in 1939, have you any idea what the breaking even point would be now?

Mr. VAUGHAN: I would say the breaking even point would be up around 70 to 80 per cent.

Mr. JACKMAN: After that you would start losing money.

Mr. VAUGHAN: I would say we would not make money.

Mr. COOPER: The Charlottetown occupancy was 59 per cent and we made \$20,000 so it is pretty hard to say what the break even point is.

Mr. VAUGHAN: The expenses at the Charlottetown can be adjusted very quickly as it is only a small hotel.

Mr. HLYNKA: What about the Bessborough hotel in Saskatoon, is that making money?

Mr. COOPER: We made \$100,000 at the Bessborough.

Mr. HAZEN: There has been some dropping off in hotel business in the last few months?

Mr. COOPER: The revenue of the hotels in 1948 increased from \$7,800,000 to \$8,300,000.

Mr. HAZEN: I noticed in the annual report of the Windsor hotel that the president said: "Reduction of earnings reflected a downward trend in hotel patronage evident throughout Canada and the United States and this became more pronounced in the closing months of the year."

Mr. VAUGHAN: That is correct. That is our experience.

Mr. HAZEN: I suppose we can look forward to a further downward trend?

Mr. COOPER: The fact remains that in 1948 our revenue increased by \$567,000.



Mr. HAZEN: The report of the Windsor hotel continues: "Costs continue to rise—"

Mr. COOPER: That is true.

Mr. HAZEN: "—and it was not practicable to increase prices for rooms and services in proportion to those rising costs." Was that your experience?

Mr. COOPER: Well, we wrote that very same statement into our report, Mr. Hazen.

Mr. HAZEN: About the hotels?

Mr. COOPER: We say "Increased operating revenues of \$567,000, due principally to higher rates for rooms and meals were not sufficient to offset the increase of \$943,000 in operating expenses". It is the same in the hotel business as in the railway business, and in almost every other business.

Mr. HAZEN: The Windsor hotel report continues: "In the light of these conditions the company modified its program of modernization and renovation and future work in this direction will be governed by changing circumstances".

Mr. COOPER: That is the Windsor hotel and that is what the directors are telling the shareholders.

Mr. HAZEN: You do not appear to be modifying your program when you go ahead and spend \$210,000 or whatever the figure is on the Edmonton hotel.

Mr. VAUGHAN: The situation is entirely different at Edmonton. Edmonton is a place which is rapidly growing, probably the most rapidly growing city in Canada, and people are sleeping in the corridors and all over the place. The accommodation at present is not nearly sufficient and it looks as if the population will continue to grow. We, having the only modern hotel there, are about the only ones that can provide hotel accommodation.

Mr. MUTCH: Would it not be correct to say that if the hotel in Edmonton were twice as big as it is in the light of the percentage you turned away last year your percentage of occupancy would be on all fours with your average volume?

Mr. VAUGHAN: I think that is correct.

Mr. MUTCH: I know what it has been since 1939.

Mr. JACKMAN: Is it a reasonable question to ask first of all in your experience with the railway has the hotel owning business been a profitable one and if it has not been too profitable why should the Canadian National Railway feel it incumbent upon itself to take care of the expansion in Edmonton? Why not leave it to private capital? Is the outlook not so promising that private interests want to take the responsibility of investment in the hotel business? Certainly there is plenty of money going into Alberta and I should think there would be plenty of capital available for the building of a small hotel there.

Mr. VAUGHAN: We are waiting to see whether the new hotel about which they talk is to be proceeded with. With respect to the first part of your question as to whether the hotels generally have been profitable, I would say that it depends upon how you look at the situation. In dollars and cents we have not made a great deal of money on the operation of our hotels but those hotels were constructed originally to provide traffic for the railways and they have provided considerable traffic. In a city like Edmonton I presume that one way and another we get perhaps \$10,000,000 worth of business. We have many lines in an out of there and it is an important rail centre for us.

Mr. JACKMAN: If the other railways in Canada were not in the hotel owning business and thereby directing traffic to their own particular railways, would you feel obligated as it were to go into the hotel business?

Mr. VAUGHAN: That would depend entirely upon conditions. Jasper was built specially to take care of accommodation for railway traffic. There was no place that people could stop off on our line in the mountains and so we put up the hotel. It has turned out to be a profitable venture not only as far as



passenger traffic is concerned but with respect to the actual operation of the hotel. Railways are obligated to do many things that bring indirect traffic and profits which do not appear in the operation of the particular facility under examination.

Mr. MUTCH: Would it be fair to say that you get business in other hotels as a result of traffic which visits Jasper?

Mr. VAUGHAN: That is true.

Mr. MUTCH: People are able to break their journey at suitable spots.

Mr. VAUGHAN: Yes, and they spend a great deal of money in Canada.

Mr. PICARD: Is it not the practice of some of the American lines to operate hotels? I am thinking of the Santa Fe?

Mr. VAUGHAN: The Santa Fe may have a hotel in the Grand Canyon area.

Mr. PICARD: They are operated for the same purpose—that is that the railway may bring people to a given point.

Mr. VAUGHAN: Yes, but the American railways have not gone into the business to the same extent as have the Canadian railways because it was not necessary for them to do so. Private interests in the U.S. were willing to risk their capital in the hotel business to a greater extent.

Mr. PICARD: At some points however the railways have done so.

Mr. VAUGHAN: In England I think most of the good hotels, outside of the ones in London, are owned and operated by the railways.

Mr. HAZEN: It might serve a useful purpose, I do not know, if I were to put on the record what was said in the report of the royal commission that inquired into railway transportation in Canada. The commission was presided over by The Honourable Lyman P. Duff and it is dated September 13th, 1932. The investigation covered a rather prosperous nine years. On page 66 Mr. Duff says: "Hotels belonging to the Canadian National show an actual operating loss of \$2,130,924 in the nine year period. If interest on investment and an adequate sum for depreciation are included those losses will be substantially increased."

He went on to say on page 67: "The C.N.R. is steadily increasing its investments despite increasing losses." It seems to me it has gone on making losses since that time.

Mr. VAUGHAN: I think that report covered the depression period.

Mr. HAZEN: No, no, it covered nine years which were prosperous years, and a more or less comparable period.

Mr. VAUGHAN: That statement is borne out by what I said a few minutes ago. The hotels taken by themselves have not always been a profitable venture but when you take into account the direct and indirect advantages they have been to the railways it can be said they have been of valuable assistance.

Mr. HAZEN: I do not think that was the view the commissioner took and I would like to quote again from page 72. This is what he says:

Whether on the grounds of policy or reasons which may have seemed convincing at the time, the fact remains that very large sums have been invested in hotels which were not justified from any point of view. Investments which could have been avoided if there had been a spirit of co-operation on the part of the management of both Systems. It is a deplorable example of wasteful expenditure of public and private money and one that places a permanent and serious financial burden upon both Systems.

Hon. Mr. CHEVRIER: That report, Mr. Hazen, is about 20 years old now, and I presume that if the Duff Commission were to make a report about conditions in Canada today, their conclusions might be somewhat different.



I refer now particularly to the Chignecto Canal Report about which my friend Mr. Hazen is very much interested. On three occasions commissioners have reported against the building of the Chignecto Canal. It may be that if a commission were to be set up today, their report might be different. Such has been found to be the case on a number of matters, and although I do not like to use the word "fair" indiscriminately, I do not think it is quite equitable to take words from a report which is dated almost 20 years ago and to apply them to conditions as they are today, because conditions have changed a great deal, I think.

Mr. HAZEN: I cannot see that at all. I would like to have this statement go on the record: That I cannot see any possible connection between the management of hotels by the Canadian National Railways and the construction of the Chignecto Canal. I suggest that the minister has gone very much out of his way when he brings up that matter.

Hon. Mr. CHEVRIER: May I say this, too?

Mr. HAZEN: Please let me finish my statement.

Hon. Mr. CHEVRIER: All right.

Mr. HAZEN: I have not the facts before me in connection with the Chignecto Canal at the present time, but my recollection is that, shortly after Confederation, or at the time of Confederation, the construction of the Chignecto Canal was placed as either number three or number four on the list of work that the dominion government should undertake.

Hon. Mr. CHEVRIER: The reports having to do with the Chignecto Canal were made by both governments, and I have put them on the record during the discussion of the estimates on more than one occasion.

My only purpose in referring to them—and I might refer as well to the Archambault Surveyer report, which is a comparatively recent one, and to many other reports wherein conclusions were reached having regard to circumstances which existed at the time. That is why I say to you that a report which was made 20 years ago hardly applies to conditions as they exist today. I think that is a fair statement.

Mr. HAZEN: Mr. Chairman, I am very glad that you have the matter of the Chignecto Canal in mind, and I hope that you will take some action about it, and give it some study.

Mr. MUTCH: Might we not get back to dry land now?

Mr. NICHOLSON: Could the president give us the amount of investment in hotels by the Canadian Pacific in comparison with the Canadian National Railways?

Mr. VAUGHAN: I do not think we have the figures here, but I believe their investment in hotels is about double our investment. These hotels, of course, have proven themselves very valuable to Canada in many ways. For instance, what would Ottawa do without its Chateau Laurier? What would Halifax have done during the war without its Nova Scotian? What would Vancouver have done without the assistance which the railways have provided in the way of hotel accommodation.

Mr. JACKMAN: The United States seems to have got along without it.

Mr. VAUGHAN: We have brought hundreds of millions of dollars into Canada through our hotel systems over a number of years.

Mr. JACKMAN: Did I understand the president to say that the expenditure in connection with the Edmonton hotel would be \$200,000?

Mr. VAUGHAN: \$200,000 this year.

Mr. JACKMAN: And that would result in the addition of 200 rooms?

Mr. VAUGHAN: I would say between 280 and 300 rooms.

Mr. JACKMAN: Is it possible to build a room for \$700?



Mr. VAUGHAN: No. That sum is put in there as the maximum amount we plan to spend on that hotel this year. You see, the plans are not completed.

Mr. JACKMAN: You mean, about 300 rooms will constitute the completed addition?

Mr. VAUGHAN: Exactly.

Mr. JACKMAN: But that is only about \$700 a room according to this year's estimate. What I do not understand yet is why the Canadian National Railways should build an extension to the Hotel Macdonald in Edmonton at a considerable cost when the results of the ownership of hotels has not been good. Perhaps you may answer me by saying that nobody else is offering to supply the necessary accommodation resulting from the increased activity. Of course, we are all glad to see that increased activity in the Edmonton area. But if nobody else is unwise enough to put up money to build a hotel, then why should the Canadian National do it? May I suggest that it is easier for your railway to come to parliament and obtain an amount of money for such a building than it is for a private syndicate to raise the necessary money publicly? I suggest that it is easier for you to get access to money than it is for others who might have to show success in respect to a particular venture.

Mr. VAUGHAN: We believe that if we do not build this hotel, it will seriously affect our business in Edmonton. And the interest on the amount of money that we are asking for is a mere bagatelle when compared with the total business that we do in the city of Edmonton.

Mr. JACKMAN: Surely, the additional traffic which will travel over the railway lines because of the development taking place in Alberta is not poor-spending traffic. It will have plenty of money. It is a big and prosperous expansion which is taking place. So, if these people want service, why can they not afford to pay sufficient to a private company to put up a hotel rather than to have you go into this extension of the Hotel Macdonald and use the taxpayers' money in spite of the fact that the over-all result, as far as the system is concerned at any rate, has not been such, apparently, as to warrant further capital expenditures?

Mr. EMMERSON: Is it fair to say that the experience of the Canadian National Railways in the hotel business in Edmonton has not been profitable? Has your experience been that you have been losing money?

Mr. VAUGHAN: For several years we lost money on the actual operation of the hotel in Edmonton. But for some years past we have made a profit on the operation of the hotel in Edmonton. And according to careful calculations made by our hotel management, taking into consideration the occupation which they say we can get, we expect to earn sufficient on this addition to pay interest and depreciation on it.

Mr. HLYNKA: Edmonton is my home city. I wish Mr. Jackman would make a trip out to Edmonton because I am sure he would be convinced that there is room in that city for both a publicly owned hotel and a privately owned hotel. Edmonton is the most modern city in Canada today; and anyone who has stopped at the Hotel Macdonald will agree that the hotel is really too small to take care of the business that is being conducted in that city. So, unless the Canadian National elected to scrap the hotel or to continue with the small one as it is today, their only alternative was to build an addition to it. Otherwise they could not serve the public because the Hotel Macdonald is too small for the growth of the city.

I am convinced, in view of the boom that is taking place in Alberta now, and in view of the outlook for the future, that Edmonton can stand improvement both in the Hotel Macdonald as well as in privately owned hotels, if anyone wants to go into that business there.



Mr. JACKMAN: What is the capacity of the Hotel Macdonald at the present time?

Mr. VAUGHAN: It has 186 rooms, I believe.

Mr. PICARD: Could this matter not be classified as a public service as well as an improvement in the operation of the railways. Even if there be a small loss over a few years, could we not consider it as a public service in the way of providing hotels at given points on the railway?

Hon. Mr. CHEVRIER: The Board of Directors of the Canadian National Railways came to the conclusion that they should, first of all, build an extension to the hotel in Edmonton in order to meet public demands for hotel accommodation in that city. That is, in order to meet the increase in business at the present time as well as in the future. It cannot be denied that Edmonton and Alberta have a great future. Then, there was the desire as well to protect their own investment because if they did not take that action, which I think was an excellent one, probably somebody else would come along and put up a hotel with the result that their investment of \$2,000,000 to \$3,000,000 would have been greatly affected.

Mr. HLYNKA: How many rooms are there in the Hotel Bessborough at Saskatoon?

Mr. WALTON: There are 248 rooms.

Mr. HLYNKA: There you are. And remember that Saskatoon has a population of only something over 40,000 while Edmonton has a population of over 121,000.

Mr. VAUGHAN: The Hotel Palliser at Calgary has something between 400 and 500 rooms.

Mr. NICHOLSON: Even with the proposed addition, the Hotel Macdonald will not be as large as the Hotel Palliser in Calgary.

Mr. VAUGHAN: No, sir. It will have nearly the same accommodation.

Mr. JACKMAN: You say there are 186 rooms in the Hotel Macdonald at the present time?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: And the contemplated addition is in the neighborhood of 300 rooms. Are you going to be able to service all these extra rooms? I have in mind the accommodation in your dining room and cafeteria, and so on.

Mr. VAUGHAN: There will have to be some rearrangement of the present facilities.

Mr. JACKMAN: What is the estimate on the 300 rooms? What will be the total amount that you will be asking us for? What will be the total cost of that addition?

Mr. VAUGHAN: Something between \$4,000,000 and \$5,000,000.

Mr. JACKMAN: How much per room would that amount to?

Mr. VAUGHAN: About \$14,000.

Mr. JACKMAN: \$14,000. And how many permanent guests have you got in the Hotel Macdonald now?

Mr. VAUGHAN: We have not been encouraging permanent guests at all because we have so many transients. As in the case of many of our hotels, we have been discouraging permanent guests for some time. However, when business is bad, we are glad to have them.

Mr. FULTON: It is a little difficult at the Chateau Laurier here to discourage permanent guests.



Mr. JACKMAN: They are not so permanent that they cannot be cured. It seems to me that \$14,000 is a lot of money for the construction of a room, but I presume it is due to higher construction costs. What do you expect to charge for such a room?

Mr. VAUGHAN: I could not tell you that; I have not got the figures here. It has all been worked out carefully in our calculations. Of course, much will depend on whether conditions keep up as they are, as to whether the hotel will carry itself with a reasonable percentage of occupation.

Mr. JACKMAN: Let us consider the situation as it affects the other operations of the railway. You already have a first class hotel at Edmonton. Now, let us suppose that some other company puts up a 300-room hotel there. How would that affect the other operations of the railway, if somebody else were to put up a hotel? Where is the advantage in this indirect method?

Mr. VAUGHAN: The situation at Edmonton today is one where there is very inadequate hotel accommodation. The chamber of commerce and other industries and institutions there have complained very strongly about what they call *oud dog-in-the-manger* attitude; They say that we will not build an addition to our hotel and that no person else will build a hotel while such a strong institution as the Canadian National Railways has already a hotel there. The result is that the city of Edmonton finds itself without adequate hotel accommodation and the industries of Edmonton may divert business from the Canadian National Railways unless we do something about it. That is the indirect method in which it affects us, Mr. Jackman.

Mr. JACKMAN: So I take it that the chamber of commerce takes the view that because the Canadian National Railways already have a hotel in Edmonton, the result would be that private companies would find themselves, in less buoyant times faced by the fact that the Canadian National Railways had this hotel, and perhaps would be able to direct traffic towards that hotel rather than towards a privately owned hotel.

Mr. VAUGHAN: When I am talking about traffic I am not referring only to hotel traffic. You are referring to passenger traffic.

Mr. JACKMAN: The latter part of your statement said it would divert traffic away from the other hotels. In your opening remarks on the subject you said the Chamber of Commerce had accused you of a *dog-in-the-manger* attitude. Apparently the difficulty there is because of the fact that you are a large corporation; to use your own words, that no private company would start up because they feared your competition, particularly in better times. It would seem that private interests would not set up a hotel in Edmonton because of the stranglehold you have on a large proportion of the traffic which travels over your lines which is automatically directed to the Macdonald Hotel, and would be automatically directed to the Macdonald Hotel rather than to some new hotel put up by private interests. What I am thinking of is this, the influence which a large hotel with unlimited public funds behind it would have in a situation of this kind. You are naturally going to look after your own interests in the hotel business in a city like Edmonton which is one of the fastest growing cities in Canada today. That influence is such that no private company wants to try it. That is why I raised this question of the C.N.R. monopolizing the hotel business.

Mr. VAUGHAN: The C.N.R. was in the hotel business in a modern way in Edmonton long before anybody else. We built up the city of Edmonton. We were the first railway in there.

Hon. Mr. CHEVRIER: Hear, hear.

Mr. VAUGHAN: And look at Saskatoon, look what we did for Saskatoon. We built up that part of western Canada and that area is still growing and expanding rapidly.



Mr. JACKMAN: What I am interested in is the point that has been raised, your virtual monopoly in the hotel business. You can go ahead and stop anybody else because you can control your own hotel. That is what it amounts to and that is what was said, that is what the Chamber of Commerce said in the letter referred to. The effect of the situation is that nobody else will go into the hotel business in Edmonton. That is why I do not like to see the C.N.R. in the position of being a monopoly in the first-class hotel business. I think it would be better for our economy if you were to stand aside and let somebody else put up a new hotel there.

Mr. VAUGHAN: I have already said that we have no objection to another company putting up a hotel at Edmonton, as a matter of fact we would be very glad if they would do so.

Mr. JACKMAN: The question arises as to whether it is a wise thing for you to do, and whether it is a wise thing for a private company to do. Obviously you are not in business for your health, you try to operate at a profit, that is your driving aim. While you are there nobody else can step in and put up a hotel costing \$14,000 a room. That brings us back again to the matter of collateral advantage, and in view of the Chamber of Commerce that there is a very distinct disadvantage to any private company who might want to go into the hotel business there.

Mr. VAUGHAN: If you examine into the hotel situation there you will see that there is need for a large hotel. Now, are we going to leave our hotel the way it exists at the present time and not be able to provide accommodation for people and incur the displeasure of the travelling public because of lack of accommodation or are we going to add to our hotel and put it in a position where it would be able to carry itself and pay. As you know, Edmonton is going ahead rapidly.

Mr. JACKMAN: I appreciate that, and that is why I do not like to see the government in business where there is so much room for politicians to bring pressure to bear in regard to business decisions, as has been the case with respect to the T.C.A. Once you establish headquarters at one place it is always hard to move them to another point. That is why there is objection to public ownership, because it is very difficult to run it in a businesslike manner and you are faced with the objections of both governments and groups. At the same time I want to compliment you and your officers for the way in which you generally, as far as I can see, conduct the affairs of the C.N.R. system.

Hon. Mr. CHEVRIER: Mr. Chairman, I do not like to let Mr. Jackman go unchallenged with the statement which he has just made. He says that the Canadian National Railways may have allowed a lot of politicians to pave the way to the building of an extension to the hotel.

Mr. JACKMAN: I did not say that.

Hon. Mr. CHEVRIER: Well, that was in inference.

Mr. JACKMAN: It was not the inference.

Hon. Mr. CHEVRIER: That was the inference I gathered from the statement you made.

Mr. JACKMAN: That is not it at all.

Hon. Mr. CHEVRIER: If that is not the statement you made I would like to know now what it is. I would like to ask the reporter to read back what you said. That is the inference which I took from what you said; that the Canadian National through its directors allowed a lot of politicians to make representations and bring pressure to bear to pave the way for the building of the extension to this hotel. If it is not the case, I would like to know what you did say.

Mr. FULTON: I think we should have the record read back to prevent any possible misrepresentation.



Hon. Mr. CHEVRIER: All right. I would be the last one to want to misrepresent what my friend has said, but that certainly was my understanding.

Mr. FULTON: That is why I said we should have the record read back to find out whether it is correct or not.

The REPORTER:

Mr. JACKMAN: I appreciate that, and that is why I do not like to see the government in business where there is so much room for politicians to bring pressure to bear in regard to business decisions, as has been the case with respect to the T.C.A. Once you establish headquarters in one place it is always hard to move them to another point. That is why there is objection to public ownership, because it is very difficult to run it in a businesslike manner and you are faced with the objections of both governments and groups.

Hon. M. CHEVRIER: That is enough for the purpose, I think. My reference was to the use of the word "politicians", and "bringing pressure to bear". As they were used in connection with the discussion about the Edmonton Hotel I got the meaning which I put on them. If that is not the meaning I should take from those words then perhaps Mr. Jackman would say exactly what his intention was.

Mr. JACKMAN: What I said was that we were faced with an illustration here this morning that politicians are in a position to bring influence to bear on the management of the railway.

Hon. Mr. CHEVRIER: I am sure that you did not want to create the impression that political influence was being brought to bear by boards of trade or chambers of commerce in Edmonton or elsewhere on the Canadian National Railways—

Mr. JACKMAN: It had nothing to do with the hotel.

Hon. Mr. CHEVRIER:—on its operations at Edmonton or any other centre.

Mr. JACKMAN: What I am suggesting is that there is no doubt that a publicly-owned company is subjected to certain influences. I am not saying they give away to them. As a matter of fact I complimented Mr. Vaughan and his officers for the fine way in which I think they have kept the national system free from political influence.

Mr. VAUGHAN: I assure you we do not allow political considerations to interfere with the conduct of our business. In this particular case we consider it to be decidedly in the interests of the Canadian National Railways to build an extension to this hotel to protect our interests in Edmonton.

Mr. JACKMAN: If one goes over the reports I think one will find that they show that the hotel business has not been a profitable operation on the whole for the Canadian National Railways. I realize, as anyone does, that there are definite advantages to the C.N.R. in having adequate hotel accommodation. I think we have to consider the economic factors involved, and my point here is that Mr. Vaughan has produced a letter from this chamber of commerce indicating certain coincidental disadvantages which work against the best interests of the ordinary taxpayers of this country of whom we are the representatives.

Hon. Mr. CHEVRIER: I would think, Mr. Chairman, that the decision of the Canadian National Railways to build an extension there was a sound one, particularly in the light of their experience. I said a moment ago, it was not only to meet a growing demand but also to protect their own investments. Mr. Jackman has been making a number of reflections, which he has a perfect right to do of course, in connection with an extension to what I think is one



of the most important hotels in the country. One of the most important things the Canadian National Railways was face to face with when it had to make this decision was whether or not it would protect the investment of \$2,500,000 which it already had there. Unquestionably there is need for adequate hotel accommodation at Edmonton.

Mr. FULTON: I must say, Mr. Chairman, that I feel that certainly a very good case has been made out in favour of the construction of an addition to the hotel in Edmonton, and I do not think it would be fair to handicap the C.N.R., to say you cannot add to your hotel operation unless you are perfectly sure it will be a profit-making operation. It is well known, of course, that all large railways operate hotels, and I understand that the Canadian Pacific has been losing money on its hotel operations. It would not be fair to the C.N.R. not to allow them to go ahead if their competitors are going to enlarge in the same field. I agree that in this case we should not give the C.N.R. any unfair advantage over its competitors, especially where it has recourse to public funds; but we certainly should not put it at an unfair disadvantage in comparison to its competitors by compelling it to confine its hotel operations to such operations as will be profit making. I think there is considerable justification for the extension of this hotel at Edmonton for the reason that Mr. Vaughan mentioned, that they are building up the whole of western Canada. Western Canada certainly cannot go ahead unless our railways give leadership. The great development we have there now has been directly due to the enterprise and initiative of our railways, and in giving a lead to that development our railways showed enterprise, they took a chance and went ahead with major developments. I do not see why we should stop them now. It certainly seems as though Edmonton is going ahead very fast, and so is all the west. I think it proper that our railways continue to give leadership and in doing that they are justified in keeping abreast with the needs of the times.

Mr. HLYNKA: It is essentially a question of service to the area. The people of Northern Alberta, with the people of the other provinces have to pay the deficits of the Canadian National Railways; yet we haven't even one hotel in the city of Edmonton in which a convention could be held. I would like to emphasize that, that in the city of Edmonton today there is not a single hotel in which a large convention could be accommodated. Now, that is a disadvantage to a city the size of Edmonton. Surely, we are entitled to something better than we have had in the past. The Macdonald is the largest hotel, then we have the Corona, a privately owned hotel, and one or two smaller hotels; but if the people in the north want to call a convention, let us say of the Chambers of Commerce, a local group, a religious group, or anyone else, there is simply no place where they can meet. Now, that is a peculiar situation and we think we are entitled to an improved service. We think it is only fair that we should have it.

Mr. HAZEN: I should like to know what the average annual return for a room has been at the Macdonald hotel in Edmonton, and I would like to have the same information with respect to the Chateau Laurier if I can get it.

Mr. VAUGHAN: We haven't got that with us but we can get it for you.

Mr. NICHOLSON: Now that this controversial question is before us, I think I should say this; that if these hotels had not been built by the railways particularly Canada would not enjoy the favourable position which it enjoys today. I think it places the C.N.R. at a decided disadvantage if the C.P.R. have an advantage in hotel accommodation for the travelling public. Visitors, particularly people from the United States, travelling to Canada, and they do considerable travelling in Canada, will patronize the road which offers the best hotel accommodation. I think it is our duty to ensure that the C.N.R. has adequate hotel



accommodation, and I think the decision which has been taken with respect to improving hotel facilities at Edmonton is a good one, and I think the decision to make the improvement there is a wise one.

The CHAIRMAN: If you have had enough of hotels, we might go on.

Mr. JACKMAN: Just a minute, Mr. Chairman, if you don't mind.

Mr. McCULLOCH: Here we start all over again.

Mr. JACKMAN: There is no doubt about Edmonton needing more hotel accommodation and that the problem is an important one. We have before us the budget of the C.N.R. and they are asking for an appropriation this year, a small one, I think is \$580,000; but when they get that they are only making a start on this thing. I think it is \$200,000 they were asking for this year, and that is only enough on which to get the project started. We have no indication at all in the material now before us that this improvement is going to cost \$2,000,000 before it is completed. I think we should have an analysis and a complete statement on the matter. We represent the shareholders in this business, the taxpayers of Canada. The Board of Directors are appraised of this, and we should know all about it. Because the Board approves of it does not mean necessarily that it is right. We have not had before us all the facts on which they have been working, although we have had certain considerations put forward, among them the points brought up by Mr. Vaughan. It may easily be for all we know that Edmonton needs a hotel very badly. That is one of the points on which we need complete assurance. Mr. Vaughan mentioned that competitors are taking traffic from them at the moment; why doesn't the competitor put up the money? It may very well be for all we know that the C.N.R. system has solved this problem; but the question resolves itself to this, that it either extends its accommodation there and makes this \$2,000,000 addition to the hotel, or else its competitors will come in there with a hotel. Now, what effect would that have on the C.N.R.? I do not know anything about it at all. I have no information on it. But once the C.N.R. goes ahead with this \$2,000,000 addition to the hotel they have there now, it is going to discourage competition apparently.

Mr. VAUGHAN: Would you say that we should step aside and let the C.P.R. come in and put up a hotel there?

Mr. JACKMAN: I do not know the reason. As you know Mr. Vaughan you get your money by a vote of parliament and it is our duty as members of parliament to analyse the matters for which you want the money. You come to us for a little nibble of \$200,000 for an addition to a hotel this year. We are not told it is going to involve \$2,000,000. Once you have started and spent that \$200,000 you are into it and we cannot get the money back. We must go on to save what we have put into it when we find then that there is to be \$2,000,000 spent.

Mr. VAUGHAN: I said the expenditure would be between \$4,000,000 and \$5,000,000.

Mr. JACKMAN: That is what the whole addition will cost?

Mr. VAUGHAN: Yes.

Mr. JACKMAN: But we have before us as expense item of \$200,000. I do not very often criticize the management of the Canadian National Railway when it comes before this committee because I think it has done a splendid job, but here is a request for \$200,000 and we find when we break it down that it is just a start, and in addition it is lumped into the figure of \$500,000. I think it means that you are asking this committee to put its approval in principle on an expenditure of \$4,000,000 or \$5,000,000.

Hon. Mr. CHEVRIER: May I say the method of procedure here is exactly the method of procedure followed when it was decided to build the hotel in Montreal.



Mr. JACKMAN: At that time we went into the whole thing.

Hon. Mr. CHEVRIER: Yes, the position was the same as it is now.

Mr. JACKMAN: That may be so.

Hon. Mr. CHEVRIER: Just a moment, you are saying that something is trying to be hidden and I am replying.

Mr. JACKMAN: Well—

Hon. Mr. CHEVRIER: Just a moment, you have been doing a lot of talking.

Mr. McCULLOCH: Too much.

Hon. Mr. CHEVRIER: No, I will not say that, but the committee has been very patient. You have made some statements however which I think are far away from fact and not fair to the management of the Canadian National Railway. The position with reference to the hotel in Montreal was followed by a statement made by the president of the Canadian National Railway outlining the whole project. Because the Edmonton hotel happens to be at the other end of Canada where a statement was made exactly as in the case of the Montreal hotel, you perhaps did not see it as noticeably as you did in the case of the report in the Montreal Gazette two or three years ago. There is not the slightest intention on the part of the Canadian National Railway to hide anything.

Mr. JACKMAN: There is nothing in the report—

Hon. Mr. CHEVRIER: Just a moment. As far as the hotel in Montreal is concerned, the situation was exactly the same as it is in this case. In that instance approval of parliament was given to the construction of three buildings—first the Aviation Building, next, the office building, and finally the hotel. It was clearly stated the hotel would not be proceeded with until conditions were such, or the position in Montreal was such, that the hotel should be erected. The hotel has not so far been built but it may be built next year, I do not know. There is no difference with respect to the procedure regarding the Edmonton hotel and I do not see why there should be so much objection and so much reference to the possibility that the directors are trying to hide something. Such suggestions are beyond me. There is no intention to hide anything, and all you have to do is to ask the questions and you will get the answers as far as they can be given. Certainly nobody has been trying to refuse information to you in connection with this hotel.

Mr. JACKMAN: You must realize that we do not know all about the Canadian National System. This matter comes before us for four or five days once a year. I know nothing at all about the extension to the Edmonton hotel; I have seen nothing about it in the paper or if I did I do not recall it. I know however that we are the people responsible to the taxpayers of this country and we are asked to approve a certain budget, the expenditure of certain capital moneys, and one of the items is \$200,000 for an addition to the hotel in Edmonton. We cannot question every item and we do not want to do so—and actually we want to be taken into the confidence of the railway on these capital expenditures. We are asked here to approve \$200,000 which may be a very small improvement, a garage or something of that nature. Then, however, we will find that we have embarked on a \$4,000,000 to \$5,000,000 capital addition about which we know nothing and about which we have no means of knowing. I do not say the directors and management endeavour to hide it from us but I think they should let us know when we approve \$200,000 that in principle we have approved a \$4,000,000 expenditure.

Mr. VAUGHAN: We always have the details of the budget here and we have told the members of the committee that it is available to them if they wish to look at it at any time. In this document it is distinctly stated that the estimated cost of the building is approximately \$4,000,000.



Mr. JACKMAN: In the budget you have there?

Mr. HAZEN: I thought we had the budget here.

Mr. COOPER: No, that is the summary.

Mr. HAZEN: It does not indicate that it is a summary. It says "Canadian National Railway budget, 1949".

Hon. Mr. CHEVRIER: That is the same as it has always been.

Mr. COOPER: That budget has always been supported by this document. This document is put on the table and any member is entitled to look at it. In some years you ask us to read the items, and if you had asked for the reading of those expenditures on hotels in full you would have found that the estimates of this particular building is \$4,000,000. All you needed to do was to ask for the information which ordinarily is furnished to the committee.

Mr. JACKMAN: Mr. Chairman, the attitude which I think this committee is bound to take is to examine these matters very carefully and to make sure in cases where you have a crying need for additional accommodation, as in the case of Edmonton, that nobody else is willing to put forth the capital in that very prosperous community to build an additional hotel to provide the necessary 300 rooms. However, the Canadian National Railway comes to this committee and we authorize the budget containing \$200,000 this year but parliament does not know that it is going to require \$4,000,000 to complete the project. We find once we have committed ourselves that in order to save our bacon we must go the whole hog. May I ask if there are any other—shall I call them ante's" in the way of capital expenditures in this budget which involve matters of principle such as is the case with the Edmonton hotel? In other words when we approve so much money we approve of the principle. Are we embarked on any fairly substantial expenditures relative to other items here?

Hon. Mr. CHEVRIER: Are you referring now to the \$200,000?

Mr. JACKMAN: I think Mr. Vaughan can give the answer.

Mr. VAUGHAN: I think there are one or two other cases. We have the new Bonaventure freight sheds in Montreal. We can only spend so much money this year but we have to replace those facilities. We have shown here the amount of money we expect to spend this year and next year in our budget there will be an amount to take care of the expected expenditure for that period.

Mr. JACKMAN: How much are you asking this year?

Mr. VAUGHAN: We expected to discuss the matter of the Edmonton hotel and we would have been disappointed had it not come up for discussion. We did not expect that it would be passed over and we are glad that it has been mentioned.

Mr. HAZEN: What puzzles me is why something was not said about the matter in the report.

Mr. VAUGHAN: We cannot put everything in the report.

Mr. FULTON: Mr. Chairman, perhaps because I am a westerner I have known about the Edmonton hotel. There has been no attempt to conceal anything as far as the company is concerned.

Mr. VAUGHAN: The newspapers have been full of the matter for a year.

Mr. FULTON: I am sorry to have to disagree with the two gentlemen but I do not think it would be fair to the officials if I did not.

Mr. HATFIELD: Is it the intention of the management to continue with the Montreal hotel at the present time?

Mr. VAUGHAN: We have no plans to do that at present.

Mr. HATFIELD: I hope not.

Mr. JACKMAN: Mr. Vaughan, for the Bonaventure station how much are you appropriating this year?



Mr. VAUGHAN: \$400,000.

Mr. JACKMAN: For this year, and what will the total be?

Mr. VAUGHAN: The total will be something between \$3,000,000 and \$4,000,000 before we are finished.

Mr. JACKMAN: Are there any other token budget items?

Mr. COOPER: I do not think the word token is a fair description. That is the amount we expect to spend during the year.

Mr. EMMERSON: All these items could be called token expenditures.

Mr. VAUGHAN: I do not recall any other large items, Mr. Jackman.

Mr. FULTON: May I ask a question as to general financing? I take it this being part of the capital account it will be advanced by the government without interest?

Mr. VAUGHAN: No, no, we pay interest on it.

Mr. COOPER: Every dollar of capital which the government loans the C.N.R. is loaned at interest.

Mr. HATFIELD: What is your intention about the Bonaventure freight yards?

Mr. VAUGHAN: As I said a few minutes ago that development will cost us between \$3,000,000 and \$4,000,000 before we are finished. It is something which we must proceed with because we suffered a loss of \$2,000,000 through the freight terminal being completely destroyed and the temporary facilities we have installed make it very costly for us to handle freight.

Mr. HATFIELD: Do you think that is the location for the freight yard?

Mr. VAUGHAN: Yes, after very careful study it has been decided by all concerned that it is the proper location.

THE CHAIRMAN: You have a question Mr. Fulton?

Mr. FULTON: I want to follow the matter I raised a moment ago. If your competitors, the C.P.R. to be frank, were building a new hotel, or adding to an existing one, they would do it out of capital reserves or by additional borrowings from the public and they would have to show a return on that investment. It seems difficult to keep the matter on the same footing and for the public to keep aware of what is going on when the government makes loans to the Canadian National Railway although the government does require the payment of interest. Would it not be more realistic if this type of capital financing were done by bond issue and were to stand on its own feet rather than just being shown as an advance out of the consolidated revenue fund? Such a procedure is not really appreciated by the public.

Hon. Mr. CHEVRIER: I think the Canadian National Railway have given some thought to that and it did float a bond issue this year.

Mr. VAUGHAN: Yes, there was a bond issue of some \$50,000,000 odd.

Mr. FULTON: For what?

Hon. Mr. CHEVRIER: It was just a general bond issue and not for any specific project.

Mr. FULTON: I was wondering whether in the case of what I would call major capital expenditures, outlays for hotels, new stations, and so on, would it not be sounder to finance that way rather than to obtain the money from advances out of the consolidated revenue fund? It would certainly go some distance toward removing the objection which some of us have that it is easy for the C.N.R. to get money because it is a government owned railway and money is easier for them to get than it is for their competitors. If you did finance separately each year for your capital developments at least you would not be subject to that criticism?



Mr. VAUGHAN: I think it is as broad as it is long. After all, we cannot get any money through a public issue without the guarantee of the dominion government, there is really no difference because the money has to come out of the dominion government in some way.

Mr. FULTON: Yes, but I think it would present a more realistic and more readily understood picture of your finances if it were done by bond issue because if it were shown to the government the purpose for which you got the money did not in the long run turn into a profitable venture there would be less likelihood of any repetitions. If approval were given for money for an unbusiness-like venture when the situation became apparent as it no doubt would if you financed it separately then we would be more reluctant to authorize the next bond issue. In other words that approach would help put the affairs of the company on a basis more comparable to ordinary business.

Mr. VAUGHAN: There would be so many bond issues that the purpose of the bond issues would be confusing to the public and I think rather than being beneficial it would be otherwise.

Mr. FULTON: I suppose there would be argument over the type of construction for which you would resort to that method but I should think, broadly speaking, construction of new lines, new hotels, new stations and that type of thing—if financing out of your own reserves is not possible and I doubt that it is—could be financed in the same way as any other company would do it.

I noticed that Mr. Cooper has just given something to the minister.

Hon. Mr. CHEVRIER: Mr. Cooper has given me the bill passed before the House last year indicating the method which was used. It was an ordinary method of capitalization of the railway, Bill No. 346.

Mr. JACKMAN: I wonder, before we adjourn, if I could say this for the record. The Duff Commission in 1932 reported that the hotels belonging to the Canadian National Railway showed an actual operating loss of \$2,130,924. If the interest on investment and an adequate sum for depreciation were included the losses would be substantially greater. I wonder if the losses could be brought up to date—up to the end of 1948—and also whether we could be given what the equivalent investment was during that time and what the depreciation sum would be if the normal rate for hotel depreciation were allowed?

Mr. VAUGHAN: We will give you that information.

The CHAIRMAN: All right gentlemen, we will adjourn until 4 o'clock.

The meeting adjourned to meet again at 4.00 p.m.

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#### AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: Well, gentlemen, if it is acceptable, perhaps we might continue with Mr. Cooper and go on with the budget.

Mr. SMITH (*Calgary West*): Mr. Chairman, as a member of parliament I feel that I am entitled to be heard. In any event, I would ask for your indulgence. May I ask Mr. Vaughan a question or two about the Hotel Macdonald which is in my home city? The subject was under discussion, I believe, this morning. May I have the privilege?

The CHAIRMAN: I think the committee are always ready to listen to a member of parliament, Mr. Smith.

Mr. SMITH: Mr. Vaughan, I suppose you know the Macdonald hotel, in which I have been a guest off and on for the last thirty years?

Mr. VAUGHAN: I know that hotel very well, Mr. Smith.



Mr. SMITH: And you know it is managed by Mr. Finlay in a very efficient and careful way?

Mr. VAUGHAN: We believe it is.

Mr. SMITH: And you know that hotel accommodation is scarcer in Edmonton than in any other city or town right across Canada?

Mr. VAUGHAN: Yes.

Mr. SMITH: And I suppose you know that Edmonton is the fastest growing city in the Dominion of Canada. I think, percentagewise, there cannot be any question about that. And I wonder if you know that today guests have to register as much as two weeks in advance in order to get accommodation. I am speaking as one who comes from Alberta. I ask you if you do not agree with me that the money you intend to spend in connection with the Hotel Macdonald is the best hotel money you have spent for a long, long time.

Mr. VAUGHAN: We would not have recommended that expenditure unless we thought so.

Mr. SMITH: Yes. And the reason, no doubt, why the Hotel Macdonald has not been a paying proposition, as it well might be, is that it has not enough rooms to accommodate the travelling public.

Mr. VAUGHAN: That is probably one of the reasons, yes.

Mr. SMITH: I thank you.

The CHAIRMAN: Thank you, Mr. Smith. Do you wish to go on with the budget, Mr. Cooper? Are there any other explanations? I do not want to cut this off without everybody having an opportunity.

Mr. HATFIELD: How much money do you intend to spend on the Bonaventure freight terminal?

Mr. VAUGHAN: We expect to spend about \$400,000 this year, but I think the entire program calls for something between \$3,000,000 and \$4,000,000.

Mr. HATFIELD: Your railway company has spent millions of dollars to get into the heart of Montreal both with its passenger traffic and with its freight traffic. Now, we find the city of Ottawa is going to spend millions of dollars in order to get out of the heart of the city. What do you think about that?

Mr. VAUGHAN: I think that conditions are entirely different in the two places. There is no comparison in the conditions at all.

Mr. HATFIELD: Montreal does not intend to live on beauty as Ottawa does.

Mr. VAUGHAN: We had to have a terminal station in Montreal in order to bring our lines in together. That was the object of building our new station there. But here in Ottawa, it is an entirely different proposition. It is a matter of beautifying the city.

Mr. HATFIELD: Do you think it is a good idea to move our central passenger station at Ottawa out to Hurdman's Bridge?

Mr. VAUGHAN: I do not say that at all. So far as the Ottawa situation is concerned, our position is that the Canadian National Railways feel they cannot assume any part of the cost which may be necessary to re-establish the facilities which are already here. We have had nothing to do with the situation in Ottawa. We have not spent any money as yet. I do not know just how quickly that situation will develop. I do know that some people here have a great interest in the beautification of the city and some considerable sum of money will no doubt be spent for that purpose eventually.

Mr. HATFIELD: Either they are going to live on beauty or on the government. They are driving away all the industries. They are driving the railways out of the city. What do you intend to do with the tunnel at the station?

Mr. VAUGHAN: You mean the station here in Ottawa?



Mr. HATFIELD: Yes.

Mr. VAUGHAN: Well, as I have said, we have had nothing to say about it except to express our views, so far as our own facilities are concerned.

The CHAIRMAN: Are there any other questions?

Mr. HAZEN: I asked a question about annual returns on the subject of the average price of rooms. Has an answer been provided as yet?

Mr. VAUGHAN: We have not got it yet, Mr. Hazen.

The CHAIRMAN: Are there any other questions?

Mr. HAZEN: When you get that information, can it be put on the record?

Mr. VAUGHAN: Yes, we will be glad to do so.

Mr. FULTON: Has the question been asked as to where the other \$300,000 for hotels is going to be spent?

The CHAIRMAN: It is in the record, Mr. Fulton.

Mr. EMMERSON: Under the heading of Additions and Betterments Budget—Year 1949, on page 3-A, I see an expenditure in the Atlantic region of \$472,330 for shops, engine houses and machinery. Can you give any breakdown as to what that sum covers?

Mr. WALTON: At Sydney, installation of modern electrically driven cinder hoists at engine house. At Saint John, a new cinder pit. At Riviere du Loup, installation of two modern boilers replacing three boilers which have been in service for 40 years. At Halifax, removal of gas compressor from present quarters in coach repair shops to a new building segregated from other equipment and personnel. At Charlottetown, a change from direct current to alternating current. That is one item. Another item is to convert boilers from coal to oil burning. At Riviere du Loup, provision for enclosing the working sections of car shops with wooden partitions, required to conserve heat and effect estimated annual saving in heating expenses. At Moncton, a vacuum system. At Charlottetown, an air compressor. There are a number of similar installations that make up probably a dozen small items in the way of shop machinery.

Mr. EMMERSON: What have you under stations and station facilities? Are there any new stations?

Mr. WALTON: At Maria, Quebec, there is a new station building replacing a small and deteriorated station. At Isle Verte, Quebec, construction of combined passenger station and freight sheds, replacing deteriorated stations. At Escuminac, Quebec, construction of extensions. At Perce, Quebec, installation of toilet facilities. At O'Leary, P.E.I., construction of 24-foot by 50-foot frame freight sheds, replacing worn-out combined station and freight sheds. At Tracadie, N.B., construction of 25-foot extension to freight shed and 150-foot extension to freight shed and 150-foot extension to freight shed siding. At Edmundston, N.B., construction of 40-foot by 190-foot freight sheds, and also an increase in the size of the rest house. At Grand Falls, N.B., construction of 20-foot extension to station building. At Mont Joli, Quebec, construction of 15-foot by 20-foot building. At Saint John, N.B., erection of a bunk house and two or three other small items. At Moncton, N.B., construction of extension to present asphalt station platform from mail room to express building, replacing worn-out wooden platform.

Mr. NICHOLSON: And what items have you got with respect to stations and station facilities in the western region, Mr. Walton? Have you got a breakdown by provinces?

Mr. WALTON: The items in the western region under the heading of Station and Station Facilities include the following: New Westminster, B.C., freight shed. Edmonton, Alta., construction of west wing on station building. Winnipeg, Man., central heating plant. Heinsburg, Alta., construction of a station building.



At Leyland, Alta., erection of a freight and passenger shelter. At Mulvihill, shelter to be erected and the removal of a small building to Hallboro, to replace the building destroyed by fire. Smithers division, conversion of deteriorated station into freight and passenger shelters at several small points. Warspite, Alta., construction of a station. Pine Falls, Man., construction of a new station. Taft, installation of electric light. Dodsland, Sask., construction of a new station. Clearwater, B.C., construction of agent's bunkhouse. Cook, installation of sewer and furnace facilities in station building. Atikokan, Ont., construction of extension to station building. Vancouver, B.C., installation of electric equipment in station. Edmonton, Alta., construction of new freight shed and trackage. That is the commencement of a job which will continue over into next year. Fort William, Ont., construction of 40-foot by 200-foot freight shed. Pine River, Man., construction of freight shed. Kamloops, B.C., construction of office addition to freight shed, present facilities being inadequate. Kamloops Junction, B.C., construction of extension to stockyards. Kelowna, B.C., construction of 20-foot extension to enginemen's bunkhouse. Winnipeg, Man., construction of addition to No. 1 freight shed. Then we run into some such small items as stockyards and loading platforms.

Mr. NICHOLSON: What is the vote this year as compared to the vote last year for the western region?

Mr. COOPER: The budget for the western region last year, was \$1,123,000. And this year it is \$1,148,000.

Mr. NICHOLSON: Was the whole of the vote spent last year?

Mr. COOPER: I have not got it by regions, Mr. Nicholson, but for the System we voted \$2,617,000; and we spent \$2,258,000. About \$400,000 less was spent than was budgeted.

Mr. NICHOLSON: What about the supply situation? Are you experiencing very serious trouble in obtaining supplies and labour for these new stations?

Mr. VAUGHAN: I understand that the supply of most materials is more plentiful but steel is difficult to get. Steel is still in short supply.

Mr. NICHOLSON: Do you think you can spend the money that is voted and that you can obtain the supplies and the materials and the necessary labour?

Mr. VAUGHAN: Materials are easier to get. I think we shall probably be spending a greater proportion of our budget than we have been able to in past years.

Mr. FULTON: Where is the item for safety signal equipment? Does that come under the heading of Signals and Interlockers?

Mr. VAUGHAN: Yes, that is right.

Mr. FULTON: In the western region you have an item there for \$997,515 for signals and interlockers. How much of that is likely to be spent?

Mr. WALTON: I would say that the greater part of that item will be spent.

Mr. FULTON: What about block signals and slide detection?

Mr. WALTON: Later on next month we expect to have about 25 miles of the signal system in operation in the vicinity of Spence's Bridge, B.C. We expect, in the month of April, to have that 25-mile circuit in operation.

Mr. McLURE: I see in the Atlantic region you have an item of \$57,700 for highway and crossing protection. Have you any protection at the small towns? For instance, there is one little town, Kensington, which has three railway crossings. I consider that they are a menace to the little town, and have been so for quite a number of years.

Mr. WALTON: I do not see it on the list.

The CHAIRMAN: Any other questions, gentlemen?

Some Hon. MEMBERS: Carried.



The CHAIRMAN: What about the West Indies? That is at the end of the Canadian National budget I believe, the last page—Canadian National (West Indies) Steamships, Limited, page 7. Are there any questions on this? There does not seem to be very much of a contentious nature in this statement.

Mr. JACKMAN: Why do you budget for an increase in operating revenues on the railways and a decrease on the West Indies steamships? There must be some reason for it. Do you find a falling off in the trade with the West Indies?

Mr. VAUGHAN: Yes, to a certain extent, Mr. Jackman; we find that business between Canada and the West Indies is constantly declining.

Mr. JACKMAN: More than to the other sterling areas?

Mr. VAUGHAN: I do not know anything about that. All I know is this, that there is not the flour and there are not the automobiles and other things going to the West Indies from Canada that there was and we are looking for a further decline this year. Of course, that is only an estimate based on the best information we could obtain. We hope that the situation will be better than what we have presented it here but we cannot tell now. The increase on the railway was largely due to the increase in freight rates, not to increased business.

Mr. JACKMAN: And Maritime rates, I mean marine rates, are going down rather than going up.

The CHAIRMAN: Is this O.K., gentlemen?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Now, the minister is not here. We have the report of the auditors and then we have the Canadian National Railways security trust, and I think we have three estimates of the Minister of Transport.

Mr. VAUGHAN: I might say, Mr. Chairman, that the securities trust statement is exactly the same as last year.

The CHAIRMAN: Mr. Vaughan says that the Canadian National securities trust is just the same as it was last year. Do you want to look at that first before we call the auditors?

Mr. VAUGHAN: There have been no alterations in these figures at all.

## THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

OTTAWA, 1st. March, 1949.

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

Sir, In conformity with Section 23 of The Canadian National Railways Capital Revision Act, 1937, the Trustees of the Canadian National Railways Securities Trust submit the following report for the calendar year 1948.

No capital losses were charged to Proprietor's Equity during the year and accordingly the book value of the capital stock of the Securities Trust, as shown on the Balance Sheet, remains unchanged from December 31, 1947.

There were no transactions during the year affecting the collateral securities held by the Securities Trust.

The Trustees present herewith the Balance Sheet as at December 31, 1948.

F. P. VARCOE,  
*For the Trustees.*



**THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST**

BALANCE SHEET AT 31ST DECEMBER, 1948

| ASSETS  |                           | LIABILITIES                                |
|---|---------------------------|--|
| <i>Claims for Principal of Loans—</i>                   |                           |  |
| Canadian Northern Railway.....                          | \$312,334,805.10          | <i>Capital Stock Owned by His Majesty—</i> |
| Grand Trunk Railway.....                                | 118,582,182.33            | 5,000,000 shares of no par value capital   |
| Grand Trunk Pacific Railway.....                        | 116,006,599.08            | stock:—Initial stated value.....           |
| Canadian National Railway Company.....                  | 96,936,971.75             | \$270,037,437.88                           |
|   | <u>\$ 643,860,558.26</u>  | Gain from transactions subsequent to 1st   |
| <i>Claims for Interest on Loans—</i>                    |                           |  |
| Canadian Northern Railway.....                          | \$309,702,897.65          | January, 1937—per contra.....              |
| Grand Trunk Railway.....                                | 103,250,802.95            | <u>108,480,697.14</u>                      |
| Grand Trunk Pacific Railway.....                        | 107,326,622.84            | \$ 378,518,135.02                          |
| Canadian National Railway Company.....                  | 54,501,313.57             |  |
|   | <u>574,781,637.01</u>     |  |
| <i>Transactions subsequent to 1st January, 1937,</i>    |                           |  |
| <i>affecting the book value of the capital stock of</i> |                           |  |
| <i>the Securities Trust—</i>                            |                           |  |
| <i>Canadian National Railway System:</i>                |                           |  |
|   | Year 1948                 | Total to date                              |
| Surplus Earnings.....                                   | \$112,502,061.64          |  |
| Capital Gains.....                                      | 19,105,651.38             |  |
| Capital Losses.....                                     | <u>23,127,015.88</u>      |  |
|   |                           | 108,480,697.14                             |
| <i>Collateral Securities—</i>                           |                           |  |
| As per Schedule A.1.....                                |                           | Amount by which the book value of claims   |
|   |                           | and interest thereon—per contra—exceeded   |
|   |                           | the initial stated value.....              |
|   |                           | <u>948,604,757.39</u>                      |
|   | <u>\$1,327,122,892.41</u> | <u>\$1,327,122,892.41</u>                  |

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, 1948. 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, 1948, in accordance with the provisions of The Canadian National Railways Capital Revision Act, 1937.

GEORGE A. TOUCHE & CO.,  
*Chartered Accountants.*

10th February, 1949.



## THE CANADIAN NATIONAL RAILWAYS SECURITIES TRUST

## SUMMARY OF INDEBTEDNESS TRANSFERRED FROM THE GOVERNMENT TO THE SECURITIES TRUST

| <i>Loans Outstanding</i>  |                  | <i>*Notes and Collateral Held</i>                          |                  |
|---|------------------|--|------------------|
| <b>CANADIAN NORTHERN RAILWAY:</b>   |                  |  |                  |
| 3½% Loan, Chapter 6, 1911.....  | \$ 2,396,099.68  | None. Charge is on premises mortgaged October 4, 1911.     |                  |
| 4% Loan, Chapter 20, 1914.....  | 5,294,000.02     | None.  |                  |
| 5% Loan, Chapter 4, 1915.....   | 10,000,000.00    | None.  |                  |
| 6% Loan, Chapter 29, 1916.....  | 15,000,000.00    | Mortgages dated June 23 and June 26, 1916.                 |                  |
| Temporary Loan, 1918, repaid.....   |                  | 6% Demand Notes.....                                       | \$ 497,566.80    |
| †6% Loan, Chapter 24, 1917.....   | 25,000,000.00    | 6% Demand Notes.....                                       | 33,012,414.32    |
| †6% Loan, Vote 110, 1918.....   | 25,000,000.00    | 6% Demand Notes.....                                       | 27,203,003.65    |
| †6% Loan, Vote 108, 1919.....   | 35,000,000.00    | 6% Demand Notes.....                                       | 40,031,122.27    |
| †6% Loan, Vote 127, 1920.....   | 48,611,077.00    | 6% Demand Notes.....                                       | 53,008,779.65    |
| †6% Loan, Vote 126, 1921.....   | 44,419,806.42    | 6% Demand Notes.....                                       | 50,259,312.47    |
| †6% Loan, Vote 136, 1922.....   | 42,800,000.00    | 6% Demand Notes.....                                       | 46,691,634.60    |
| 6% Loan, War Measures Act, 1918.....  | 1,887,821.16     | 6% Demand Note.....  | 5,700,000.00     |
|   |                  | ¾% and 4½% Debenture Stocks.....                           | 7,139,399.00     |
| †6% Equipment Loan, Chapter 38, 1918.....   | 59,926,000.82    | 6% Demand Notes.....                                       | 56,858,496.44    |
|   |                  | Miscellaneous Bonds and Debentures.....                    | 14,097,470.59    |
| Indebtedness refunded by Government under Chapter 24,<br>1917 and Chapter 11, 1918.....                               |                  | Miscellaneous Bonds and Debentures.....                    | 20,721,191.12    |
| †Mortgage covering loans above.....   |                  | Mortgage dated November 16, 1917.....                      |                  |
| Total Canadian Northern.....  | \$312,334,805.10 |  |                  |
| <b>GRAND TRUNK RAILWAY:</b>   |                  |  |                  |
| 6% Loan, Vote 478, 1920.....  | \$ 25,000,000.00 | 6% Demand Notes.....                                       | \$ 25,479,226.97 |
| 6% Loan, Vote 126, 1921.....  | 55,293,435.18    | 6% Demand Notes.....                                       | 56,646,816.12    |
| 6% Loan, Vote 137, 1922.....  | 23,288,747.15    | 6% Demand Notes.....                                       | 23,288,747.15    |
| 4% Loan to G.T. Pacific, Chapter 23, 1913, guaranteed by<br>Grand Trunk.....  | 15,000,000.00    | 4% Demand Note.....  | 15,000,000.00    |
| Temporary Loans, repaid through subsequent issues of guar-<br>anteed securities and loans.....                        |                  | 4% G.T.P. Debentures.....                                  | 15,000,000.00    |
|   |                  | 4% Debenture Stock.....                                    | 60,801,700.00    |
| Total Grand Trunk.....  | \$118,582,182.33 | 6% 2nd Mortgage Equipment Bonds.....                       | 1,693,113.33     |
| <b>GRAND TRUNK PACIFIC RAILWAY:</b>   |                  |  |                  |
| 3% Bonds, Chapter 24, 1913.....   | \$ 33,048,000.00 | 3% 1st Mortgage Bonds.....                                 | \$ 33,048,000.00 |
| 6% Loan, Chapter 4, 1915.....   | 6,000,000.00     | 4% Sterling Bonds.....                                     | 7,499,952.00     |
| 6% Loan, Vote 441, 1916.....  | 7,081,783.45     | Mortgage, June 28, 1916.....                               |                  |
| 6% Loan, Vote 444, 1917.....  | 5,038,053.72     | Mortgage, October 18, 1917.....                            |                  |
| 6% Loan, Vote 110, 1918.....  | 7,471,399.93     | Mortgage, October 18, 1917.....                            |                  |
| Receiver's Advances, P.C. 635, March 26, 1919.....  | 45,764,162.35    | Receiver's Certificates.....                               | 53,339,162.74    |
| Interest Guaranteed by Government of Canada.....  | 8,704,662.65     | Cremation Certificates, coupons destroyed.....             | 8,698,170.42     |
| Interest Guaranteed by Provinces of Alberta and Saskatchewan<br>Agreement with Government under Chapter 71, 1903..... | 2,898,536.98     | Cremation Certificates, coupons destroyed.....             | 2,925,723.88     |
|   |                  | Grand Trunk Pacific Development Company Capital Stock..... | 2,999,000.00     |
| Total Grand Trunk Pacific.....  | \$116,006,599.08 |  |                  |



CANADIAN NATIONAL RAILWAY COMPANY:

|   |                  |   |                  |
|---|------------------|---|------------------|
| 6% Loan, Vote 139, 1923.....  | \$ 24,550,000.00 | { 6% Canadian Northern Demand Note.....   | \$ 12,655,019.57 |
|   |                  | { G.T.P. Receiver's Certificates.....   | 3,313,530.01     |
|   |                  | { G.T.P. Interest Coupons.....  | 1,530,831.96     |
| 5% Loan, Vote 137, 1924.....  | 10,000,000.00    | { 5% Canadian Northern Demand Note.....   | 1,318,315.86     |
|   |                  | { G.T.P. Receiver's Certificates.....   | 4,691,173.58     |
|   |                  | { G.T.P. Interest Coupons.....  | 1,530,822.24     |
| 5% Loan, Vote 377, 1925.....  | 10,000,000.00    | { 5% Canadian Northern Demand Note.....   | 9,496,718.21     |
|   |                  | { G.T.P. Receiver's Certificates.....   | Cr. 1,422,425.17 |
|   |                  | { G.T.P. Interest Coupons.....  | 1,530,802.80     |
| 5% Loan, Vote 372, 1926.....  | 10,000,000.00    | { 5% Canadian Northern Demand Note.....   | 9,062,624.30     |
|   |                  | { G.T.P. Receiver's Certificates.....   | Cr. 364,898.78   |
|   |                  | { G.T.P. Interest Coupons.....  | 1,530,880.56     |
| 5% Loan, Vote 336, 1929.....  | 2,932,652.91     | 5% Canadian National Railway Company Demand Notes....                                   | 2,932,652.91     |
| 5% and 5¼% Loans, Chapter 22, 1931.....   | 29,910,400.85    | 5% and 5¼% Canadian National Railway Company Demand Notes.....                          | 29,910,400.85    |
| 5¼% Loans, Chapter 6, 1932.....   | 11,210,815.56    | 5¼% Canadian National Railway Company Demand Notes....                                  | 11,210,815.56    |
| Temporary Loan 1930, repaid.....  |                  | { 166,877.6376 shares of Capital Stock of Grand Trunk Western Railroad.....             | 4,171,940.94     |
|   |                  | { 5% 1st and General Mortgage Temporary Gold Bonds of Central Vermont Railway, Inc..... | 8,609,000.00     |
| Less: adjustment authorized by the Capital Revision Act, 1937. Cr. 1,666,897.57 |                  |   |                  |
| Total Canadian National Railway Company.....                                    | \$ 96,936,971.75 |   |                  |
| Total Loans.....  | \$643,860,558.26 |   |                  |

\* The Notes and Other Evidences of Indebtedness and the Collateral Securities are all held for safekeeping in the vaults of the Department of Finance, Ottawa, excepting Grand Trunk Pacific Railway 3% 1st Mortgage Bonds in the amount of £5,307,000 (\$25,792,020) which are held for safekeeping by the Bank of Montreal, London, England, as evidenced by the certificate of that depository.



Mr. HATFIELD: You still have some perpetual bonds outstanding. I don't suppose you could get rid of those?

Mr. VAUGHAN: We discussed that when you were not here the other day, Mr. Hatfield. We were able to pick up a great many of these bonds due to the vesting order of the British government during the war. There are not a great many of the perpetuals left. I think we gave the committee a statement as to that.

Mr. COOPER: Yes, sir, we said \$325,000,000 of perpetual securities had been redeemed since the beginning of the war and that there is now outstanding between \$12,000,000 and \$13,000,000.

Mr. PICARD: They are pretty near all taken up.

Mr. COOPER: Yes, more than 95 per cent of them.

The CHAIRMAN: Well now, gentlemen, about all that we have left is the report of the auditors. The minister is not here with his three items. Would it be agreeable if we called Mr. Matthews to present the auditors' report. Mr. Bennett will read the report and following that questions will be answered either by Mr. Matthews or Mr. Bennett.

Mr. FULTON: Would it be a good idea for us to have a statement as to who the people are who are going to present this report?

The CHAIRMAN: They are representatives of the official auditors.

Mr. FULTON: They are both representatives of the George A. Touche Company?

The CHAIRMAN: Yes. All right, Mr. Bennett, will you go ahead please.

Mr. BENNETT:

10th March, 1949.

## CANADIAN NATIONAL RAILWAY SYSTEM

THE HONOURABLE THE MINISTER OF TRANSPORT,  
OTTAWA, CANADA

Sir:—We have audited the accounts of the Canadian National Railway System for the year ended the 31st December, 1948, under authority of the Canadian National-Canadian Pacific Act, 1936, and we now report, through you, to Parliament.

In our reports of previous years we have commented on certain matters to which we do not propose to refer in this report in view of the appointment of the Royal Commission on Transportation.

### GENERAL SCOPE OF AUDIT

In brief, our audit of the System accounts for 1948 included:

- (a) Examination of major expenditure authorities in conjunction with the recorded Resolutions of the Directors, which in turn were related to Corporate By-Laws, Orders in Council and Acts of Parliament;
- (b) Audit tests in the offices of Regions, Separately Operated Properties and System Headquarters, limited to a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting department of the System. In this connection we worked in collaboration with the executive accounting officers at Headquarters having as a common objective the securing of maximum internal protection to the System in the control of Cash



Receipts and Expenditures, Securities Held, Material Stores and Accounts Receivable of all types. The System is further protected by Fidelity Bond Insurance with outside Underwriters;

- (d) Audit of the Consolidated Income Account and the Consolidated Balance Sheet and certification thereof.

Our test audit covered the various Balance Sheet accounting units in Canada, the United States, London (England) and Paris (France) with Income Accounts originating in the Revenue Offices, Regions, Separately Operated Properties and System Headquarters which comprise the System as an operating entity.

Apart from those pertaining to the Trans-Canada Air Lines and the non-operating Canadian Government Merchant Marine, Limited, the holdings in the Capital Stocks of the Affiliated Companies are insufficient to give voting control and accordingly the Companies are not treated as units of the System nor have their accounts been audited by us. In a few instances their accounts were certified by Public Accountants but for the most part they were audited by joint committees composed of System accountants and representatives of outside interests.

#### CONSOLIDATED INCOME ACCOUNT

##### *Depreciation and Maintenance*

In respect of "depreciable" Fixed Properties—defined in the 1943 Order of the Interstate Commerce Commission as including bridges, buildings, stations, shops, etc., but excluding track structure—provision for depreciation, at rates resulting in a composite rate of approximately  $1\frac{2}{3}$  per cent, has been made during the year for the United States Lines of the System through Maintenance of Way and Structures accounts in accordance with the above mentioned Order whereas the Canadian Lines have taken up through the same accounts the loss of service value at the time of replacement or retirement.

Track structure composed of ties, rails, track material and ballast is not classified by the Interstate Commerce Commission as an asset for which provision for Depreciation should be made; accordingly the loss of service value was taken up through Maintenance of Way and Structures accounts at the time of replacement on both the Canadian and United States Lines of the System.

The loss on a line abandonment during 1948 has been charged to Operating Expenses.

Provision for Depreciation has been made for the Equipment of both the Canadian and United States Lines of the System. The  $3\frac{1}{3}$  per cent annual depreciation rate used for Rail Equipment of the Canadian Lines was approximately the same as the latest available composite of the rates used by the Class I Railroads in the United States.

In addition to charges for depreciation and those for loss of service value taken up at the time of replacement or retirement, the Maintenance accounts as a whole included the cost of day-to-day repairs and partial renewals on both the Canadian and United States Lines. These repairs and partial renewals are recognized costs of maintenance whether or not depreciation accounting is in effect.

During 1948 Deferred Maintenance Reserve was utilized to the extent of \$8,000,000, Maintenance of Way and Structures being credited with \$4,500,000 and Maintenance of Equipment with \$3,500,000.

We have received certificates from the responsible operating and executive officers to the effect that the Fixed Properties, subject to the utilization of the unexpended balance of \$17,000,000 in the Deferred Maintenance Reserve, and Equipment have been maintained in a proper state of repair and in an efficient operating condition during the year, and that insofar as traffic demands would permit, such Physical Retirements, which should have been made during the



year as a result of wear and tear and obsolescence, have been made and that notification of all such Retirements has been given to the Accounting Department.

#### *Insurance Fund Operations*

The operations for the year resulted in a net loss of \$1,927,000 mainly due to the fire in Montreal at the Bonaventure freight sheds. The sum of \$1,783,000 was charged against railway income and credited to the Reserve which sum was sufficient to re-establish it at \$12,000,000 excluding the estimated amount of \$1,486,000 set aside to meet the larger unadjusted loss claims.

### CONSOLIDATED BALANCE SHEET

#### *Assets*

Against the Corporate portion of the property investments brought into the National System accounts at the 1st January, 1923, there have been properly applied the reductions authorized by The Canadian National Railways Capital Revision Act, 1937, but no similar reductions were authorized at that time covering the Crown property investments in the Canadian Government Railways. Since the 1st January, 1923, the Additions and Betterments less Retirements of the System have been shown on the general basis of cost.

The several special funds including Capital and Other Reserve Funds, Deferred Maintenance Fund, Insurance Fund and Pension Contract Fund, amounting in total to \$94,304,000 are represented by investments in the securities of the Government and the National System, cash and sundry current assets. At the year end, the market value of the securities held in respect of these special funds exceeded the book figure, which for Government securities was based on cost and for System securities on par value.

The portion of Insurance Fund investments of \$4,614,000 in System securities, the listings of which were withdrawn from the Exchanges as a result of the war-time United Kingdom Vesting Orders, have been taken at par for the purpose of the foregoing year-end market valuation.

The par value of National System securities held in the foregoing special funds aggregates \$10,370,000 of which par value \$5,612,000 is covered by the guarantee of the Government of Canada.

Investments in Affiliated Companies are represented by the Capital Stocks, Bonds and obligations for Advances of companies affiliated with but not forming a part of the National System. During the year, in order to reduce the fixed charges of the Northern Alberta Railways Company, the Canadian National Railway Company for its part, in collaboration with the Canadian Pacific Railway Company, exchanged Bonds amounting to \$5,938,000 for Capital Stock. Apart from the Trans-Canada Air Lines, this type of unlisted investment is made, in association with other railways, primarily to secure the benefits of traffic interchange and terminal facilities. The basis of the Balance Sheet figure is cost or, in respect of certain United States securities, less than the special valuations approved by the Interstate Commerce Commission. Apart from the Trans-Canada Air Lines, the 1948 Financial Statements issued by the companies representing the larger investments indicated that:—

- (a) The affiliates have utilized the funds from the sale of their securities up to the 31st December, 1948, for investment in Fixed Properties and Equipment and for working capital purposes.
- (b) Profits aggregated some \$1,725,000 and Losses some \$553,000 for the year 1948. Included in the latter total was the loss of \$355,000 incurred by the Northern Alberta Railways Company, 50 per cent of which loss has been taken up as an Income charge by the National System, the other 50 per cent being chargeable to the Canadian Pacific Railway.



The loss does not include provision for interest on the Company's bonds, as in prior years, such interest having been treated as waived for the year 1948.

- (c) No major Corporate Deficits existed at the 31st December, 1948. This condition, however, should be considered in conjunction with the varying accounting policies relating to Accrued Depreciation of Fixed Properties. Generally speaking, the principal affiliates in Canada do not accrue such depreciation whereas those in the United States have done so since the 1st January, 1943, in accordance with the relative order of the Interstate Commerce Commission.

Other Investments include unlisted investments of a miscellaneous nature including those in hotel and grain elevator companies held primarily for purposes of traffic benefit, and are valued at or below cost. The balance is represented by securities of the Government of Canada and the National System (Government Guaranteed) the year-end market value of which in total exceeded the book figure based respectively on cost and par value.

Temporary Cash Investments are represented by Government of Canada securities, the year-end market value of which exceeded the book figure based on cost.

Accounts Receivable and Payable of all classifications have been tested by us with the subsidiary and controlling records, cash and other transactions subsequent to the year end, departmental files and general supporting information but such Accounts have not been verified by direct communication with the individual Debtors and Creditors.

A physical inventory of Material and Supplies was taken by the Railway as at the 30th September and in connection therewith we have received certificates from the responsible officers to the effect:

- (a) That the quantities were determined by actual count, weight or measurement or by conservative estimate where such actual basis was impracticable, and
- (b) That the inventory pricing was laid down cost based on weighted average costs for ties, rails and fuel and on latest invoice prices for new materials in General Stores, and on estimated utility or sales value for usable second-hand, obsolete and scrap materials after making reasonable pricing allowances for condition thereof.

Ledger values as of the 30th September were brought into agreement with the physical inventory through a credit to Operating Expenses of \$372,000.

Other Deferred Assets consist principally of Contracts Receivable in connection with Land Sales and Sundry Deferred Accounts Collectible.

Other Unadjusted Debits consist of Capital charges accumulated on the rebuilding of passenger cars which were uncompleted at the year end, the unamortized cost of opening ballast pits which will be written off on the basis of yardage used; the estimated salvage value of non-perishable material in ballast pits and other temporary tracks; accepted inter-line freight claims paid in advance of investigation with other carriers, and miscellaneous debit items not otherwise provided for or which cannot be disposed of until additional information is received.

#### *Liabilities*

Other Deferred Liabilities consist principally of the outstanding capital value of the workmen's compensation awards by the Provinces of Ontario and Quebec.



*Reserves and Other Unadjusted Credits*

Accrued Depreciation of Canadian Lines Equipment amounts to \$112,858,000. In the years 1941 to 1944 a sum of \$21,500,000 was provided to cover additional wear and tear due to the high level of war-time traffic. During the year the full ledger value of Equipment retired, less salvage, was charged to this Reserve, Proprietor's Equity not being charged with that portion of Depreciation accruing prior to 1940.

Other Unadjusted Credits include the estimated proportion of prepaid Revenues on freight in transit; excess of actual Revenues over year-end estimates carried in suspense; estimated liability for injuries to persons; estimated liability for overcharge claims, and miscellaneous credit items not otherwise provided for or which cannot be disposed of until additional information is received.

Where foreign currencies are involved, the Balance Sheet accounts of the System are converted generally as follows:

- (a) United States Currency  
—at the dollar par of exchange.
- (b) Sterling Currency  
—at the former par of \$4.86 2/3 to the pound.
- (c) French Currency  
—at approximately 15 francs to the dollar for the original investment in Hotel Scribe and 300 francs to the dollar for Working Capital accounts.

Dollar amounts stated in this Report are to the nearest thousand.

Yours faithfully,

GEORGE A. TOUCHE & CO

The CHAIRMAN: Gentlemen, do you wish to discuss this part of the report before Mr. Bennett reads the report on the Canadian National (West Indies) Steamships Limited?

Mr. HAZEN: I wonder if I may ask a question. In your report which you have just read do you call attention to any remedial action of any kind that you think might be taken by the railway?

Mr. MATTHEWS: Mr. Hazen, in our report of 1947 we dealt at some length with matters we thought should be brought to the attention of this committee and parliament. As we say in the second paragraph of this year's report they all either directly or indirectly relate themselves to the subjects that are assigned to the new royal commission on transportation so that this year's report in effect does not contain any recommendations on our part.

Mr. HAZEN: I might say first that I noticed the statement you referred to in paragraph 2 but the Canadian National-Canadian Pacific Act, section 13, says that the auditors in their annual reports shall call attention to any matters which in their opinion require consideration or remedial action.

Now I suppose you gave consideration to that provision when preparing the report as you did and you put in that paragraph. Of course the question does arise as to whether you are following out the terms of the Act when you present your report in this form, in view of the specific provision in the Act?

Mr. MATTHEWS: Yes, we believe we are, Mr. Hazen, because we have for many years presented in our report to parliament, and for consideration before this committee, matters we have had in mind when following up that particular provision. In view of the fact that in 1947 we dealt with those matters in great detail, and the fact that they are now before the royal commission, it seemed to us that there was no merit in further reference to the pros and cons of the



situation at this time, beyond calling your attention to it. The report of my firm for 1947 is on record and it is there for consideration of this committee or parliament at any time.

Mr. HAZEN: I do not want to unduly criticize this, and I may not be taking the right view, but in this report you use the expression "In our reports of previous years—" and you do not refer specifically to the report of 1947. A member of this committee reading the report I presume would have to get all the previous reports to find out what the recommendations are?

Mr. MATTHEWS: No, he would not. The fact of the matter is that we have specifically limited it to the 1947 report. The 1947 report when dealing with depreciation accounting policy and uniform accounting regulations makes further reference also to the 1946 report in which we dealt with the matter in some detail. In effect it can all be dealt with through the 1947 report. We did not deem it necessary at that time to again repeat the detail; that was our reasoning, Mr. Hazen, and it requires nothing further than reference to the 1947 report.

Mr. FULTON: The matters to which you call attention in 1947 and 1946 remain exactly as they did when you did call attention to them and therefore they are to be changed only if the royal commission so recommends?

Mr. MATTHEWS: That is right.

The CHAIRMAN: Are there any other questions?

Mr. FULTON: May I ask which are the affiliated companies as referred to at the bottom of page 1? Can you tell me where I can find the list?

Mr. BENNETT: Those are listed on page 22 of the annual report.

Mr. FULTON: That shows companies comprising the system but it only shows one affiliated company—Trans-Canada Air Lines.

Mr. BENNETT: If you will look at page 22, halfway down, you will see "Investments in Affiliated Companies".

Mr. FULTON: Oh yes, that is fine.

What is the position with respect to the balance of the par value securities referred to in the third paragraph on page 3. You say "the par value of national system securities held in the foregoing special funds aggregates \$10,370,000 of which par value \$5,612,000 is covered by the guarantee of the government of Canada".

Would you care to comment on the actual value of the balance not so covered?

Mr. MATTHEWS: That is just put there for summary information of the committee, Mr. Fulton, to indicate the extent to which Inter-System securities are held in that group of accounts mentioned. The balance of the system's securities are securities, as I recall it, required by the insurance fund and in respect to the United Kingdom vesting order on securities. As we mention also at that point as these securities were withdrawn from the exchanges naturally it would be difficult to say what their market value would be if they were still so quoted. It is just to call the matter to your attention so you will know the extent to which those totals included inter-city securities without government guarantee.

Mr. FULTON: Under what authority was the interest waived—the matter to which you make reference in subparagraph (b) on page 3—interest of the Northern Alberta Railways Company?

Mr. BENNETT: The Northern Alberta Railways Company is owned jointly by the Canadian Pacific and the Canadian National—each company owning 50 per cent. As owners and holders of the bonds they waived the interest for this year.



Mr. FULTON: I quite understand that they did it, but why? Will that not make it difficult to get an exact picture of the company? I am asking for factual information and whether there is authority to do that.

Mr. BENNETT: I think the authority, Mr. Fulton, is really the decision of the owners who waived the interest.

Mr. MATTHEWS: It was a decision of the boards of directors, Mr. Fulton. Of course the reason for it is something that perhaps we would not be able to explain fully but it had the authority of the board of directors and the interest was waived from the year 1948.

Mr. FULTON: I will put this to you. Supposing in future years the Northern Alberta Railways Company makes a substantial profit, will there be any way of recovering that interest as a back debt, or has it gone forever?

Mr. MATTHEWS: Mr. Cooper says that it is subject to recall at a later date.

Mr. FULTON: Subject to what?

Mr. MATTHEWS: Mr. Cooper says it is subject to recovery at a later date if the interest is earned.

Mr. FULTON: Is it in the same position as though the government sought to obtain authority to waive interest owing to it by the Canadian National Railway?

Mr. MATTHEWS: No, the effect is not the same because if interest were charged the Northern Alberta Railways Company the Canadian National Railways would have to put the money up and get it back. The net effect of this is that the operating loss for the Northern Alberta Railways Company statistically and comparably with the Canadian National Railways is reduced, but cashwise there is no difference because of the fact it is fifty-fifty operation, and if you charge interest it has to be paid. There is no net difference really in the Canadian National Railway cashbox position. It does, however, affect the profit and loss figures. We call your attention to the point so that if you are comparing the figures for this year with the figures for 1947 you will have an explanation.

Mr. JACKMAN: With regard to the Northern Alberta Railway Company, that is not the company we purchased last year.

Mr. MATTHEWS: No.

Mr. JACKMAN: That was the Manitoba company. Is this a railway where half the bonds are owned by the C.N.R. and half by the C.P.R., and half the equity too?

Mr. MATTHEWS: Yes, it is a 50-50 proposition—stock, bonds and operation.

Mr. JACKMAN: All the way through?

Mr. MATTHEWS: Yes.

The CHAIRMAN: Are there any other questions, gentlemen?

Mr. HAZEN: Are all these securities of the national system guaranteed by the government? I am asking in connection with the statement at the foot of page 2, about the different funds.

Mr. MATTHEWS: No, they are not all guaranteed securities. As I have mentioned before, particularly in the insurance matter, they did acquire over the years some of those securities that were related to the United Kingdom vesting order, but they were not generally guaranteed; but there is a very large proportion of the investment holdings that are guaranteed by the dominion.

Mr. HAZEN: With regard to these several funds—the preferred maintenance fund, insurance fund and pension contract fund—are most of the securities of the national system that you hold on behalf of those funds guaranteed? What portion is guaranteed?



Mr. MATTHEWS: I have not got the breakdown of that.

Mr. HAZEN: With regard to those that are not guaranteed, are they marketable? Could you realize on them if you had to sell them?

Mr. MATTHEWS: Those in the insurance fund, as we have pointed out, were withdrawn from the exchanges when the British government vested securities and the Canadian government acquired them, and in turn really the insurance fund of the Canadian National Railways took them over. It would be a question of having, I suppose, to put them back on the exchanges.

Mr. HAZEN: Are you satisfied to have those securities in those funds?

Mr. MATTHEWS: I would say this, Mr. Hazen, that the security portfolio of the Canadian National Railway System will, in my opinion, compare with any other investment portfolio of which I have any knowledge. The fact of the matter is that the securities are down to the point now where they are practically all dominion government securities apart from those that are inter-system, and the inter-system securities in that group are only \$10,000,000, \$5,000,000 of which is guaranteed. So that over all I think the investment portfolio of the Canadian National Railways would be a very desirable one in the hands of many investment companies.

Mr. JACKMAN: On this insurance fund operation the loss last year was \$1,927,000, mainly due to the Bonaventure fire. I think there is reference to \$1,783,000 which was charged against railway income and credited to the reserve, which sum was sufficient to re-establish it at \$12,000,000. Mr. Vaughan said this morning that the loss of this station would run between \$3,000,000 and \$4,000,000.

Mr. COOPER: The loss on the Bonaventure fire was about \$2,000,000.

Mr. JACKMAN: How much would it cost to restore the station?

Mr. COOPER: The cost to restore it would have nothing to do with the insurance fund.

Mr. JACKMAN: Well, what I want to get at is whether you are overinsured or underinsured in your own fund?

Mr. COOPER: We are going to build a modern freight terminal in place of the one which existed. The modern terminal will be a vastly different affair from the one that was destroyed. The one that was destroyed cost in the neighbourhood of \$300,000. Most of the loss in the Bonaventure fire had to do with the freight cars and the freight in the cars and sheds rather than the sheds themselves.

Mr. JACKMAN: That loss on the Bonaventure sheds, which is the only thing referred to here, would include loss of rolling stock?

Mr. MATTHEWS: It is the loss arising out of the destruction of the freight sheds.

Mr. JACKMAN: Not the freight sheds alone.

Mr. MATTHEWS: That is right; but principally the loss was really in merchandise. When we look at the age of the Bonaventure station and realize the time when the destroyed sheds were built, we realize its relationship between that cost and any reconstruction program now is nil. There has been destroyed a relatively minor portion of a station that is seventy-five years old. Obviously the costs of that property-wise would not have any relation whatever to the construction of a new over-all station facility at Bonaventure. The fact of the matter is that the main loss in this fire is the loss of merchandise.

Mr. JACKMAN: Who carries the risk on the merchandise?

Mr. MATTHEWS: It is paid out of the insurance fund. We have to assume the loss out of the fund. That is what the fund is for—fire loss.



Mr. JACKMAN: Could you say what is the total risk that is carried by this fund which has in it assets of \$12,000,000?

Mr. MATTHEWS: Well, Mr. Jackman, it covers the bulk of all the assets of the Canadian National Railway System. There are a few special items insured with outside underwriters as we have mentioned to you before in other years: the steamship *Prince George*, the Grand Trunk-Milwaukee car ferry, the Ontario car ferry, the eastern car ferry, and a few other miscellaneous items, but in the main that \$12,000,000 insurance fund is related to the fire risks of the national system. I think, however, in looking at that we should bear in mind that the record of the fund over a period of years has been pretty good, taking it all the way through, and it would take a major disaster to eliminate that \$12,000,000 fund. I suppose in looking at it you have to consider what are the actual statistics concerning it. It has been a good record.

Mr. JACKMAN: The \$12,000,000 has been built up from year to year?

Mr. MATTHEWS: Well, Mr. Jackman, it was built up in the early years, and has been stationary at \$12,000,000 for a good many years now. It has not been altered. In other words, any losses are taken care of, but as a rule there have been some profits from the insurance fund which, I think you will recall from our former discussions, I told you had been credited to the income account, the same account to which this loss is charged now. I think we should look on the \$12,000,000—we always have—as a provision against some extraordinary fire losses. There have not been any of that calibre since the fund was created in 1923.

Mr. JACKMAN: Does the income on that fund of \$12,000,000 pay for most of the losses which were incurred or is there an annual sum allocated to this fund in lieu of insurance premiums?

Mr. MATTHEWS: No. Mr. Jackman, as we also told you in previous years operating expenses in the main are not charged with the bulk of the risks. There are a few risks, as I recall, on the Grand Trunk Western that are charged operating expenses, but in the main operating expenses ceased to be charged many years ago because of the fact that the fund was built up to a level that on the basis of experience was found to be adequate, short of some major fire disaster.

Mr. JACKMAN: How do you arrive at the sum of \$1,783,000 charged against railway income and credited to this insurance reserve?

Mr. MATTHEWS: That was the loss.

Mr. JACKMAN: You just take your losses, do you?

Mr. MATTHEWS: That was the loss arising out of that fire.

Mr. JACKMAN: And the loss was approximately \$1,927,000 which was sufficient to restore the fund at \$12,000,000?

Mr. MATTHEWS: Yes, in order to take care of the loss of the railway station as a result of the fire.

Mr. JACKMAN: In other words, you are quite sure the \$12,000,000 is an adequate insurance reserve despite the fact that replacement values have gone up substantially in recent years?

Mr. MATTHEWS: Well, Mr. Jackman, we did mention in our report to parliament last year that fact. We called your attention to the fact that the directors of the National Railways had been giving some thought—and we thought properly so—to the question of whether or not \$12,000,000, in the light of higher replacement values, was adequate. Now, the directors have given that consideration, I think, on two occasions and as yet no change has been decided upon as to the necessity to increase that \$12,000,000. In theory one could easily argue that if \$12,000,000 was an adequate figure over a ten-year period prior to inflation that it should be relatively higher in an inflationary period. We called



that to your attention on occasions in the past—there was specific reference to it in 1947—but really on that record of the fund I do not think we could raise any serious questions about it.

Mr. JACKMAN: You are satisfied, then?

Mr. MATTHEWS: Short of a major disaster. We might have a major fire. We do not feel terribly concerned about the amount of that insurance.

Mr. NICHOLSON: I wonder if Mr. Matthews could make any comment on the policy followed by American class 1 railways; do they have an insurance trust account?

Mr. MATTHEWS: Some of them do.

Mr. NICHOLSON: Or do they insure privately?

Mr. MATTHEWS: That is a matter of individual corporate policy. You might find that in industry too. You will find that some large companies carry their own insurance. This is a matter of corporate policy; no rule is laid down.

Mr. JACKMAN: In view of the record—

Mr. MATTHEWS: I say in view of the record of the Canadian National Railways it has a decided saving.

Mr. JACKMAN: The shareholders would rather have the risk carried this way than to have had the insurance on the station carried otherwise?

Mr. MATTHEWS: Yes, indeed. If you take twenty-five years of insurance premiums on the entire insurable risks of the Canadian National Railways you would find it would run up to a very sizable figure by now. It is a very decided saving to the Canadian National Railways.

Mr. FULTON: With respect to the affiliate companies I see on page 1 that you do not audit them with the exception of Trans-Canada Air Lines. I take it you must have had a good look at their audited statements and would say what is your opinion with respect to the value of the holdings in those companies as carried on the books of the Canadian National Railways at \$64,000,000?

Mr. MATTHEWS: Let us take them individually and see what their functions are, Mr. Fulton. I think one has to remember that investments in affiliated companies are carried for the purposes named. I think that type of unsolicited investment is made, in association with other railways, primarily for the purpose of securing the benefits of traffic interchange and terminal facilities. They are not investments in the sense that an investment company might invest for the purposes of investment income.

Mr. FULTON: I appreciate that, but they are carried at a definite figure on the balance sheet of the company.

Mr. MATTHEWS: Let us take the Toronto Terminals and the northern Alberta Railways. The Toronto Terminals is a joint operation between the Canadian Pacific and the Canadian National. That concerns the question of having a union station. The cost of maintenance and operation of that station is divided between the two railways. Now, how would you assess the value of that investment in any way differently from the way in which you have assessed the value of the investment, let us say, in the Montreal terminals, where the Canadian National own it themselves. I think, Mr. Fulton, if we analyse the functions of these companies we then have to place our own valuation on that type of operation.

Mr. FULTON: I am not questioning the valuation placed. I am merely asking you for a just and fair opinion. I am asking you if you feel that they are carried at their proper value.

Mr. MATTHEWS: What do you think is the proper value of the Toronto union?

Mr. FULTON: I do not know. I am asking you.



Mr. MATTHEWS: As far as the Toronto terminals are concerned that is obviously an indispensable asset. In connection with the Northern Alberta Railways I think that is a matter which has to be judged in the light of its contribution to the economy of that part of Canada.

You know the operating results of the Northern Alberta Railways. We give them to you each year. But that, perhaps, has to be related, in turn, to their value to our national economy in that portion of the country.

Mr. FULTON: Let me take one specific example for the purposes of illustration. On page 22 of the annual report under the heading of Advances, I see the item of \$2,827,980.71 in connection with the Chicago and Western Indiana Railroad Company.

Mr. MATTHEWS: That is a very prosperous company.

Mr. FULTON: That is one of the items included in the total of \$64,547,637.11. Do you consider that to be a fair value at which to carry that advance? In other words, do you think there is a good chance of that money being recovered?

Mr. MATTHEWS: That is a good joint arrangement, I think,, with five United States railways, and as for the advances made to the Chicago and Western Indiana Railroad Company, I would accept them.

Mr. FULTON: We get the answer "yes" as to that one. I was just asking you a general question as to your opinion with respect to the value at which these investments in affiliated companies are carried. If you should say that your company has looked into them and that you are satisfied that they are being carried at a fair value, then I am satisfied with the balance sheet of the Canadian National Railways, I am satisfied that it is a good picture. But if you should say you are not so sure about one or two of them, then perhaps, we should look into it further.

Mr. MATTHEWS: We have about \$25,000,000 invested in Trans-Canada Air Lines. We think that Trans-Canada Air Lines constitute a good asset in this country. One only has to travel the world air lines in order to realize the extent to which Trans-Canada Air Lines affect advertising on behalf of Canada. One might say, how do you judge the value? If you are asking me about the value of an investment commercially there is only one thing I would look at, namely, the capitalization of earnings. But we are looking at other factors here, and that is why I have to make our basis clear to you.

Mr. FULTON: I was asking you for your opinion as to the balance sheet figure shown in the investment and affiliated companies. It is a figure of \$64,547,637.11. That was my only question. I am not competent to argue with you. And if you say yes or no, then I accept it.

Mr. MATTHEWS: Well, Mr. Fulton, I submit that your question is not one to which an answer of yes or no can be given without an explanation. You asked me as to the value of these investments, if we were satisfied as to their value. So I must, in fairness to you, explain the basis upon which we are satisfied with the value. If you had asked me that same question in respect to commercial institutions or in respect to the commercial investment situation, I would have to say to you that Trans-Canada Air Lines, for instance, did not make any money this year. Now, would you then begin to capitalize the deficit or earnings of the institution as you do commercially? We say that, for the purposes for which these investments were made, in our opinion, the way in which annual deficits are taken up, that it represents an investment in property and equipment. So, for that reason, we regard them as being a proper investment by the Canadian National Railways.

Mr. FULTON: I see, and although I am not trying to put words into your mouth, Mr. Matthews, would it be correct to say that if I pressed you you might have to say that the figure of \$64,547,637.11 does not represent the cash value of the investment?



Mr. MATTHEWS: It represents a definite investment value of dollars, because deficits are not applied against the investment. As we mentioned, there are no measured corporate deficits at all. You see, in connection with the Trans-Canada Air Lines, the money is voted, and in connection with the Northern Alberta Railways, it is paid over each year. The Toronto terminals do not have any operating loss, they simply split the cost. So that investment in the affiliated companies may be said to represent the money which was originally put in there, which is not dissipated by losses. But if you had, against these companies, large accumulations of deficits that had not been taken care of each year, then the picture would be different. I think the picture is a sound one, bearing in mind the purpose for which the investments were made.

Mr. FULTON: I take it from what you say that you do make a sufficiently close check of the books of these companies, or of their annual statements, to satisfy you on that point.

Mr. MATTHEWS: Yes. We get their annual statements each year and we examine the joint audited reports of their operations.

Mr. HATFIELD: What is the value of the new Montreal terminals? At what value do you carry the new Montreal terminals?

Mr. MATTHEWS: That will be found in the investment property account of the railway. It is not in here.

Mr. HATFIELD: Yes, but what is the value of the Montreal terminals; what did they cost?

Mr. VAUGHAN: We have not got the details of the cost here.

Mr. MATTHEWS: I would say \$25,000,000 to \$30,000,000, roughly. But the sum is not mentioned in these figures here, Mr. Hatfield.

The CHAIRMAN: Are there any other questions on the Canadian National balance sheet?

Mr. JACKMAN: I understand that the only thing you are concerned with as auditors, in connection with these investments in affiliated companies, is the matter of the cost value. It has not been increased by any accumulation of deficits, nor detracted from by any subtraction of profit. You are only interested in the cost and as far as T.C.A. is concerned, what on earth has the social value of it, or the advertising value of it, or the national value of it, got to do with accounting?

Mr. MATTHEWS: Mr. Fulton asked me a question with respect to value. As far as the Canadian National Railways are concerned, so long as they have \$25,000,000 in the T.C.A., or in any other institution, they are concerned about the conditions and the operating outlook of that company. That is all. Just so long as Trans-Canada is in the portfolio of the Canadian National Railways, I think these matters have a very decided bearing because if Trans-Canada Air Lines was not a successful institution, then one would have to look at the value of that investment.

Mr. JACKMAN: I am just following up Mr. Fulton's question. I think he wanted to know if the investment in affiliated companies was \$64,547,637.11. There is no question as to what was paid for them. That was a cash outlay given for the various investments at the time of their acquisition; and they have not been altered by deficits or profits since that time. We know, in particular, what one of them is worth, what it stands for on the books. But I suggest that that is wrong. I believe that some are worth more and some are worth less. It must be the case. We know the Trans-Canada Air Lines are worth \$25,000,000. I think the statement you gave leads to a discussion as to what constitutes value. Here is its book value. I say, what is the economic value of Trans-Canada Air Lines to us? Is it what you might get for it? Somebody might be willing to pay a handsome price for it, even though it does show a deficit at the present



time. The only thing we can get from this \$64,547,637.11 here is that sometime or other that much money or consideration was paid for these assets. There is no necessary relationship to the present value. Is that not so?

Mr. MATTHEWS: I do not think I can add anything to what I have said.

Mr. JACKMAN: I would like to ask you a question about page 2 of your report where you say, in the seventh paragraph:

We have received certificates from the responsible operating and executive officers to the effect that the Fixed Properties, subject to the utilization of the unexpended balance of \$17,000,000 in the Deferred Maintenance Reserve, and Equipment have been maintained in a proper state of repair and in an efficient operating condition during the year, and that in so far as traffic demands would permit, such Physical Retirements, which should have been made during the year as a result of wear and tear and obsolescence, have been made and that notification of all such Retirements has been given to the Accounting Department.

Is there anything there to which you wish to draw our attention particularly other than the fact that \$17,000,000 of the deferred maintenance reserve, has not been expended. But so far as the physical condition of the property is concerned, you are not concerned with it, either as to its efficiency or as to the safety of it. Might I just ask you why you draw attention to the statement on page 4 under the heading of Reserves and other Unadjusted Credits. What is the meaning of that first paragraph? Why do you draw our attention to it?

Mr. MATTHEWS: For the reason, Mr. Jackman, that in previous years the unaccrued depreciation, prior to 1940, on equipment retirement, was charged as a capital loss to proprietor's equity. But starting with this year, it has been charged against the reserve itself, for the reason that it is now deemed to be proper, in view of the fact that the reserves have grown to such proportions, that it should be able to carry that unaccrued depreciation prior to 1940 for annual retirement. It is simply a change in accounting policy to which we call your attention.

Mr. JACKMAN: And does it meet with your approval?

Mr. MATTHEWS: Oh, definitely.

Mr. JACKMAN: I do not think I understand it thoroughly, but perhaps, after I read your remarks I shall.

The CHAIRMAN: Is there anything else in connection with the report?

Mr. FULTON: Why is the sterling currency carried at \$4.86 $\frac{2}{3}$  rather than \$4.00.

Mr. MATTHEWS: You mean instead of \$4.03.

Mr. FULTON: Yes.

Mr. MATTHEWS: That is the basis upon which the railways have always converted their sterling balances, Mr. Fulton.

Mr. FULTON: What about the conversion of sterling at that rate when the official Canadian government rate is \$4.03. Is it going to give us an accurate balance sheet picture when it is carried here at \$4.86?

Mr. MATTHEWS: I think that is a matter of judgment, as to what the ultimate liquidation of these balances will be and the trend of the value of sterling. This question of currency balances, Mr. Fulton, is becoming a very complicated affair in the world.

Mr. FULTON: What is the normal practice?



Mr. MATTHEWS: I would say that there is no normal practice. It varies. It depends upon the conception of the individual company as to the value they place ultimately on the liquidation of foreign values. Now I have in mind another company which has very widely distributed balances in several countries. Now, they take a particularly grim outlook of the exchange in those countries. But in converting to sterling currency at \$4.86, it is the railway's policy; we make it clear each year. I think it is a matter of opinion. I would not want to lay down any hard and fast rule. The question of foreign exchange is very complex and subject to a great number of factors. You might say perhaps that on balance the chances are that more companies would convert at what might be regarded as something approaching the current or free rate of exchange. The Canadian National Railways have always accepted that. But on our part, we do not think it necessary to take exception to that because the amounts involved are not very great.

The CHAIRMAN: Are we through with that now, gentlemen?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Shall we go on now with the Canadian National (West Indies) Steamships? That report is short. Shall we take that as read?

Some Hon. MEMBERS: Yes.

10th. March, 1949.

### CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LIMITED

THE HONOURABLE THE MINISTER OF TRANSPORT,  
OTTAWA, CANADA.

Sir:—We have audited the accounts of the Canadian National (West Indies) Steamships, Limited and Subsidiary Companies for the year ended the 31st December, 1948, acting under your authority, and we now report, through you, to Parliament.

The accounts of the Steamships and its subsidiary companies are not consolidated with those of the National System, all the shares of the parent steamship company being owned by the Government of Canada.

#### GENERAL SCOPE OF AUDIT

In brief, our audit of the Steamships' accounts for the year 1948 included:

- (a) Examination of major expenditure authorities in conjunction with the recorded Resolutions of the Directors and By-Laws of the Company;
- (b) Audit tests in the offices of the Steamships limited to a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting department of the Steamships. In this connection we worked in collaboration with the executive accounting officers having as a common objective the securing of maximum internal protection to the Steamships in the control of Cash Receipts and Expenditures, Securities Held, Material Stores and Accounts Receivable of all types. The Company is further protected by Fidelity Bond Insurance carried with outside Underwriters;
- (d) Audit of the Consolidated Income and Profit and Loss Accounts and the Consolidated Balance Sheet and certification thereof.



## CONSOLIDATED INCOME ACCOUNT

Provision for depreciation covers all vessels at the uniform rate of 5% per annum.

We have received a certificate from the responsible officers that all equipment has been maintained in a proper state of repair and in an efficient operating condition during the year; that such physical retirements as should have been made during the year, as a result of wear and tear and obsolescence, have been made, and that notification of all such retirements has been given to the Accounting Department.

## CONSOLIDATED BALANCE SHEET

*Assets*

Investment in Vessels is carried on the general basis of cost.

The Replacement and Insurance Funds are composed of investments in the securities of the Government of Canada and the Canadian National Railway System (Guaranteed by the Government of Canada) together with cash and sundry current assets. The total year-end market value of the securities held in these funds was \$14,000 less than the book figure based on cost.

The Replacement Fund increased \$578,000 during the year as a result of depreciation accruals paid into the fund and the 1948 earnings retained in the fund and credited to "Vessel Replacement Fund Earnings" in the Income Account.

The Insurance Fund increased \$205,000 during the year. As at the 31st. December, 1948, the insurance risks on all ships were carried in the reserve.

Accounts Receivable and Payable of all classifications have been tested by us with the subsidiary and controlling records, cash and other transactions subsequent to the year end, departmental files and general supporting information but such Accounts have not been verified by direct communication with the individual Debtors and Creditors.

Discount on Capital Stock represents an intangible book value set up at the time of incorporation to offset the par value of the shares issued in consideration of the guarantee by the Government of Canada of the Steamships' Bonds.

*Liabilities*

Unadjusted Credits are comprised of uncompleted voyage suspense items and a reserve against amounts in dispute.

*Reserves*

The Insurance Reserve amounts to \$1,749,000 excluding the estimated amount of \$15,000 set aside to meet the larger unadjusted loss claims.

*Profit and Loss*

Profit and Loss covers the period from the inception of operations in 1929 to 1948. In considering the Deficit, it should be borne in mind that Interest on Advances for Deficits has been charged for the entire period.

Where foreign currencies are involved the Balance Sheet Accounts of the Steamships are converted generally as follows:

- (a) U.S. Currency—at the dollar par of exchange.
- (b) Sterling Currency—at the rate of \$4.02 to the pound.

Dollar amounts stated in this Report are to the nearest thousand.

Yours faithfully,

GEORGE A. TOUCHE & CO.



The CHAIRMAN: It is very short and we can very easily read it.

Mr. JACKMAN: Some one better read it, I think, Mr. Chairman.

The CHAIRMAN: Do you think we should have it read?

Mr. FULTON: I noticed one thing right down there at the end of the report which is very interesting.

Hon. Mr. CHEVRIER: Yes, I was expecting you would be bringing that up. That is one question we can get started on.

Mr. JACKMAN: Might I just ask you this: while the balances of sterling and such currency are not substantial in amount, nevertheless, if we take the franc in Paris at its usual purchase price, on the basis of fifteen francs to the dollar, we have a hidden reserve in our investment there as far as our books are concerned. Am I wrong in that assumption?

Mr. MATTHEWS: No, I do not think you are wrong.

Mr. JACKMAN: If the company wants to buy francs we would make a lot of money, but if we were to try to buy dollars it would be a different thing.

Mr. MATTHEWS: I think there again you are dealing with the currency of a foreign country which is involved today in a dollar shortage. You know the relationship of France to the Marshall plan and what their hopes are with respect to finance. The amounts involved relatively are not large. We are in no better position than you are to say what it amounts to. I think on over-all fixed investment it is the general practice of most companies to maintain in their books something like the original cost at the time it was acquired.

Mr. JACKMAN: Is that cost in francs or dollars?

Mr. MATTHEWS: The cost is dollars.

Mr. JACKMAN: In dollars?

Mr. MATTHEWS: Yes, at the time the investment was made, but there again one might say, well, have I got any confidence in that country that it would ever recover its exchange position, and if they feel they have not, they should write it down. The Hotel Scribe, there in Paris is a very valuable property.

Mr. JACKMAN: We have no substantial amounts in francs?

Mr. MATTHEWS: No.

Mr. JACKMAN: Have we any substantial amounts in sterling?

Mr. MATTHEWS: No, not relative to the operation. Of course, if we want to get technical on that, we have a large investment in the United States and one could argue that the U.S. dollars may be regarded as a stronger dollar than the Canadian, but we convert it at par. I think, Mr. Jackman, it is almost impossible today to sit down and work out a fixed rate on international exchange.

Mr. JACKMAN: I see at the bottom of page 6, at end of the end of the Canadian National (West Indies) Steamships report you indicate that you carry U.S. currency at the dollar par of exchange and sterling currency at the rate of \$4.02 to the pound.

Mr. MATTHEWS: I have been waiting for that. It is a matter of company policy.

Mr. FULTON: How much is involved?

Mr. MATTHEWS: It is a very small amount.

Mr. FULTON: Do you know how much?

Mr. MATTHEWS: No, I do not recall it exactly. It is not large; as a matter of fact the sterling and French currency in these accounts of the Canadian National Railways are infinitesimal.



The CHAIRMAN: Is that all the questions on West Indies Steamships? Is that carried?

Some hon. MEMBERS: Carried.

The CHAIRMAN: Gentlemen, we have three items for the Minister of Transport. What are they, Mr. Chevrier?

Hon. Mr. CHEVRIER: They are items 488, 489, and 556.

The CHAIRMAN: Shall we take item 488:

| No. of Vote | Service  | Details on Page No. | 1949-50      | 1948-49      | Compared with Estimates of 1948-49 |          |
|-------------|--|---------------------|--------------|--------------|------------------------------------|----------|
|             |  |                     |              |              | Increase                           | Decrease |
| 488         | To hereby authorize and provide for the payment from time to time during the fiscal year 1949-50 to the Canadian National Railway Company of the difference (estimated by the Canadian National Railway Company and certified by the Auditors of the said Company to the Minister of Transport as and when required by the said Minister) occurring on account of the application of the Maritime Freight Rates Act, between the tariff tolls and the normal tolls (upon the same basis as set out in Section 9 of the said Act with respect to companies therein referred to) on all traffic moved during the calendar year 1949 under the tariffs approved on the Eastern Lines (as referred to in Section 2 of the said Act) of the Canadian National Railways..... | .....               | \$ 5,503,000 | \$ 4,800,000 | \$ 703,000                         | \$       |

Mr. JACKMAN: Is it not customary for us to have the Hudson Bay Railway Company accounts at some time or other?

The CHAIRMAN: I think they were discussed. I think Mr. Moore was discussing that.

Hon. Mr. CHEVRIER: Questions have been asked on that. The point is that at one juncture you asked that that be done and we did it here two years ago, but I do not think we have done it since. It is an item in the estimates and those estimates are not taken from the committee of supply.

Mr. JACKMAN: It would be a matter of courtesy to discuss that here.

Hon. Mr. CHEVRIER: We can deal with that, if you like.

Mr. JACKMAN: Could we have, Mr. Chairman, that railway company balance sheet?

Hon. Mr. CHEVRIER: We will get that for you, if not today it will be here tomorrow.



The CHAIRMAN: Let us proceed with item 488—Maritime Freight Rates Act, Canadian National Railways. Are there any questions to the minister about that?

Mr. JACKMAN: Would the minister give us an explanation of the apparent increase there?

Hon. Mr. CHEVRIER: The increase is due in part to the 21 per cent increase in freight rates.

Mr. HATFIELD: Is that before or after the increase?

Hon. Mr. CHEVRIER: Well, it came into effect when the judgment became effective, and I think that was in April of 1948.

Mr. HATFIELD: I know, but was the 21 per cent added to the old rate or the new rate?

Hon. Mr. CHEVRIER: The 21 per cent was added to the old rate.

The CHAIRMAN: Shall the item carry?

Carried.

What about item 489—Maritimes Freight Rates Act, railways other than Canadian National.

| No. of Vote | Service  | Details on Page No. | 1949-50      | 1948-49      | Compared with Estimates of 1948-49 |          |
|-------------|--|---------------------|--------------|--------------|------------------------------------|----------|
|             |  |                     |              |              | Increase                           | Decrease |
| 489         | Amount required to provide for payment from time to time during the fiscal year 1949-50 of the difference (estimated by the Board of Transport Commissioners for Canada and certified by the said Board to the Minister of Transport, as and when required by the said Minister) occurring on account of the application of the Maritime Freight Rates Act, between the tariff tolls and the normal tolls (referred to in section 9 of the said Act) on all traffic moved during the calendar year 1949 under the tariffs approved by the following companies: Canada and Gulf Terminal Railway; Canadian Pacific Railway, including: Fredericton and Grand Lake Coal and Railway Company and New Brunswick Coal and Railway Company; Cumberland Railway and Coal Company; Dominion Atlantic Railway; Maritime Coal, Railway and Power Company; Sydney and Louisburg Railway; Temiscouata Railway Company..... |                     | \$ 1,400,000 | \$ 1,150,000 | \$ 25,000                          | \$       |

Hon Mr. CHEVRIER: You will see that there is an increase of \$250,000 there.  
Mr. HATFIELD: Is this also statutory?



Hon. Mr. CHEVRIER: Oh, yes, they are both statutory and are always referred to this committee.

Carried.

The CHAIRMAN: Item 556—that is the Prince Edward Island car ferry and terminals, deficits, 1949.

| No. of Vote | Service  | Details on Page No. | 1949-50   | 1948-49 | Compared with Estimates of 1948-49 |          |
|-------------|--|---------------------|-----------|---------|------------------------------------|----------|
|             |  |                     |           |         | Increase                           | Decrease |
|             | NON-ACTIVE ACCOUNTS  |                     | \$        | \$      | \$                                 | \$       |
|             | National Harbours Board  |                     |           |         |                                    |          |
|             | DEFICITS   |                     |           |         |                                    |          |
|             | Transport  |                     |           |         |                                    |          |
| 556         | Amount required to provide for the payment during the fiscal year 1949-50 to the Canadian National Railway Company (hereinafter called the National Company) upon applications approved by the Minister of Transport made from time to time by the National Company to the Minister of Finance and to be applied by the National Company in payment of the deficit (certified by the auditors of the National Company) in the operation of the Prince Edward Island Car Ferry and Terminals arising in the calendar year 1949..... | .....               | 1,159,000 | 904,000 | 255,000                            |          |

Hon. Mr. CHEVRIER: That is an increase of \$255,000 in operating expenses; and operating revenues were \$305,000 while operating expenses were \$1,448,000 leaving a deficit of \$1,159,000.

Mr. HATFIELD: Have the freight rates charged on trucks between the island and the mainland been reduced?

Hon. Mr. CHEVRIER: They were reduced during the course of 1948.

Mr. HATFIELD: They used to be fairly high rates.

Hon. Mr. CHEVRIER: Some of them were heavy. They were reduced on a number of items, particularly agricultural products.

The CHAIRMAN: Shall item 556 carry?

Carried.

Now the management have supplied us with copies of the operating statement of the Hudson Bay Railway.



## DEPARTMENT OF TRANSPORT

## HUDSON BAY RAILWAY

CONSOLIDATED INCOME ACCOUNT, FISCAL YEAR 1948-49 AND FISCAL YEAR 1947-48

|  | Fiscal Year<br>1948-49<br>10 mos. actual<br>2 mos. estimated | Fiscal Year<br>1947-48 |
|--|--|------------------------|
| <b>RAILWAY OPERATING REVENUES—</b>     |  |                        |
| Freight.....                           | \$ 967,000.00  | \$ 836,298.08          |
| Passenger.....                         | 135,000.00   | 103,065.88             |
| Mail.....                              | 3,000.00   | 2,848.14               |
| Express.....                           | 35,000.00  | 31,360.98              |
| Telegraphs.....                        | 8,700.00   | 8,954.37               |
| All Other.....                         | 82,300.00  | 67,649.84              |
| Total Operating Revenues.....          | <u>\$1,231,000.00</u>  | <u>\$1,050,177.29</u>  |
| <b>RAILWAY OPERATING EXPENSES—</b>     |  |                        |
| Maintenance of Way and Structures..... | \$ 632,000.00  | \$ 465,357.59          |
| Maintenance of Equipment.....          | 94,000.00  | 69,395.60              |
| Transportation.....                    | 547,000.00   | 453,170.79             |
| Miscellaneous Operations.....          | 50,000.00  | 27,616.25              |
| General.....                           | 40,000.00  | 33,984.61              |
| Total Operating Expenses.....          | <u>\$1,363,000.00</u>  | <u>\$1,049,524.84</u>  |
| Net Operating Revenue.....             | <u>\$ 132,000.00</u>   | <u>\$ 652.45</u>       |
| Ratio.....                             | <u>110.72%</u>   | <u>99.93%</u>          |
| Railway Tax Accruals.....              | <u>\$ 5,450.00</u>   | <u>\$ 4,086.33</u>     |
| Railway Operating Income.....          | <u>\$ 137,450.00</u>   | <u>\$ 3,433.88</u>     |
| <b>Equipment Rentals—Payable—</b>      |  |                        |
| Hire of Freight Cars—Debit.....        | \$ 118,000.00  | \$ 134,312.98          |
| Rent for Locomotives.....              | 95,000.00  | 92,463.24              |
| Rent for Passenger Train Cars.....     | 24,000.00  | 15,985.54              |
| Rent for Work Equipment.....           | 27,000.00  | 33,194.28              |
| Total Equipment Rentals.....           | <u>\$ 264,000.00</u>   | <u>\$ 275,956.04</u>   |
| <b>Rent Income—</b>                    |  |                        |
| Joint Facility Rents—Credit.....       | \$ 12,000.00   | \$ 12,880.00           |
| Miscellaneous Rent Income—Cr.....      | 150.00   | 146.00                 |
|  | <u>\$ 12,150.00</u>  | <u>\$ 13,026.00</u>    |
| Net Deficit.....                       | <u>\$ 389,300.00</u>   | <u>\$ 266,363.92</u>   |



## SESSIONAL COMMITTEE

## DEPARTMENT OF TRANSPORT

## HUDSON BAY RAILWAY

## RAILWAY OPERATING REVENUES AND EXPENSES

|  | Fiscal Year<br>1948-49 |                  | Fiscal Year<br>1947-48 |
|--|------------------------|------------------|------------------------|
|  | 10 mos. actual         | 2 mos. estimated |                        |
| <i>Railway Operating Revenues—</i>         |                        |                  |                        |
| Freight.....                               | \$ 967,000.00          |                  | \$ 836,298.08          |
| Passenger.....                             | 135,000.00             |                  | 103,065.88             |
| Baggage.....                               | 650.00                 |                  | 529.90                 |
| Sleeping Car.....                          | 9,500.00               |                  | 9,645.30               |
| Mail.....                                  | 3,000.00               |                  | 2,848.14               |
| Express.....                               | 35,000.00              |                  | 31,360.98              |
| Other Passenger Train.....                 | 325.00                 |                  | 325.37                 |
| Milk.....                                  | 225.00                 |                  | 372.66                 |
| Switching.....                             | 100.00                 |                  | 835.00                 |
| Dining and Buffet.....                     |                        |                  |                        |
| Restaurants and Boarding Cars.....         | 39,000.00              |                  | 28,178.64              |
| Station, train and boat privileges.....    | 800.00                 |                  | 827.56                 |
| Storage—Freight.....                       | 50.00                  |                  | 43.29                  |
| Storage—Baggage.....                       |                        |                  | 3.05                   |
| Telegraphs.....                            | 8,700.00               |                  | 8,954.37               |
| Power.....                                 | 650.00                 |                  | 444.92                 |
| Rents of buildings and other property..... | 8,500.00               |                  | 7,930.26               |
| Miscellaneous.....                         | 22,500.00              |                  | 24,513.89              |
| Total Operating Revenues.....              | <u>\$1,231,000.00</u>  |                  | <u>\$1,050,177.29</u>  |
| <i>RAILWAY OPERATING EXPENSES—</i>         |                        |                  |                        |
| Maintenance of Way and Structures.....     | \$ 632,000.00          |                  | \$ 465,357.59          |
| Maintenance of Equipment.....              | 94,000.00              |                  | 69,395.60              |
| Transportation.....                        | 547,000.00             |                  | 453,170.79             |
| Miscellaneous Operations.....              | 50,000.00              |                  | 27,616.25              |
| General.....                               | 40,000.00              |                  | 33,984.61              |
| Total Operating Expenses.....              | <u>\$1,363,000.00</u>  |                  | <u>\$1,049,524.84</u>  |
| Net Revenue.....                           | <u>\$ 132,000.00</u>   |                  | <u>\$ 652.45</u>       |



## DEPARTMENT OF TRANSPORT

## HUDSON BAY RAILWAY

|   | Fiscal Year<br>1948-49 |                  | Fiscal Year<br>1947-48 |
|---|------------------------|------------------|------------------------|
|   | 10 mos. actual         | 2 mos. estimated |                        |
| <b>MAINTENANCE OF WAY AND STRUCTURES—</b>           |                        |                  |                        |
| Superintendence.....                                | \$ 45,000.00           | \$               | 38,304.14              |
| Roadway maintenance.....                            | 98,000.00              |                  | 58,446.75              |
| Bridges, trestles and culverts.....                 | 15,000.00              |                  | 11,075.10              |
| Ties.....   | 88,500.00              |                  | 43,866.47              |
| Rails.....  | 1,100.00               |                  | 837.32                 |
| Other Track material.....                           | 8,500.00               |                  | 4,467.91               |
| Ballast.....  | 34,100.00              |                  | 35,761.82              |
| Track Laying and surfacing.....                     | 254,500.00             |                  | 188,406.12             |
| Fences, snowsheds and signs.....                    | 600.00                 |                  | 692.54                 |
| Station and office buildings.....                   | 16,000.00              |                  | 8,833.21               |
| Roadway buildings.....                              | 3,000.00               |                  | 3,299.10               |
| Water stations.....                                 | 7,000.00               |                  | 5,247.05               |
| Fuel stations.....                                  | 300.00                 |                  | 50.67                  |
| Shops and engine houses.....                        | 4,000.00               |                  | 3,938.90               |
| Telegraph and telephone lines.....                  | 10,000.00              |                  | 8,190.51               |
| Signals and Interlockers.....                       | 40.00                  |                  | —                      |
| Power Transmission systems.....                     | 100.00                 |                  | —                      |
| Roadway machines.....                               | 7,000.00               |                  | 3,555.78               |
| Small tools and supplies.....                       | 24,000.00              |                  | 22,359.64              |
| Removing snow, ice, and sand.....                   | 34,000.00              |                  | 32,428.06              |
| Maintenance Jt. tracks, yards, etc.....             | (Dr.) 1,000.00         | (Dr.)            | 2,303.45               |
| Maintenance Jt. tracks, yards, etc.....             | (Cr.) 20,000.00        | (Cr.)            | 6,880.00               |
| Stationery and Printing.....                        | 260.00                 |                  | 169.75                 |
| Injuries to Persons.....                            | —                      |                  | 3.30                   |
| <b>Total Maintenance of Way and Structures.....</b> | <b>\$ 632,000.00</b>   |                  | <b>\$ 465,357.59</b>   |
| <b>MAINTENANCE OF EQUIPMENT—</b>                    |                        |                  |                        |
| Superintendence.....                                | \$ 5,700.00            | \$               | 4,481.50               |
| Shop Machinery—Repairs.....                         | 2,500.00               |                  | 933.17                 |
| Power Plant machinery—Repairs.....                  | —                      |                  | —                      |
| Steam locomotives—Repairs.....                      | 65,500.00              |                  | 48,444.13              |
| Freight train cars—Repairs.....                     | 2,400.00               |                  | 3,674.12               |
| Passenger Train cars—Repairs.....                   | 7,500.00               |                  | 1,735.00               |
| Work equipment—Repairs.....                         | 8,400.00               |                  | 7,029.59               |
| Injuries to persons.....                            | 70.00                  |                  | —                      |
| Other Expenses.....                                 | 1,930.00               |                  | 3,098.09               |
| <b>Total Maintenance of Equipment.....</b>          | <b>\$ 94,000.00</b>    |                  | <b>\$ 69,395.60</b>    |



**DEPARTMENT OF TRANSPORT**  
**HUDSON BAY RAILWAY**  
**RAILWAY OPERATING EXPENSES**

|  | Fiscal Year<br>1948-49<br>10 mos. actual<br>2 mos. estimated | Fiscal Year<br>1947-48 |
|--|--|------------------------|
| <i>Transportation Rail Line—</i>               |  |                        |
| Superintendence.....                           | \$ 29,000 00   | \$ 23,169 84           |
| Dispatching trains.....                        | 7,200 00   | 5,440 46               |
| Station employees.....                         | 51,000 00  | 33,307 49              |
| Station supplies and expenses.....             | 11,500 00  | 9,500 09               |
| Yardmasters and yard clerks.....               | —  | —                      |
| Yard conductors and brakemen.....              | —  | —                      |
| Yard switch and signal tenders.....            | 500 00   | —                      |
| Yard enginemen.....                            | —  | —                      |
| Yard switching fuel.....                       | —  | —                      |
| Water for yard locomotives.....                | —  | —                      |
| Other supplies for yard locomotives.....       | —  | —                      |
| Enginehouse expenses—Yard.....                 | —  | —                      |
| Yard supplies and expenses.....                | —  | —                      |
| Operating joint yards and terminals.....       | Dr. 23,000 00  | Dr. 19,413 12          |
| Train enginemen.....                           | 61,000 00  | 48,355 95              |
| Train fuel.....                                | 199,500 00   | 156,940 72             |
| Water for train locomotives.....               | 36,000 00  | 30,393 77              |
| Lubricants for train locomotives.....          | 500 00   | 325 70                 |
| Other supplies for train locomotives.....      | 1,300 00   | 11 28                  |
| Enginehouse expenses—Train.....                | 10,500 00  | 8,437 35               |
| Trainmen.....                                  | 78,500 00  | 60,852 10              |
| Train supplies and expenses.....               | 34,000 00  | 29,689 78              |
| Operating sleeping cars.....                   | —  | 472 61                 |
| Drawbridge operation.....                      | 150 00   | 27 55                  |
| Stationery and printing.....                   | 975 00   | 891 63                 |
| Clearing wrecks.....                           | 1,100 00   | 18,763 55              |
| Loss and damage—Freight.....                   | 1,200 00   | 5,698 82               |
| Injuries to persons.....                       | 75 00  | 1,460 24               |
| Damage to livestock on right of way.....       | —  | 18 74                  |
| Total transportation Rail Line.....            | \$ 547,000 00  | \$ 453,170 79          |
| <i>Miscellaneous Operations—</i>               |  |                        |
| Dining and Buffet Service.....                 | \$ —   | \$ —                   |
| Restaurants and Boarding Cars.....             | 48,900 00  | 26,585 85              |
| Producing power sold.....                      | 1,100 00   | 1,030 40               |
| Total Miscellaneous Operations.....            | \$ 50,000 00   | \$ 27,616 25           |
| <i>General—</i>                                |  |                        |
| Salaries and Expenses of general officers..... | \$ 12,000 00   | \$ 12,000 00           |
| Law expenses.....                              | —  | —                      |
| Pensions.....                                  | 28,000 00  | 21,984 61              |
| Total General.....                             | \$ 40,000 00   | \$ 33,984 61           |

Now, Mr. Jackman, you said you wanted to ask some questions about the Hudson Bay Railway. We still have a few minutes. Do you want to ask Mr. Vaughan those questions?

Mr. FULTON: May I ask whether any consideration has been given to the matter I raised yesterday on the question of subsidies to steamships on the Pacific Coast. Since I have brought the matter up I have looked in the supplementary estimates and I see provision is made in that direction for steamships out there to the extent of nearly \$300,000 a year. I think my question was whether you could work out what would be a comparable payment to you on the same proportionate basis.



Mr. VAUGHAN: We have given that some consideration but I think we would rather do some figuring on it when we get back to Montreal in relation to passengers and tonnage handled and the number of steamships in service. I do not think I could give you a satisfactory answer off hand.

The CHAIRMAN: Does that answer your question, Mr. Jackman?

Mr. JACKMAN: I suppose the question should be addressed to the minister rather than to the C.N.R.

The CHAIRMAN: I suggest that they are both able to answer.

Mr. JACKMAN: Is there anything new that parliament should know about this railway? I see the deficit has increased from \$266,000 to \$389,000 and I suppose one of the chief reasons is that the amount required for maintenance of way and structures is up from \$465,000 to \$632,000 which is \$170,000 right there, and that is a very substantial part of the deficit?

As I understand it there is an over-all plan and you are having higher replacement and maintenance costs—which can be expected to continue as time goes on?

Mr. VAUGHAN: I think the increased deficit is largely due to increased wages and material costs. There was about the same amount of work done on the line last year but wages are higher and costs are more this year.

Mr. JACKMAN: Maintenance jumped from \$465,000 to \$632,000.

Mr. VAUGHAN: Yes.

Mr. JACKMAN: Is it not a fact that repairs and maintenance are becoming more costly in volume—greater in volume and greater in price?

Mr. VAUGHAN: The line is difficult to maintain in spots. I do not know whether you have had the opportunity of going over it but a good deal of it is built on muskeg and the frost at some places is always a few inches below the track. It is quite a job to keep the line in shape. I do not think that on the average maintenance costs, except costs of getting the material there, should be very much higher.

Mr. JACKMAN: Is there anything in sight either civil or military which might indicate that the line could break even in the near future?

Mr. VAUGHAN: We unfortunately cannot control the traffic on the line. We move all the traffic offered to us but the revenue depends almost entirely on the grain that goes over the line and that will always be the main source of revenue.

Mr. JACKMAN: The deficits are not as great now as they were some years ago. Did they not run \$500,000 or \$600,000?

Mr. VAUGHAN: We try to keep the deficits down as low as possible at all times. We have cut the train service until there is a minimum service now. I think the line is operated as cheaply as it is possible to operate it and at the same time give any kind of service at all.

Hon. Mr. CHEVRIER: I think the reason for the smaller deficit is that in recent years more grain has been moving over the railway. Within the last three or four years there have been 4,000,000 to 5,000,000 bushels of grain in the elevator at Churchill ready for shipment when the season opens. That was not always the case. I do not know what the position is now but last year there were upwards of 5,000,000 bushels of grain shipped out of the port, and naturally that grain came over the railway.

Mr. JACKMAN: Without asking for any military secrets is there any substantial volume of military traffic?

Hon. Mr. CHEVRIER: I understand there is some.



Mr. JACKMAN: As far as you can see, Mr. Vaughan, the situation will continue pretty much as it is?

Mr. VAUGHAN: Yes.

The CHAIRMAN: If that is all, gentlemen, I think the committee would wish me to express our appreciation to the president, Mr. Vaughan, and his group, and as well to the auditors for the very kind and courteous way in which they have answered our questions.

Mr. VAUGHAN: We appreciate the indulgence of the committee.

Mr. LOCKHART: I do not know whether there is any use asking this question, and I suppose the answer will be the same. I speak of the boat service across Lake Ontario. I am getting letters all the time on the subject but I suppose there is no hope of improving that service, Mr. Vaughan?

Mr. VAUGHAN: I donot believe there is, Mr. Lockhart. I do not believe we would be justified in buying or building any more boats.

Mr. LOCKHART: As long as you feel that way I suppose the situation will continue as it is.

The CHAIRMAN: Gentlemen, we shall adjourn and our next meeting will be on Tuesday, April 5, at 11 o'clock when we will consider Trans-Canada Air Lines matters.

The meeting adjourned to meet again Tuesday, April 5, 1949, at 11.00 a.m.

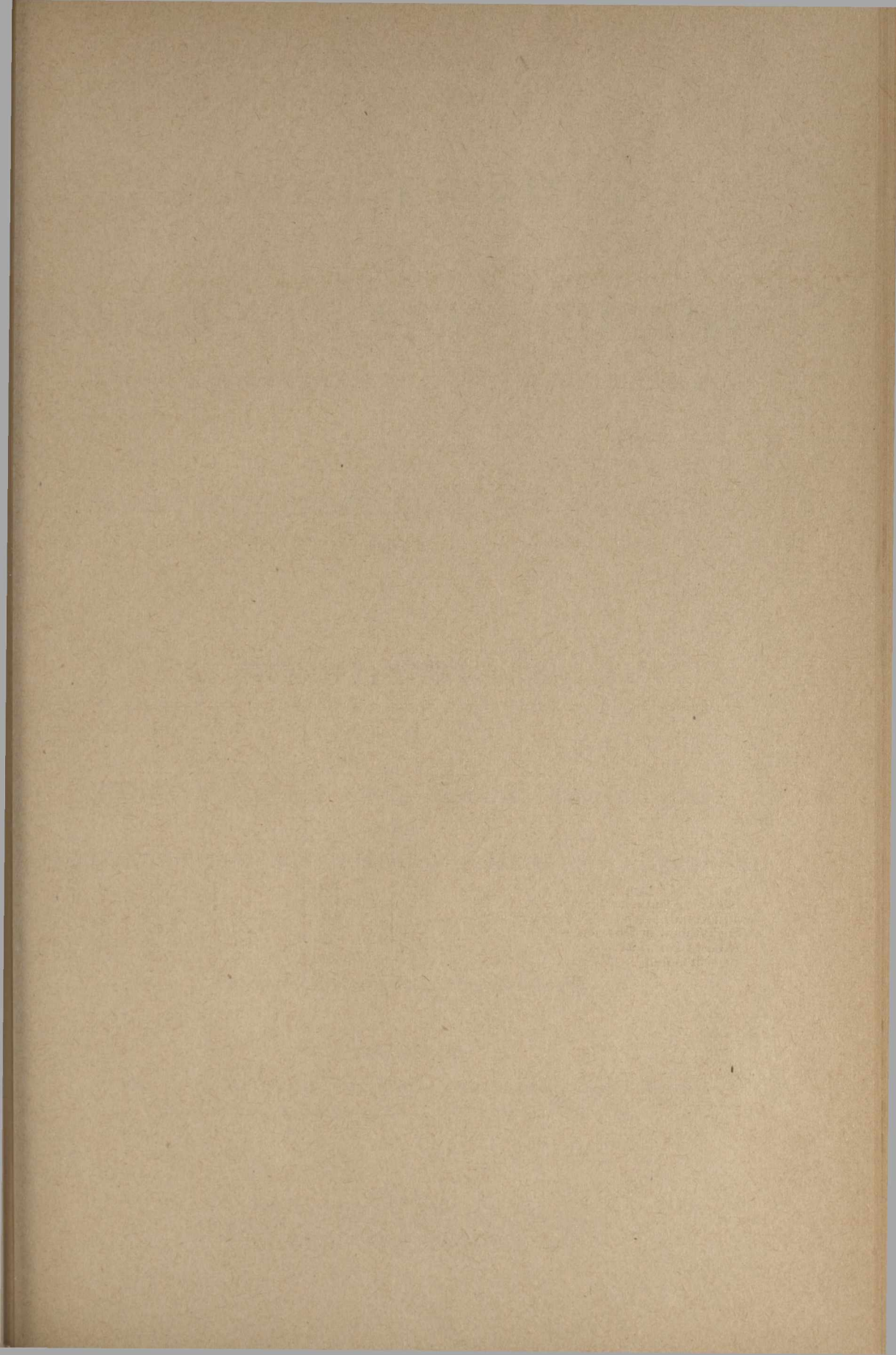
### Appendix "A"

#### NUMBER OF NAMES OF FRENCH ORIGIN APPEARING ON CANADIAN NATIONAL RAILWAYS PAYROLLS AS AT JUNE 30, 1947

|   | Names of<br>French<br>Origin | Other         | Total<br>Em-<br>ployees | Percentage<br>of French<br>Names<br><br>% |
|---|------------------------------|---------------|-------------------------|---|
| <b>STEAM LINES (including Express and Hotel Departments)—</b> |                              |               |                         |   |
| Atlantic Region.....  | 4,837                        | 10,096        | 14,933                  | 32.5                                      |
| Quebec District.....  | 6,775                        | 631           | 7,406                   | 91.5                                      |
| Montreal District.....  | 8,878                        | 9,223         | 18,101                  | 49.0                                      |
| Southern Ontario District.....                                | 499                          | 17,915        | 18,414                  | 2.7                                       |
| Northern Ontario District.....                                | 430                          | 3,611         | 4,041                   | 10.6                                      |
| Manitoba District.....  | 955                          | 14,518        | 15,473                  | 6.1                                       |
| Saskatchewan District.....                                    | 177                          | 6,283         | 6,460                   | 2.7                                       |
| Alberta District.....   | 184                          | 5,856         | 6,040                   | 3.0                                       |
| British Columbia District.....                                | 97                           | 3,561         | 3,658                   | 2.6                                       |
| Total.....  | 22,832                       | 71,694        | 94,526                  | 24.1                                      |
| <b>CANADIAN NATIONAL TELEGRAPHS—</b>                          |                              |               |                         |   |
| Atlantic Region.....  | 78                           | 409           | 487                     | 16.0                                      |
| Quebec and Eastern Ontario.....                               | 636                          | 337           | 973                     | 64.4                                      |
| Southern and Northern Ontario.....                            | 114                          | 1,122         | 1,236                   | 9.2                                       |
| Manitoba and Saskatchewan.....                                | 26                           | 505           | 531                     | 4.9                                       |
| Alberta and British Columbia.....                             | 29                           | 691           | 720                     | 4.0                                       |
| Total.....  | 883                          | 3,064         | 3,947                   | 22.3                                      |
| <b>GRAND TOTAL.....</b>                                       | <b>23,715</b>                | <b>74,758</b> | <b>98,473</b>           | <b>24.0</b>                               |

NOTE.—Hotels and Headquarters Offices are included in the figure for the District in which they are located.











SESSION 1949  
HOUSE OF COMMONS

## SESSIONAL COMMITTEE

ON

# RAILWAYS AND SHIPPING

Owned, Operated and Controlled by the Government

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

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TUESDAY, APRIL 5, 1949

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TRANS-CANADA AIR LINES—ANNUAL REPORT (1948)

and

REMOVAL OF OPERATING HEADQUARTERS AND PERSONNEL

---

Second Report—(Estimates Referred)

### WITNESSES:

Mr. G. R. McGregor, President, Trans-Canada Air Lines;  
Mr. W. P. Fillmore, K.C., Winnipeg, Manitoba.

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

1949



## CORRECTIONS

*(No. 1, Minutes of Evidence)*

Page 35—In paragraphs 5 and 8 the words “grain rates” are substituted for the word “granaries” wherever it appears.

Page 38—Fourth paragraph in the second and third line thereof the following words: “I think conditions did seem to improve after Mr. Johnson left” are deleted and the following substituted therefor: “Conditions improved while Mr. J. P. Johnson was there as Vice-President and General Manager and became much worse since he left for Winnipeg”.

Also on the same page, fifth paragraph from the bottom where Mr. Pouliot is quoted as follows: “You have only to check your territory”. The following is substituted: “you have only to check your telephone directory”.



## ORDERS OF REFERENCE

FRIDAY, 1st April, 1949.

*Ordered*,—That the name of Mr. Miller be substituted for that of Mr. Hatfield on the said Committee.

MONDAY, 4th April, 1949.

*Ordered*,—That the name of Mr. Viau be substituted for that of Mr. Warren on the said Committee.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

## REPORT TO THE HOUSE

FRIDAY, April 1, 1949.

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

### SECOND REPORT

Your Committee has considered the following items of the Estimates for the year ending March 31, 1950, as referred on March 22, 1949, and approves of same, viz:

VOTE 488—Maritime Freight Rates Act, Canadian National Railways;

VOTE 489—Maritime Freight Rates Act, Railways other than Canadian National;

VOTE 556—Prince Edward Island Car Ferry and Terminals, Deficit 1949.

All of which is respectfully submitted.

H. B. McCULLOCH,  
*Vice-Chairman.*







## MINUTES OF PROCEEDINGS

ROOM 277, House of Commons,  
Tuesday, April 5, 1949.

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 11.00 o'clock a.m. The Chairman, Mr. S. M. Clark, presided.

*Members present:* Messrs. Bourget, Clark, Emmerson, Fulton, Gibson (*Comox-Alberni*), Hazen, Hlykna, Jackman, LaCroix, Lockhart, Maybank, McCulloch (*Pictou*), Miller, Moore, Mutch, Nicholson, Pouliot, Viau.

*In attendance:* Right Hon. C. D. Howe, M.P., Minister of Trade and Commerce, and the following:

*From the Department of Transport:* Commander C. P. Edwards, Deputy Minister of Transport and Air Services; Air Vice Marshall A. T. Cowley, Director of Air Services.

*From Trans-Canada Air Lines:* J. M. McGregor, President; and Mr. S. H. May, Assistant Controller.

*From George A. Touche & Company, Auditors.*  
Mr. P. Bennett.

The following members of a delegation from Manitoba: Hon. D. L. Campbell, Premier of Manitoba; Mr. Garnet Coulter, Mayor of Winnipeg; Mr. George McLean, Mayor of St. Boniface; Mr. W. P. Fillmore, K.C., and Mr. E. C. Gilliat, Secretary, representing the Winnipeg Chamber of Commerce; Mr. Daniel Sprague, President, Industrial Development Board of Manitoba; Mr. Andrew Murphy, President, Winnipeg and District Trades and Labour Council; Mr. T. A. Farenhurst, representing the Air Force Branch No. 156, of the Canadian Legion, B.E.S.L.

Mr. Pouliot, a member of the committee, asked leave to make certain corrections on page 38 of the Minutes of Evidence of Monday, March 28, 1949. (*See back of front cover*).

Other slight corrections were ordered to be made on page 35 of the Minutes of Evidence of Monday, March 28, 1949. (*See back of front cover*).

With the permission of the Committee, Mr. S. H. May, Assistant Controller of the Canadian National Railways tabled answers to certain questions asked of Mr. T. H. Cooper, Vice-President, by Messrs. Hazen and Jackman concerning operations of the Canadian National Railways. (*The answers are printed in today's Minutes of Evidence*).

The Committee had before it for consideration the Annual Report of the Trans-Canada Air Lines for the calendar year 1948.

After a brief discussion it was agreed that the Committee would deal first with the subject of the removal of operating headquarters and personnel of Trans-Canada Air Lines from Winnipeg to Montreal, on which the delegation from Manitoba would be heard, followed by a reply from the President, Mr. McGregor. Then the Committee would consider the Annual Report.



The Chairman invited Mr. Gilliat to introduce the members of the Manitoba delegation.

After the introduction, Mr. Gilliat informed the Committee that Mr. W. P. Fillmore, K.C., would present the brief on behalf of the delegation.

Mr. Fillmore was called, read the brief, and Mr. Gilliat furnished answers to certain questions arising out of the brief. Mr. Fillmore's presentation was followed by brief remarks from the following members of the delegation: Hon. D. L. Campbell, Premier of Manitoba; and Messrs. Gilliat, Coulter, McLean, Sprague, Murphy, Farenhurst, W. G. Weir, M.P., and Alistair Stewart, M.P.

The Chairman voiced the thanks of the Committee to the members of the delegation on their presentation, and Mr. McGregor was invited to address the Committee in reply.

Mr. McGregor was called and read his brief.

At 1.00 o'clock p.m. the Committee adjourned to meet again at 4.00 o'clock in the afternoon.

#### AFTERNOON SITTING

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 4.00 o'clock p.m. The Chairman, Mr. S. M. Clark, presided.

*Members present:* Messrs. Bourget, Clark, Emmerson, Gibson (*Comox-Alberni*), Hazen, Hlynka, Jackman, Lockhart, Maybank, McCulloch (*Pictou*), Miller, Moore, Mutch, Nicholson, Viau.

*In attendance:* Right Hon. C. D. Howe, Minister of Trade and Commerce; Mr. J. M. McGregor, President, and Mr. S. H. May, Assistant Controller, of the Trans-Canada Air Lines; Commander C. P. Edwards, Air Vice Marshall A. T. Cowley, and the members of the Manitoba delegation.

The Committee resumed the adjourned debate on the subject of the removal of operating headquarters and personnel of Trans-Canada Air Lines from Winnipeg to Montreal.

Mr. J. M. McGregor was called and examined. Mr. McGregor's examination was interrupted in order to hear further representations by Mr. Fillmore on behalf of the Manitoba delegation.

At 6.00 o'clock p.m. the Committee adjourned to meet again at 4.00 o'clock p.m., Wednesday, April 6, 1949.

ANTOINE CHASSÉ,  
*Clerk of the Committee.*



# MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 5, 1949.

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

The CHAIRMAN: Gentlemen, we have a quorum. I think Mr. Pouliot has a correction he wishes to make.

Mr. POULIOT: I have a correction I would like to make at page 38 of the report of the committee where I am quoted as having said, "I think conditions did seem to improve after Mr. Johnson left." That is not what I said at all. I said "Conditions improved while Mr. J. P. Johnson was there as vice-president and general manager and become much worse since he left for Winnipeg." And on the same page I am quoted as having said to Mr. Vaughan, "You have only to check your territory." What I said was, "You have only to check your telephone directory." I thank you.

The CHAIRMAN: I have here some answers in connection with the Canadian National Railways and if it is the wish of the committee I shall have them included in the record at this point.

Questions asked by Mr. D. K. Hazen:

- (1) What were the financial results of the operations of C.N.R. hotels since 1931?

Answer:

|                   | Revenues        | Expenses including Taxes | Operating Profit or Loss |
|-------------------|-----------------|--------------------------|--------------------------|
| 1932 .....        | \$ 2,360,929.60 | \$ 2,420,411.84          | \$ 59,482.24             |
| 1933 .....        | 1,804,065.64    | 1,977,039.76             | 172,974.12               |
| 1934 .....        | 2,126,958.70    | 2,089,941.63             | 37,017.07                |
| 1935 .....        | 2,389,894.82    | 2,288,124.06             | 101,770.76               |
| 1936 .....        | 2,859,306.08    | 2,699,289.04             | 160,017.04               |
| 1937 .....        | 3,045,798.57    | 2,845,711.57             | 200,087.00               |
| 1938 .....        | 3,144,674.00    | 2,918,660.25             | 226,013.75               |
| 1939 .....        | 3,331,303.03    | 3,028,939.44             | 302,363.59               |
| Total 8 years ... | \$21,062,930.44 | \$20,268,117.59          | \$ 794,812.85            |
| 1940 .....        | \$ 3,936,313.26 | \$ 3,434,127.19          | \$ 502,186.07            |
| 1941 .....        | 4,467,078.53    | 3,875,577.82             | 591,500.71               |
| 1942 .....        | 4,895,506.40    | 4,325,782.98             | 569,723.42               |
| 1943 .....        | 5,368,169.67    | 4,338,135.99             | 1,030,033.68             |
| 1944 .....        | 5,639,761.84    | 4,450,958.92             | 1,188,802.92             |
| 1945 .....        | 5,950,424.03    | 4,714,573.09             | 1,235,850.94             |
| 1946 .....        | 7,051,518.17    | 5,949,435.54             | 1,102,082.63             |
| 1947 .....        | 7,828,995.74    | 6,538,275.84             | 1,290,719.90             |
| 1948 .....        | 8,396,906.94    | 7,481,731.87             | 915,175.07               |
| Total 9 years ... | \$53,534,674.58 | \$45,108,599.24          | \$8,426,075.34           |



(2) What amount was expended for additions and betterments to C.N.R. hotels since 1931?

Answer:

|  | 8 years<br>1932-1939 | 9 years<br>1940-1948 |
|--|----------------------|----------------------|
| Chateau Laurier, Ottawa, Ont. ....                     | \$ 47,381.13         | \$379,110.71         |
| A—Highland Inn and Camps, Algonquin Park,<br>Ont. .... | 173,334.43           | ..                   |
| B—Nipigon Lodge, Nipigon, Ont. ....                    | 37,638.85            | ..                   |
| Minaki Lodge, Minaki, Ont. ....                        | 2,074.31             | 13,914.51            |
| Prince Arthur, Port Arthur, Ont. ....                  | 13,564.67            | 38,539.12            |
| Fort Garry, Winnipeg, Man. ....                        | 25,002.64            | 25,821.55            |
| Macdonald, Edmonton, Alta. ....                        | 60,964.81            | 12,280.89            |
| Prince Edward, Brandon, Man. ....                      | 2,655.97             | 17,319.47            |
| Jasper Park Lodge, Jasper, Alta. ....                  | 94,558.26            | 138,876.83           |
| C—Grand Beach, Lake Winnipeg, Man. ....                | 1,452.97             | 12,290.80            |
| Pictou Lodge, Pictou, N.S. ....                        | 714.83               | 8,649.87             |
| Nova Scotian, Halifax, N.S. ....                       | 13,018.77            | 29,128.87            |
| Charlottetown, Charlottetown, P.E.I. ....              | 6,547.86             | 3,090.17             |
| D—Bessborough, Saskatoon, Sask. ....                   | 510,639.05           | 7,629.14             |
|  | <u>\$563,266.39</u>  | <u>\$662,070.33</u>  |

A—Sold March 8, 1937.

B—Sold February 1, 1938.

C—Operated by Canada Railway News since November 1, 1928.

D—Opened for operation December 10, 1935.

Question by Mr. H. R. Jackman.

Q. Would it be economical and feasible to transport Alberta oil to Western Ontario by tank car?—A. It would be feasible to transport Alberta oil to Western Ontario points (vicinity Toronto, Hamilton, Windsor) by tank car provided the tank car supply was sufficient for the volume of oil moving. One tank car under average conditions could deliver approximately 2,000 barrels per annum in this traffic. Whether it would be economical is a question the railway cannot answer by itself since it depends upon the competitive prices of oil as well as upon freight rates.

Question by Mr. H. R. Jackman.

What do you expect to charge for rooms in the extension to the Edmonton Hotel?

Answer: Single rooms \$5.00 to \$7.50  
Double rooms 7.50 to 9.50

Question by Mr. D. K. Hazen.

Average annual return per room at: (1) the Macdonald Hotel in Edmonton; (2) the Chateau Laurier.

Answer: Average revenue per room for the year 1948:

Macdonald Hotel — \$1,818.83  
Chateau Laurier — \$1,978.30

Question by Mr. H. R. Jackman.

Q. What is the cost of producing a power unit with oil as against coal?—A. The cost of producing power in steam locomotives with oil as against coal varies with location since the relative price of oil and coal is different in different locations. A recent study covering points in Alberta and Saskatchewan indicates that at current prices the same power could be produced by oil at a lesser cost than by coal varying from 18 per cent to 42 per cent depending upon location.



The CHAIRMAN: We have with us today a delegation from Manitoba, and in view of the fact that they have come a long way I think it might be in order for them to address the committee at this time, or as soon as possible.

Mr. MAYBANK: Mr. Chairman, might I be permitted to make a suggestion which I think will meet with approval?

The CHAIRMAN: Very well, Mr. Maybank.

Mr. MAYBANK: I recommend that we proceed in such a way with the representations of the delegation that the T.C.A. report be before the committee at the same time. I feel we might accomplish this end by first reading the report, but, in large measure, reserving questions thereon, and then hearing the delegation. We would thus have the factual matter and the representations before the committee at the same time. I quite agree that it is desirable to hear the delegation as early as possible; nevertheless, I feel it would assist us if we had the report first.

The CHAIRMAN: The only reason I made my suggestion, Mr. Maybank, was that I do not believe this matter of contention is included in the T.C.A. report. That was my reason.

Mr. MAYBANK: You are right, Mr. Chairman. It is not mentioned in the T.C.A. report that the removal from Winnipeg is to take place. Nevertheless, there are things in the report, the questioning of which might be affected by whatever the delegation might have to say; and there might be some things they would say that they would desire to have joined up with the report itself. We would thus be able to get it all in at the one time.

The CHAIRMAN: I am just the chairman, gentlemen, and I only made a suggestion. As Mr. Maybank says, these people have come a long way and I think, possibly, they might want to return as soon as possible. However, I am in the hands of the committee.

Mr. MUTCH: There is something to be said for both points of view. We have with us today the Premier of Manitoba, whose legislature is sitting. He will want to return as soon as he can. It is a matter of procedure as to when the T.C.A. report should be dealt with. I do not think it is a matter upon which the committee would divide. It might be in order to introduce the president of the air lines, who would then immediately put his report before us. Then, without going into a discussion of it, once that report is formally before the committee, we would hear such evidence as may be offered.

Right Hon. Mr. HOWE: Gentlemen, we have never had people who were not associated with the committee discussing the annual report. Would it not be better to hear from this delegation before we take up the T.C.A. report?

Mr. MAYBANK: Mr. Chairman, I think it would be better if we first had the report, and then, immediately following the report, we might hear the delegation.

Right Hon. Mr. HOWE: Would not such a procedure tend to detract from a consideration of the report by bringing up a question which is not in the report?

Mr. MAYBANK: That is the point, really.

Right Hon. Mr. HOWE: We surely do not want to subordinate the affairs of the air line to an examination of one particular point.

Mr. MAYBANK: Mr. Chairman, I do not think it would be confined to one particular point because, obviously all these views would surely result in some questioning. They always do. So I think it would be a better plan to have both the T.C.A. report and the representations of the delegation placed before the committee at the same time. I would also suggest, in taking up the report in that way, we reserve our questioning until afterwards. That would give the delegation time to get on with their representations as well.



The CHAIRMAN: Are there any other comments? We do not want to get into a controversy about this matter of procedure.

Mr. MILLER: If we decide first to hear the committee from the west, is there anything to prevent us from using such information as we may get from the T.C.A. report ourselves, if we care to do so?

The CHAIRMAN: I do not think so, Mr. Miller. The T.C.A. report has been published, and everyone knows it. So I think anything therefrom you might care to use in discussion would be perfectly in order.

Mr. MAYBANK: Mr. Chairman, I have expressed myself as believing that a certain method would be the better one to follow. I do not want to press my belief. You may feel very much the other way. Mr. Howe has indicated that he thinks we should follow the other course. But, Mr. Chairman, if you feel it to be the sense of the committee, or if it is a matter of convenience to pursue the method you first described, I do not want to press my point.

The CHAIRMAN: Well, Mr. Maybank, it is quite a long report and it will take some time to read it. If the delegation wishes to refer to any point in that report during the course of their presentation, I think it would be in order.

Mr. MUTCH: Mr. Chairman, the report of T.C.A. is a public report. It has been tabled and distributed for some time. So I think anything which appears therein is perfectly in order and, if you will so rule, we may feel ourselves free to discuss it.

Mr. JACKMAN: Mr. Chairman, would it not be in order to have the delegation introduced at this time?

The CHAIRMAN: If it is the wish of the committee, perhaps some Manitoba member of the committee might introduce this delegation. I do not know if the members of the committee have met them. Perhaps one of the members from Manitoba would like to perform the introductions.

Mr. MUTCH: Mr. Chairman, might I suggest that I be permitted to ask Mr. Gilliat, Secretary of the Chambers of Commerce of Manitoba, and Secretary of the delegation, to introduce the delegation. In doing so, he will likely indicate to the committee the order in which it is proposed that these gentlemen be heard. Mr. Gilliat, would you introduce the delegation, if you please?

Mr. E. C. GILLIAT: Mr. Chairman, and gentlemen: First of all, on behalf of this Manitoba delegation, I want to express our appreciation to you for permitting us to appear at this hearing. Our delegation is truly representative of the province. It comprises the Hon. D. C. Campbell, Premier of Manitoba; His Honour, Garnet Coulter, Mayor of Winnipeg; His Honour, George McLean, Mayor of St. Boniface; Mr. W. P. Fillmore, K.C., and myself, representing the Winnipeg Chamber of Commerce.

Also included are Mr. Daniel Sprague, President of the Industrial Development Board of Manitoba; Mr. Andrew Murphy, President of the Winnipeg and District Trades and Labour Council, who is authorized to speak on behalf of all union, that is, organized labour; and Mr. T. A. Farenhurst, representing the Air Force Branch, No. 156, of the Canadian Legion.

In addition to presenting the representatives of the organizations I have mentioned, we are also authorized by credentials to represent the following associations: the Municipality of St. James; the Municipality of Fort Garry; the Winnipeg Real Estate Board; Manitoba Chamber of Mines; Winnipeg Builders Exchange; Manitoba Branch, Canadian Restaurant Association; Manitoba Hotel Association; Manitoba Electrical Association; Manitoba Branch, Retail Merchants Association of Canada, Inc.; Winnipeg Better Business Bureau, Inc.; Western Retail Lumbermen's Association and the Manitoba Associated Chambers of Commerce.



In that connection, I have a very short letter from the Manitoba Associated Chambers of Commerce addressed to myself as Managing Secretary of the Winnipeg Chamber:

April 2, 1949

Mr. E. C. GILLIAT, Secretary Treasurer,  
Winnipeg Chamber of Commerce,  
Winnipeg, Manitoba.

*Re: Proposed Transfer of T.C.A. Operations to Montreal*

Dear Mr. GILLIAT: From the survey I have made of our member boards I find that without exception the businessmen throughout the length and breadth of Manitoba are strongly opposed to the transfer of any existing T.C.A. operations from Winnipeg to Montreal and are fully in accord with the resolution prepared by the Winnipeg Chamber of Commerce protesting this move.

For your information the following boards have asked me to register a protest:

| Town            | Protest by telegram | Protest by letter | Town            | Protest by telegram | Protest by letter |
|-----------------|---------------------|-------------------|-----------------|---------------------|-------------------|
| Altona .....    |                     | *                 | Miami .....     | *                   |                   |
| Angusville .... | *                   |                   | Minnedosa ....  |                     | *                 |
| Benito .....    | *                   |                   | Neepawa .....   | *                   |                   |
| Birtle .....    | *                   |                   | Oak River ..... |                     | *                 |
| Boissevain .... | *                   | and *             | Pipestone ..... |                     | *                 |
| Brandon .....   |                     | *                 | Plumas .....    | *                   |                   |
| Carberry .....  |                     | *                 | Plum Coulee ..  | *                   |                   |
| Cartwright .... |                     | *                 | Portage .....   |                     | *                 |
| Churchill ..... | *                   |                   | Russell .....   |                     | *                 |
| Crystal City .. |                     | *                 | Shoal Lake ...  |                     | *                 |
| Dauphin .....   |                     | *                 | Sifton .....    | *                   |                   |
| Deloraine ..... | *                   |                   | Somerset .....  | *                   |                   |
| Elkhorn .....   |                     | *                 | Souris .....    |                     | *                 |
| Erickson .....  | *                   |                   | The Pas .....   | *                   |                   |
| Flin Flon ....  |                     | *                 | Teulon .....    |                     | *                 |
| Gladstone ....  | *                   |                   | Virdeon .....   |                     | *                 |
| Grandview ..... |                     | *                 | Winkler .....   |                     | *                 |
| Gretna .....    | *                   |                   |                 |                     |                   |
| Killarney ..... | *                   |                   | Total .....     | 18                  | 21                |
| Lundar .....    |                     | *                 |                 |                     |                   |
| Melita .....    | *                   |                   | Grand Total.    | 39                  |                   |

I will be glad if you will report to the special governmental committee, being interviewed at Ottawa, your strongest possible protest of the anticipated T.C.A. transfer on the basis of the above listed appeals made to us by our member boards throughout the province.

Cordially yours,

MANITOBA ASSOCIATED CHAMBERS OF COMMERCE

(Sgd.) M. J. McMULLEN,  
*Secretary Treasurer.*

The gentlemen who are from Manitoba will appreciate that that is a very representative coverage of the province. Now, Mr. Chairman, with your consent, we propose to have Mr. Fillmore lead off and read his brief. He will then be followed by representatives or members of the delegation including the Honourable D. C. Campbell, Premier of Manitoba. We anticipate that our entire presentation will not take more than, let us say, an hour or an hour and fifteen minutes.

Mr. Fillmore will now carry on, if it meets with your wishes, Mr. Chairman.  
The CHAIRMAN: Very well, Mr. Fillmore.



Mr. W. P. FILLMORE, K.C.: Mr. Chairman, it is my privilege at this time to read the written remarks which we have prepared for this occasion. As it has been mentioned, this subject is not discussed in the 1948 report of T.C.A. However, you will find at the beginning of the 1947 report a list of officials and the places where they are located. But you will find, in the 1948 report, that many of those officials whose address was given as Winnipeg, many of those directors, have been omitted, indicating that there is a change. Now, the change to which we object, and our reasons for objecting, will appear as I read my brief. You will observe that it is not a lengthy presentation.

*Brief History of Aviation in  
Canada and Trans-Canada Airlines*

Greater Winnipeg was one of the first districts in Canada to show practical interest in civil aviation which began to develop after the close of the first world war. In 1926, Western Canada Airways was incorporated. In that year, an association was formed of men who had done active flying during the war, under the name of the Manitoba Air Force Association. This association recommended the formation of an aviation league with a nation-wide membership to promote and encourage aviation. Such a league was organized in Winnipeg in 1927, and was ready to act upon the offer of the government to assist civilian flying clubs by sponsoring the Winnipeg Aeroplane Club, later called the Winnipeg Flying Club, which established itself on the site of the present Stevenson Field.

From 1923 to 1936 the administration of aviation—civil as well as military—was under the Department of National Defence. During this period a definite policy developed, primarily in the interests of national defence. The construction of a chain of airports across Canada, in order to establish an air route from coast to coast, was undertaken. Winnipeg was constituted a base for both permanent and non-permanent squadrons of the air force, and one of four permanent bases in Canada for departmental operations.

In 1937, the government decided to give the operation of Trans-Canada Airways to a public corporation which was established under the name of Trans-Canada Air Lines. Winnipeg was decided upon as the operational headquarters of the Trans-Canada Air Lines System. The government authorities appointed a Mr. Phillip Johnson, an outstanding air line operator in the United States, as head of the new company. Mr. Johnson then selected Winnipeg as the most suitable location for the operating headquarters of Trans-Canada Air Lines.

Whether that interpretation is correct depends upon the reading of the first annual report of T.C.A. in 1937. I think that page 5 of the report shows that Winnipeg was selected as the operating headquarters of T.C.A.

It is not necessary to trace the steady growth and development of T.C.A. at Stevenson Field, which now represents a very substantial investment. In the words of Hon. Mr. Howe, Stevenson Field is now one of the most important airports in North America.

*Personnel and Payrolls*

T.C.A. now has employed at Stevenson Field approximately 1,600 persons, with an annual payroll in excess of \$3,000,000. A conservative estimate indicates a payroll of \$135,000 was involved in the transfer of the traffic department from Winnipeg to Montreal last year. Equally conservative figures for the personnel whose immediate removal is now proposed, amount to \$575,000—a total payroll of \$700,000 a year. It should also be recognized that Trans-Canada Air Lines is a fast growing institution.

The reports from year to year show steady and great progress. As its services expand, staffs also increase, which mean additional employment wherever these departments are located.



To illustrate what an annual payroll of \$700,000, involving approximately 200 employees means—that is, those transferred last year and those now under order—it should be noted that according to the last available report of the Industrial Development Board of Manitoba 1947, 53 new industries commenced operations in Manitoba that year, giving employment to 407 persons. These were small concerns for the most part, and it is extremely unlikely that wage scales of these industries would be on a par with the remuneration of the Trans-Canada Air Lines employees. In other words, the loss if this transfer goes through, may be within range of the initial payroll of the 53 industries started in Manitoba in 1947!

But this is not all. The executives to be transferred include the heads of several departments with large staffs, the majority of whose personnel are supposed to remain here, according to official statements released here and in Ottawa.

It is stated for instance, that 150 employees in the accounting department are to remain in Winnipeg. Despite assurances, this seems highly improbable if the key executives mentioned all go to Montreal.

An even more disquieting possibility exists in connection with the overhaul facilities now located at Stevenson Field which constitute the major portion of the local establishment.

Until recently the headquarters of all T.C.A. operating departments were in Winnipeg. About one year ago, the eastward trek of employees commenced with the removal to Montreal of what was referred to as the traffic department, which consisted of the following:

General Traffic Manager

Director of Traffic Procedures—

General Supervisor of Reservations

“ “ “ Special Services

“ “ “ International Procedures

“ “ “ Traffic Analysis

“ “ “ Traffic Statistics

Director of Passenger Sales—

General Supervisor of Agency and Interline

“ “ “ Group Sales

Director of Cargo Sales—

General Supervisor of Marketing Service

Superintendent of Cargo

Director of Advertising—

General Supervisor of Personnel and Training

“ “ “ Rates & Tariffs

Office Manager

Plus approximately 20 Clerks and Stenographers at approximately \$2,000 a year each.

Conservative estimate of payroll \$135,000 a year.

#### *Further Movement East*

The following persons have received notice to be prepared to move to Montreal by October 1949—and this is where our big objection arises.

President

Director of Research & Economic Control

Director of Personnel

Vice-President i/c Operations

Asst. General Manager

6 Assistants



Economic Bureau Manager  
     4 Statisticians  
 Director of Flight Operations  
     4 Assistants  
 Director of Communications  
     5 Assistants  
 Director of Maintenance & Overhaul  
     5 Assistants  
 Director of Station Services  
     4 Assistants  
 Director of Engineering  
     10 Assistants  
 Director of Passenger Service  
     5 Assistants  
 Director of Training  
 Personnel Manager  
     4 Assistants  
 Budget Bureau Manager  
     1 Assistant  
 General Auditor  
 General Accountant  
 Plus approximately 100 clerks, stenographers, etc. at approximately  
     \$2,000 a year each.  
 Conservative estimate of payroll approximately \$575,000 a year.  
 Total personnel involved estimated at 165.

It is to be noted that the general auditor and general accountant are being moved to Montreal. Their staff in Winnipeg now amounts to about 150 persons. It is natural to assume that with the removal of the general auditor and general accountant, their staffs may follow.

In view of the removal of the heads of all operating departments and their immediate office and clerical staff, we are naturally apprehensive that this is only the beginning. We find it hard to believe that if the heads of departments are moved to Montreal, in due course the remainder of persons in their respective departments will not follow, with the result that what is now their operating headquarters at Stevenson Field, will become nothing more than a maintenance way stop.

The president of Trans-Canada Air Lines has assured us otherwise, but if there is any possible justification for the removal of the heads of these departments, then there is even more justification for the removal of the staffs when there is room for them in Montreal.

The big question is contained in the next heading.

*Is Removal of Employees from Winnipeg to Montreal Justified by  
Operating Reasons?*

Winnipeg is the geographical centre of the continent and would appear to be the logical point for location of operating, overhaul and maintenance headquarters as well as from the point of view of national defence. Mid-continent location of operating headquarters has been selected by North West Airlines (St. Paul, Minn), \*T. W. Airlines (Kansas City), Braniff Airlines (Dallas, Texas), United Airlines (Denver, Colorado), (recently removed from Chicago). All of these United States airlines have overseas operations.

There is obviously some economic value in being located at a central point on a transportation system. The central point in Canada also has its advantages



in the way of climate, space and particularly from the point of view of labour costs and costs of living. There is an additional advantage in Winnipeg in that the airport is only three miles from the centre of the city. It is adjacent to suburban communities, so that there is no housing or transportation problem for employees.

In Winnipeg, the company already has ample shop and office space. In this connection, it should also be pointed out that not only is Winnipeg a low-cost area as against Montreal, but there is available in Winnipeg a good class of labour which has been developed by virtue of the fact that Trans-Canada and other air lines have been located here, and men have been trained in this class of work. Also, there is available a large number of trained men who worked for other companies at Stevenson Field which, during the war, were engaged in large scale repair and overhaul work on airplane engines and air frames.

The climate in Winnipeg is much more favourable for testing operations. Winnipeg has much better flying conditions the year round than Montreal. The company has ample space of its own in Winnipeg to accommodate the employees proposed to be transferred to Montreal. The 165 employees in question will there occupy space in a new building which adjoins the Canadian National terminus. We are informed that the new office space which will be occupied in consequence of the contemplated removal, will have an annual rental cost estimated at \$100,000.

That figure is computed at \$3 per square foot and I believe the building has some 30,000 square feet.

\* Trans-World Airlines.

Winnipeg can ill afford to lose the large number of employees or the business payroll which also accrues. The population of Manitoba, between 1941 and 1946 decreased. It is submitted that Manitoba should not be called upon to make this sacrifice.

#### *Importance of Stevenson Field as Outlined by Right Hon. C. D. Howe*

In an address given by the Right Honourable C. D. Howe to the Industrial Development Board of Manitoba in Winnipeg, May 31, 1948, he paid tribute to the pioneering in aviation that took place in this city and its strategic location, as follows: (I am sure I cannot deliver this paragraph nearly as forcibly as it was delivered originally.)

The strategic geographic position of Winnipeg as a distributing and transportation centre dates back to the first fort built at the junction of the Red and the Assiniboine to serve the fur trade. Water is no longer the most economic form of transportation in Manitoba, but today, all road, rail and air transport between eastern and western Canada passes through Winnipeg. Your city pioneered in commercial aviation when the bush pilots, who learned to fly in the first World War, played such a vital part in opening up the mining areas of northern and north-eastern Manitoba. Winnipeg, the hub of continental air routes, is still carrying on the old tradition of a great air centre. Located here are the operational headquarters of T.C.A., the maintenance headquarters for Canadian Pacific Airways, and the Canadian terminal of Northwest Airlines. The three million dollar expansion and improvement program I announced last year is making Stevenson Field one of the most important airports in North America.

#### *Further Facts re Development of Aviation in Manitoba*

Western Canada Airways (subsequently renamed Canadian Airways Limited) was formed in Winnipeg in 1926. This company was by far and away the largest airline operating in Canada. They pioneered in many phases of the aviation business, ran scheduled passenger routes, carried air mail, and for



many years were the largest carriers of freight and cargo in the world. They had a large fleet of planes of all types, and at their own expense, pioneered many of the innovations and developments in air travel which have now become standard procedure. In 1937 when the government formed the Trans-Canada Air Lines with monopolistic rights and routes, it meant the beginning of the end for large private air lines in Canada, and in 1941, Canadian Airways sold most of their fleet to the Canadian Pacific Airlines, who also had their operating headquarters in Winnipeg. Canadian Pacific Airlines found themselves restricted to feeder lines, but recently they have been given the rights to run a trans-Pacific route to the Orient and they have moved their operating headquarters to Vancouver. The result of all of this is that if the proposed Trans-Canada Air Lines move to Montreal takes place, Winnipeg, which has been the pioneer in this business and the operating headquarters of three major air lines, will find itself the operating headquarters of none.

### *Government Policy*

It should be government policy to help less favoured areas where it can be done without loss to the taxpayer.

I want to underline that, Mr. Chairman.

During the recent war this concentration of industry in the central provinces was accentuated by government policy in its distribution of supply contracts to existing industries, and the construction and equipping of government financed plants at a cost of \$201,000,000 for buildings and approximately \$500,000,000 for equipment.

Under this plan, Quebec got 59 plants costing for buildings only, \$98,000,000; Ontario 68 plants costing \$79,000,000; and the three prairie provinces combined, 11 plants costing \$10,500,000.

Since the great majority of such government-owned plants, which were disposed of on very favourable terms, were located in Ontario and Quebec, the east got another break in the establishment of new post-war industries. Manitoba was particularly unfortunate in this respect since the defence industries plant at Transcona, which represented two-thirds of the floor space provided under this government plan in the province, was not suitable for reconversion to post-war industry and had to be demolished.

Right Hon. Mr. HOWE: Might I interrupt you there just for a minute? I was wondering, in that second paragraph there you say that in the three prairie provinces combined there were eleven plants costing \$10,500,000; I recall that the Alberta nitrogen plant alone cost \$14,000,000. That is why I was wondering where you got that figure.

The WITNESS: I will ask Mr. Gilliat to look that up for you in a minute.

Right Hon. Mr. HOWE: I was just wondering.

The WITNESS: Another point of prime concern is the fact that the concentration of war industries in the central provinces had a drastic and detrimental effect on the population of the prairie provinces. Many thousands of workers, particularly young people, were drawn from the prairies. According to the Dominion Bureau of Statistics, between the years 1941 and 1946, Ontario gained 319,000 in population; Quebec 298,000; Alberta 4,000; while Saskatchewan lost 66,000 and Manitoba 3,000.

Considering the normal natural increase, it will be appreciated how serious these figures are.

Other factors being equal, or nearly equal, it should be the policy of this Crown corporation to leave the operating headquarters in an area which otherwise is less favoured by industrial production. It should be of general benefit to the country not to have concentrated in the Montreal-Toronto-Ottawa areas, all government agencies and Crown corporations. It is a matter of justice to the



prairie provinces to have a fair share of government agencies and corporations located in that area. It should also be beneficial to the country as a whole to stop the shift of population to already crowded industrial areas.

#### *Reply to "Centre of Gravity" Argument*

In an attempt to justify the removal of all these officials and personnel from Winnipeg to Montreal, it has been suggested that Montreal is the "centre of gravity", meaning thereby that Montreal is the centre of main business activities of the corporation. Even if more planes are loaded and unloaded at the Montreal airport, these operations are not under the immediate supervision of the senior operating officers and have no bearing on where the chief operating office of the air line should be located. The facts do not justify the theory that Montreal is the "centre of gravity".

Considering the North American operations only which, after all, is the purpose for which Trans-Canada Air Lines was formed, we find from their 1948 report (pages 8 and 9) that they operate routes totalling 7,912 miles. Of this total, 3,469 miles are represented by the Trans-Canada run from Sidney, Nova Scotia, to Victoria, B.C. Montreal and Winnipeg are both located on this run as major centres, but neither of them is the final terminus of the run. Of the remaining 4,443 miles, Winnipeg is the western terminus of one and the eastern terminus of three other routes with a total route operation of 2,885 miles. Montreal is not shown by this report to be the terminus of any North American run.

For the last seven months, Canadian revenue, excluding mail, was as follows:

Toronto—west, approximately \$5,750,000

Toronto—east, approximately \$2,400,000

It appears, therefore, that Winnipeg is the centre of nearly two and one-half times the Canadian revenue producing business, compared with the area of which Montreal is the centre—or to use the term used by the railways, "centre of density of traffic". We are also informed that the average passenger boarding for 1948 for the western region, which embraces all stations for Winnipeg and west was 660.8 passengers per day, and for the eastern region, which includes Montreal and east was 307.4 passengers per day.

Now, I would say here that most of that information is entirely within the knowledge of the T.C.A. and not available to us. It may be that our information is wrong, but if such is the case the officials of T.C.A. can make such explanation as may be required. As I say, we had to go on the general information which was available to us. I may say further that since 1945 we have not had a breakdown showing a detailed distribution of traffic as between passengers, mail and freight.

Even in respect of the trans-Atlantic runs making their start in Montreal, we are informed that for 1948, there were 13,337 one-way eastbound overseas passages sold in Canada. Of this total, only 280—or 2.15 per cent—of the total originated in Montreal.

Some of the following statistics were taken from the 1948 financial statement; as we have not the actual breakdown, these may not be accurate because the total loss is not apportioned between passengers, mail and freight, but assuming the loss was all due to passenger traffic, the result would be as follows:

1. 532,555 domestic passengers purchased a ticket with the average cost of \$28.13. On this they lost an average of \$1.42 per passenger trip—approximately 5 per cent.

2. 32,821 overseas passengers averaged a price of \$269.70 per passenger trip on which they suffered a loss of \$46.10, somewhat in excess of 17 per cent.

3. 2,951 Bermuda and British West Indies passenger trips produced a loss of \$277,000, exclusive of depreciation and interest. This is \$93.86 per passenger trip. This is more than 100 per cent of the revenue.



The Atlantic run showed a profit in 1947 of \$141,000—this no doubt due to the shortage of shipping space. The 1948 report shows an operating loss of \$1,509,734 on all overseas runs. The trans-Atlantic run is likely to continue to show a loss. This is forecast by the president in the 1948 report. This forecast, we believe is justified for the following reasons: there are now seven other major companies competing for trans-Atlantic business. There is a proposal on foot to amalgamate the America Overseas Air Lines with Pan American Airways. It is also known that Pan American Airways are placing in operation 80-passenger stratosphere planes which, in due course, will render the T.C.A. North Star plane as obsolete and uneconomic to operate as the North Star in turn has caused to become obsolete the smaller and slower planes which they replaced.

We do not believe that as between points on the main line, the "centre of gravity" argument is material one way or the other. The real question is— from what locality can the line be most efficiently and economically operated?

Our submission is that the factors which should be taken into consideration in locating the operational headquarters of an air line are:

1. Favourable climatic conditions.
2. Space and room for expansion.
3. Availability of labour.
4. Cost of labour.
5. Cost of living.

These factors all point to Winnipeg as the more suitable location.

Trans-Canada Air Lines was established as a monopolistic trans-Canada air lines service. According to the 1948 annual report, a total of 532,555 revenue passengers were carried on North American routes, an increase of 24 per cent over 1947. These operations had the following financial result:

|   | 1948         |
|---|--------------|
| Operating revenues .....  | \$20,866,936 |
| Operating expenses excluding depreciation.....                                    | 19,249,971   |
|   | -----        |
| Surplus of revenue over operating expenses before depreciation and interest ..... | \$ 1,616,965 |
| Depreciation .....  | 2,374,085    |
|   | -----        |
| Operating deficit after depreciation .....  | \$ 757,120   |
| Interest on capital invested.....   | 425,902      |
|   | -----        |
| Deficit .....   | \$ 1,183,022 |
|   | -----        |

Now, the matter of depreciation, of course, is one which is always open to argument. We do not know, of course, how they arrived at \$2,374,085 for depreciation which is \$700,000 or \$800,000 more than depreciation for the year before. We do not know whether it was straight line depreciation, whether they depreciated on a usage basis or whether they used the so-called renewal of equipment basis. It may be that that accounts for some difference in the figures.

These figures are not broken down in the financial statement, and we cannot say to what extent the operating deficit was brought about by arbitrary allocation to trans-Canada operations of the maintenance and repairs, material, head office salaries and wages, and other overhead expenses, as against overseas operations.

According to the 1948 annual report, Trans-Canada Air Lines Atlantic Limited carried 32,821 overseas passengers in 1948. Of these, 23,429 crossed



the Atlantic on scheduled flights and 6,441 in charters; the majority of the latter travellers were immigrants (immigration traffic will not likely be repeated). The Bermuda and British West Indies operations served 2,951 persons. These overseas operations brought about the following results:

|  | 1948         | May 1 to<br>Dec. 31/48 | May 1 to<br>Dec. 31/47 |
|--|--------------|------------------------|------------------------|
| Operating revenues .....   | \$10,861,110 | \$8,886,112            | \$5,483,298            |
| Operating expenses excluding<br>depreciation .....   | 11,126,437   | 8,324,464              | 5,000,161              |
| Deficit or surplus of revenue over<br>operating expenses before<br>depreciation and interest ..... | 265,327      | 561,648                | 483,137                |
| Depreciation .....   | 1,244,407    | 976,960                | 341,737                |
| Operating deficit or surplus after<br>depreciation .....   | 1,509,734    | 415,312                | 141,400                |
| Interest on capital invested .....   | 240,484      | 180,956                | 5,097                  |
| Deficit or surplus .....   | \$ 1,750,218 | \$ 596,268             | \$ 136,303             |
|  | (Deficit)    | (Deficit)              | (Surplus)              |

Now, Mr. Chairman, I do not think that I need to take up the time of the committee to read all those figures. You will notice the results under the heading of deficit or surplus at the bottom of the table.

For 1948, in these operations, the operating deficit after depreciation amounted to \$1,509,734.

While the financial review of the overseas services does not break down figures between trans-Atlantic and British West Indies, we are informed that—

Bermuda operations running from May to December, 1948, resulted in revenues of \$211,000.

Operating expenses, \$409,000; a deficit of \$198,000.

Caribbean run for the month of December, 1948 (when it started), resulted in revenues of \$43,000.

Operating expenses, \$122,000; deficit, \$79,000.

For the month of January, 1949, for the Bermuda and British West Indies run combined, the revenue was \$109,000.

Operating expenses, \$202,000; deficit, \$93,000.

It is acknowledged that the results for February, March, and perhaps even April may be more favourable as the run is primarily a holiday run for the benefit of those who can afford to spend a winter vacation in the West Indies. There does not seem to be sufficient business reason to justify such an expensive service, and it raises the point as to whether the government-owned air line formed to provide air service in Canada for Canadians, should be involved in this uneconomic venture.

In order to continue these unprofitable overseas ventures, it is proposed to increase the economic burden by transferring employees from a low-cost area to a higher-cost area and to leave the company's own offices and other accommodation in Winnipeg and rent extensive quarters in Montreal, thereby increasing overhead expenses by the amount of the Montreal rentals.

It has been decided to increase the domestic passenger rates by 15 per cent which, ignoring airmail and cargo-figures, would result in increased passenger revenue of \$2,230,000. This would be more than sufficient to wipe out the



operating deficit which occurred in 1948. Will the balance be used to make up the deficit which will occur in overseas operations?

It has been suggested that on account of these costly operations, Montreal is the logical place for the operating headquarters of the entire system. It is further suggested that Montreal should supplant Winnipeg because of overseas business operations. These are regional operations and relatively unimportant compared with transcontinental operations. The number of daily flights operated by T.C.A. now total 72. Overseas flights number only nine round trips per week. These are:

Four to Britain, three to Bermuda and two to the Caribbean, the latter points of call being Kingston, Jamaica, and Port of Spain, Trinidad.

In the face of the heavy domestic service operated by T.C.A., it is faulty reasoning to place emphasis on overseas flying to justify the removal of operating headquarters for the whole system to Montreal.

In 1948, the number of domestic passengers carried was 17 times the number carried overseas. As air becomes a more generally accepted mode of travel, as may be anticipated, judging by past experience, then by virtue of the potential of the domestic travel market as compared with overseas travel, the disparity between T.C.A.'s domestic business and their overseas business will increase year by year.

#### *Hardships to Employees*

Our information is that many executives who are being transferred are married men and also a large number of the employees. Many of these married men have purchased and are paying for homes in Winnipeg or in surrounding municipalities. It is obviously a hardship that these men are obliged to sell their homes on short notice, which may result in financial loss. Our information is that it will be a matter of great difficulty for these employees, even if financially able, to purchase homes in Montreal and certainly be almost impossible to rent suitable dwellings. It will also involve a financial loss to these employees to reside in localities where the cost of living is higher, unless salaries are increased accordingly. The cost of transportation will not only be higher, but the time involved in getting to and from work may amount to an hour each way, as against fifteen minutes each way in Winnipeg. One of the most regrettable features is the sacrifice involved in moving an employee from his home district and his home town, and putting him down in a strange place, far removed from his domicile of choice. It is very likely many employees will resign from the service rather than make the move—not only as a matter of choice, but in some cases, as a matter of economic necessity.

It will be a matter of considerable difficulty for these men now to find suitable employment in Winnipeg, as they will find it necessary to abandon the work in which they have been trained and seek employment in some other field.

Then we have a paragraph on Defence of Canada that is an understatement. In any event we are not authorities on that subject, but I call attention to a remark made by Mr. Winston Churchill the other night when he said: "For good or ill air mastery is today the supreme expression of military power and fleets and armies, however necessary and important, must accept a subordinate rank."

#### *Defence of Canada*

At the present time, Canada is spending larger sums than ever before in preparing its defences against any aggressor. It is recognized that dispersal of essential wartime industries is desirable. During the last war, it was found advantageous to have a great number of air fields located all over the prairie provinces, where thousands of men were trained for service in the air force. Winnipeg had been the chief repair and overhaul headquarters for these western



military air fields, and when war broke out, was prepared to undertake this work because it was a centre of civil aviation.

In the interests of national defence, it is most essential that aircraft industry be not concentrated in any one locality and that there be available trained personnel all across the country, capable of servicing air force planes should the necessity arise. We submit this is most important.

It has not been suggested that the location of operating headquarters in Winnipeg has been more expensive or less efficient than it would have been in Montreal.

Now let's examine the benefits, if any, to justify the expense and sacrifice consequent upon removal of operating headquarters to Montreal. Wherein and by what means would this increase the efficiency of the Trans-Canada Air Lines? Is there anything to show or which would lead one to believe that by moving the Executive officers into an expensive downtown building in Montreal they would be able to perform their work more efficiently? It is true that they would be closer to the C.N.R. officials, who are located in Montreal, but, after all, these officials are not technical airline operators and the only problems on which they could be consulted would be one of overall policy which would not be subject to frequent changes. The president stated in his letter to employees that it would cut down travelling. This is questionable, but even if it were so, travelling surely is one of the functions of the operators of a transport company and is one by which they keep in touch with the various phases of their business, and the passenger loading factor indicates that this travelling need not be at the expense of revenue.

Since that brief was prepared we have observed in the 1948 annual report of the T.C.A. the expenses of travel and incidentals, as set out on page 21 of the report under the heading of general and administrative: travel and incidental, 1947, North American services, \$24,192 as compared with 1948, \$19,059; overseas services, \$8,985, for 1947, and for 1948, \$12,032. Those are not large items in the total and do not seem to justify incurring an increased rental expense of \$100,000 per year. Another interesting figure is travel expenses for traffic and sales departments which were moved to Montreal: 1947 North American services, \$90,977, and in 1948, \$128,880; overseas services, 1947, \$32,592, and in 1948, \$75,788, an increase of 60 per cent against a revenue increase of 52 per cent, so as far as the report shows us, there does not appear to be effected any great saving in travelling expenses.

But even admitting all these conveniences, surely the objections and disadvantages of the move far outweigh the alleged benefits. Were T.C.A. a private corporation and the directors substantial shareholders who were paying deficits out of their own pockets, they would be seeking by all means to reduce unnecessary expenditures, even though it involved personal inconveniences, and this expense factor alone would outweigh any other factors. We believe that these considerations should apply with equal force to a government owned airline.

### *Conclusion*

In conclusion, we submit that if the move is consummated, it will represent a serious blow to the economy of Manitoba, and will entail a great hardship on the personnel affected. It will further accentuate concentration of industry, population and payrolls in the east, to the detriment of the west and to the detriment of the country as a whole. It is inadvisable from an operating point of view, having regard to employment and geographical location. The move is inadvisable from a military point of view. It has not been demonstrated that Montreal is the "centre of gravity" or that any saving in overhead expenses or otherwise will be effected if the move is made. The matter of convenience to higher officials or directors of T.C.A. should not weigh against the above con-



siderations. It is apprehended that the move presently contemplated will be followed by greater movements which will much more seriously affect the economy of Manitoba, not only in the loss of personnel of T.C.A., but by affecting the business of subsidiary companies.

We submit, therefore, that the announced plan for removal of operating headquarters of the Trans-Canada Air Lines from Winnipeg to Montreal should be abandoned.

Mr. Chairman and gentlemen, I thank you for listening to this presentation. At this time Mr. Gilliat, will you answer the question asked by the Right Hon. Mr. Howe? You have the detailed information, I believe.

Mr. GILLIAT: If I understood the question that Mr. Howe was asking it concerned the matter of \$10,500,000 investment in buildings in the Prairie provinces, as referred to on page 7 of our brief. Unfortunately, when Mr. Fillmore was reading he should have, but did not, read the next two paragraphs. The ones on page 7, if you will look at the brief—after mentioning that there was a \$10,500,000 investment in eleven plants in the Prairie provinces, I read:

According to official figures, equipment for these plants cost \$500,000,000—2½ times the cost of the buildings. Applying this ratio to the investment in the Prairie Provinces, it shows an approximate investment in war industry of \$35,000,000 for the three provinces out of a total government expenditure in Canada of over \$700,000,000.

But this was not the end of it. In the immediate post-war period, building materials and labour for the construction of industrial plants were scarce and extremely expensive, the emphasis being placed on the house building programme.

The facts in regard to that are taken from this publication issued by the Department of Reconstruction and Supply in June 1948, entitled Disposal and Peacetime Use of Crown Plant Buildings. In the foreword, the Right Hon. Mr. C. D. Howe says this in the first paragraph:

Production of munitions and military equipment during World War II was greatly facilitated by the Canadian war industrial expansion program of the Department of Munitions and Supply. This program included the construction of new plants and additions to existing ones. Investment expenditures for this purpose amounted to over \$700 million, involving in all 170 establishments. Of these expenditures, 70 per cent was for the purchase of machinery and equipment and 30 per cent for the erection of structures. Many of these plants were modern construction and were equipped with the latest machinery. While all the plants were Crown-owned and were in some instances operated by Crown companies they were, in most cases, managed by private manufacturers.

Now on page 27 of this report, chapter 4, dealing with regional distribution, it says that the plants in Quebec totalled 59 and had a floor space of 14,658,000 square feet, and that the expenditure on buildings was \$98,026,000. In Ontario there were 68 buildings having a total floor space of 14,529,000 square feet, with an expenditure on buildings of \$79,268,000. On the prairies, there were 11 buildings with a floor space of 1,944,000 square feet, and an expenditure on buildings of \$10,488,000. Now these are the figures we have used. We presume that a ratio of three to seven would apply in the matter of equipment right across the country.

Right Hon. Mr. HOWE: I must confess I overlooked the third paragraph on page 7 of the brief. I never saw chemical plants separated from buildings and equipment before. I thought they were all built together.

Mr. GILLIAT: Mr. Chairman, I would like to present to you the Hon. D. L. Campbell, Premier of Manitoba.

Hon. D. C. CAMPBELL: Mr. Chairman, Mr. Minister and members of the committee, I am very glad indeed to join with Mr. Gilliat in expressing the



appreciation of this opportunity made available to His Honour, the Mayor of the City of Winnipeg, and His Honour, the Mayor of the City of St. Boniface, and to the various organizations represented here today, to meet with you this morning.

I am very happy indeed to be a part of this delegation because the province of Manitoba, the government of Manitoba, and all the people of Manitoba want you to know that we are here to present a united front. In respect of this matter, the government of Manitoba—just as I trust is the case with respect to other matters as well—is speaking for all the people of Manitoba. That is a very fortunate position for a government to be in. I want to say how pleased we are to see so many Manitoba members present, Mr. Chairman, both as members of this committee and in reserve, so to speak. I know that we can depend upon it that the high standard of intelligence and public service that always characterizes the Manitoba members, extends to the rest of this committee as well. Consequently, we realize that we will get a mature, careful and honest consideration of our request.

I am glad to see that the Right Hon. Mr. Howe is present today. It is helpful in a case of this kind to have the minister of the department in question present. It is true that I cannot speak too enthusiastically of the success that has always attended my efforts to change the right honourable gentleman's mind. Nevertheless I have concluded that the reason has been, no doubt, that either I did not have a good case or that I failed through my presentation of it. So, on this occasion, I am forearmed very effectively by having an excellent case prepared by the gentlemen with whom I am associated, and the presentation of that case is to be made by people who are much more familiar with it than I, and, therefore, much more competent to perform that task.

So it remains only for me to say, Mr. Chairman, that the government of Manitoba and the people of Manitoba are very definitely behind the presentation that is to be made here today. We in Manitoba are a progressive community. We recognize that T.C.A. is a growing industry. We want it to grow with us in Manitoba. We want it to attract other progressive industries, and we think that such attraction will develop as we go along because we have facilities in Manitoba which should command the judgment of this committee in continuing to locate the operational headquarters of T.C.A. in our province.

We feel this is a matter of great importance to Manitoba because we want to continue our industrialization. We have a reason for doing so. Up to a few years ago we were considered to be one of the prairie provinces; that is, one of the grain producing provinces, coarse grain included. But we have been changing our economy to one of a diversified and industrial nature. To attract industries, we have in Manitoba, and in the greater Winnipeg area, the proud record of having one of the few major metropolises of this country which does not have to cut power in these days when the use of electric power has been expanding so quickly.

We intend to continue in that position, and we want to be able to attract more and still better growing industries to Manitoba. But, Mr. Chairman, to attract more and still better growing industries is a difficult thing to do if you have some major industry leaving your area. Then you have to put up as good a case as you possibly can for others to come. So, Mr. Chairman, our case will be developed and presented not only by industry but by the other speakers who are more familiar with the details of it than I am.

In conclusion, let me say, that the people of Manitoba will appreciate the very careful and favourable consideration that you, Mr. Chairman, and this committee, will give to the request of this delegation.

Mr. GILLIAT: I now call on Mr. Garnet Coulter, Mayor of Winnipeg.

HIS WORSHIP, MAYOR COULTER (Mayor of Winnipeg): Mr. Chairman, Mr. Minister, and gentlemen of the committee, I wish to assure you at the outset



that I have not come down here—and I think I can speak in that way for all my colleagues on this delegation—that we have not come down here to tell T.C.A. how to run its affairs. But the gravity of the removal of this major enterprise from the city of Winnipeg is, we feel, so great that it justifies me, as representative of the city of Winnipeg, in coming here to point out how serious the removal will be to my city, and to suggest to you, Mr. Chairman, that only very cogent reasons of economical administration, or other considerations, would justify the loss to our city.

Both the removal which has already taken place and the removal which is now under consideration are sufficiently serious. I accept the words of the officials of T.C.A. that no further removal is contemplated. But I am sure that no one would consider that to be a continuing policy for the future because, just as it has been found expedient, or, just as the officials of the administration of T.C.A. have found it expedient to make partial removals, so, in some unforeseen future, they may find the same expediency, with the result that we in Winnipeg may find ourselves without this enterprise.

I speak also on behalf of the officials and employees of T.C.A. who are now citizens of Winnipeg and who will be affected by this removal. That question will be covered a little later by someone who has more knowledge of the details than I have. But I feel it is incumbent upon me to raise this point with respect to the confusion and the difficulties and the inconvenience which this removal will cause.

Now, Mr. Chairman, I would add to what the previous speakers have said in thanking you and the committee for your courtesy in permitting us to be here. I understand that it is really unusual for this committee to receive delegations such as this and we feel that the committee has been very courteous to us indeed.

Mr. GILLIAT: I would now introduce His Worship, Mayor George McLean of the City of St. Boniface:

His Worship, MAYOR GEORGE McLEAN, Mayor of St. Boniface: Mr. Chairman, Mr. Minister, and gentlemen of the committee, I wish to second every thing that has been said by the Hon. Mr. Campbell, our premier, and by His Worship, the Mayor of Winnipeg.

Probably you already know that St. Boniface is, geographically, a part of the city of Winnipeg. It is just across the river. We have many industries. By the way, we have a great number of employees of T.C.A. living in our city. Naturally, our citizens are very much upset at the thought that this major industry may be taken from our midst. Perhaps this committee might care to hear what the people of Manitoba have to say about this move. I feel that you gentlemen of the committee should know exactly what the people of the province are saying. This is the kind of thing you will hear being said in lawyers' offices and in doctors' offices, and all over the province: This move is made for the convenience of the executive or the executives of T.C.A. I am not able to prove that statement but I think this committee should know about it. And people also say that very little, if any, consideration has been given to the employees who are to be moved away from their homes.

As has already been pointed out, some of those employees cannot move. They will have to give up their jobs and seek other means of livelihood.

In addition, the withdrawal of the T.C.A. payroll is, in my opinion, a blow beneath the belt. We pioneered this particular industry in Manitoba and we expected it to remain there. We, in Manitoba, need that payroll, and I am sure that the city of Montreal, or the province of Quebec, do not need it nearly so much as we do. I am not going to say anything more except that I think this committee might give very very serious consideration to our representations, because they mean so much to our people in Manitoba. I thank you, very much.



Mr. GILLIAT: I would now call upon Mr. Daniel Sprague, president of the Industrial Development Board of Manitoba.

Mr. SPRAGUE: Mr. Chairman, and gentlemen, as president of the Industrial Development Board of Manitoba, I say that we are just as much interested in keeping industry in our province as we are in bringing new industry to the province. I think we are more interested in retaining existing industry.

Our board is protesting this proposed move on the grounds that the move will probably increase operating costs of T.C.A. at a time when T.C.A. is already operating at a large deficit.

As perhaps some of you know in 1946 the deficit of T.C.A. was \$1,133,000; in 1947 it was \$1,897,000; in 1948 it was \$2,267,000.

Over the past three years the T.C.A. deficit has amounted to \$5,297,000. This is before providing any interests on the capital investment.

It is rather interesting to note that T.C.A. has a unique method of disposing of deficits. On examining the 1948 statement it is seen that the deficit for the last three years has been washed off the books by a subsidy payment from the dominion government. Consequently in determining the total investment it is necessary to take into account these deficits which have been financed by the government.

Throughout the company's annual report for 1948 reference is made to the fact that the operating deficit is attributable in a large measure to rising wage costs. Why should the company further increase these operating costs by moving a large portion of its organization from a low operating cost area to a high cost area?

In 1948 salaries and wages of T.C.A. accounted for slightly over 40 per cent of the total operating expense. Winnipeg is a lower wage cost area than is Montreal. According to the Dominion Bureau of Statistics the average weekly wage in the month of December 1948 in Winnipeg was \$38.39 compared with \$41.22 in Montreal.

T.C.A. means a great deal to Manitoba. It is the sixth largest employer of labour in greater Winnipeg aside, of course, from the provincial government and the city of Winnipeg. To withdraw this industry from Winnipeg will have quite a damaging effect on its economy.

On the other hand we think that the economy of Canada as a whole will benefit through a decentralization of industry rather than a concentration of industry in localities such as Montreal. This may prove to be particularly true in the event of another war.

Thank you.

Mr. GILLIAT: The next speaker is Mr. Andrew Murphy, president of the Winnipeg and district Trades and Labour Council.

Mr. MURPHY: Mr. Chairman, and gentlemen, as a member of organized labour and as president of the Trades and Labour Council I am representing all organized labour in the province of Manitoba.

I can say that we have always had good co-operation from T.C.A. in matters of contracts and agreements and I know that we have provided a high class of workman.

I think it is hardly necessary for me to point out to you gentlemen that it must be a serious matter when you have organized labour and the Chamber of Commerce on the same deputation. It is really a serious thing for the worker in Manitoba and I know, or at least I hope, that this committee will give deep consideration to everything that has been said by the preceding speakers. I notice that you are already making preparation to remove many officials and their assistants and it is hardly likely that you are going to remove these gentlemen without taking as well the rank and file. I know from conversations with the workers that they are deeply disturbed about the whole situation. I think



that there should be a definite statement made for or against the move, and I hope it is against the move. A man cannot do a job if he has continually on his mind the possibility of moving to another city, involving increased expenditure, involving taking his children out of school, and taking his family to another city which has not the facility for providing homes that Winnipeg has.

I was talking to one of the boys from the aircraft lodge who took a trip to Montreal last year. He has a home in Winnipeg which he told me he had paid \$7,000 for. He looked for comparable accommodation in Montreal and said that it would cost him between \$11,000 and \$12,000 to obtain a similar home if he were compelled or forced to go to Montreal. I doubt very much whether he could get \$7,000 now for his home in Winnipeg and I do not see how he could possibly purchase and maintain a home at \$12,000. That is not within the capability of the average worker; he just cannot support that kind of a home.

The previous speakers have outlined the advantages of Manitoba in regard to power and I know you people are equally familiar with that situation.

I would seriously ask this committee to give every attention to the delegation with regard to keeping T.C.A. where it is. Its present location is an advantage to the country as a whole, any way you may look at it.

Mr. GILLIAT: The next gentleman, is Mr. T. A. Farenhurst, representing the air force branch, No. 156, of the Canadian Legion.

Mr. FARENHURST: Mr. Chairman, Honourable Mr. Howe, and gentlemen:

The air force branch of the Canadian Legion which I represent is particularly interested in this brief. It has been submitted to us that about 90 per cent of the employees of T.C.A. are veterans and a large proportion of those are air force veterans of World War II. Due to the comparatively short service of these men they are in the lower pay brackets and as such they would suffer most. Many of the men are recently married or due to marry. They have invested their savings in houses and they have invested their gratuities in houses.

If forced to move these men would probably lose a great deal of their gratuities and they would be forced to live at high cost in Montreal. Many of these men have investigated living costs in Montreal and feel that they would be compelled to resign from T.C.A. since they could not support themselves in Montreal at the same wage rates. We know in addition that there are many of those men who, due to the uncertainty of conditions, and due to the numbers of rumours flying about, are investigating the possibility of leaving the company at the present time. If these men are subjected to a move such as this it would amount to a calamity. They must give up two or three years of service in what they hoped would be their life careers. To do so, and to start in another business would require still further suffering on their part. We do not believe that you gentlemen will consider only matters of policy when dealing with this move. I think that we have outgrown the medieval idea that human rights are of no importance or that they should override matters of internal consideration.

One of the prime considerations in government surely must be the welfare of the workmen. Wherever they are, senior administrative officers, due to their superior advantage and superior training, should be able to adapt themselves to conditions. We believe however that this move would work intolerable hardship on a great number of junior employees and that this factor must weigh heavily in your minds.

It is understood that in some cases T.C.A. pays some portion of the moving cost and a portion of added maintenance costs. As you know, however, such payments would only go part way towards offsetting costs arising from disrupting a family group and resettling it in a new city under new circumstances.

There is also a saying that three moves are equivalent to one fire, and this would probably wipe out half the savings of many of these men.

If we could have the assurance that these men would not lose large portions of their life savings in this particular move I am sure our problem



would be overcome. If we could be sure that T.C.A. would arrange to settle the men without loss to them in the new area, with comfortable housing and without the loss of certain of their rights, we would feel satisfied that the men were being fairly treated.

The very fact that this committee has consented to hear a delegation of this type indicates that there is some doubt in the minds of everyone concerning the wisdom of the move at this time. We are sure the committee will weigh very carefully the wisdom of such a move in the light of present public policy.

We submit that the welfare of these men—the welfare of members of our legion and other legion branches in Manitoba, which I also represent—when it does not come into conflict with public policy should be the overriding factor in your consideration.

Thank you, gentlemen.

Mr. GILLIAT: Mr. Chairman, and gentlemen of the committee, our official presentation is concluded but we understand that there are some of your confreres from Manitoba who may wish to say a word.

Mr. WEIR: I am not a member of the delegation from Manitoba but I wonder if I may have the privilege of saying a word? If you agree, I thank you very much.

The representations which have been made to you this morning have been made on behalf of the citizens of the province of Manitoba. You have had not only the mayors of the cities of Winnipeg and St. Boniface, but you have also had the premier of our province, as well as representatives of other provincial-wide organizations in the province.

I wish to join with the delegation in the representations which they have made and to include members of the House of Commons from the province of Manitoba irrespective of the parties to which they belong. In that statement I include, not only members of this committee, but also those who are not members of the committee.

I think, Mr. Chairman, that I might be privileged to go so far as to include, among those supporting the representations that have been made to you, members of the Senate, perhaps not all, but certainly those who are here today.

This is a matter important to Manitoba and we are most desirous of retaining everything we can in the western part of our Canada, industrially. T.C.A. in itself lends much to that desire in that T.C.A. carries with it certain elements of complementary industry, and for that reason I believe that it means something all over Canada for the west to have further industrialization, and that is an added reason why we would be most reluctant to see T.C.A. removed from western Canada, and particularly from Winnipeg. There is another reason. I understand that the proposal would probably mean the removal of employees now in receipt of a payroll of \$500,000 a year. That is an important thing to any community and in that sense, measured by other cities in Canada, Winnipeg is not a large community. The removal of a payroll of that size is something of importance.

Lastly I would just like to impress upon the committee that Winnipeg in itself has been air-minded. Our province has been air-minded. Conditions, as I understand them from the standpoint of aviation, are in our province second to none and that is an important factor which I think this committee should keep in mind when considering the development of an industry such as T.C.A.

The committee should keep in mind the fact that the representations have been carefully prepared and presented to you this morning by the delegation which you have heard. I hope you will weigh carefully the representations that have been made and that you may find your way clear to see that Manitoba still retains this development which means so much to her.

Thank you.



Mr. STEWART: Mr. Chairman, with your permission, I would like to align myself with what Mr. Weir has said, but I would speak particularly for our group.

With perhaps one or two caveats that would enter into the matter, we are in accord. We do not agree completely with respect to all that has been said but we agree fundamentally with the opposition to removal of T.C.A. from Winnipeg. We cannot agree with the idea which has been given that housing in Winnipeg is so satisfactory that we have no problem in that respect, nor can we agree altogether with the reason put forward by Mr. Sprague that Winnipeg has a lower wage cost than that which prevails in Montreal. If we have anything to do with it, we are going to see that wages in Winnipeg increase to a figure just as high as that for Montreal.

I would mention that normally I have great aversion to interfering with the policy of a Crown corporation but I think that there is something here which is more than just a matter of corporation policy.

We believe that public interest is at stake and we believe that public interests would be best served by refraining from adding to the accumulated economic power which exists in the east. Therefore, if it is humanly possible, we wish to retain T.C.A. in Winnipeg.

Mr. Murphy has pointed out the extraordinary getting together of the lion and the lamb—organized labour and the Chamber of Commerce. When you get C.C.F., as well as the Conservative and Liberal members of the House, pressing for the retention of T.C.A. in Winnipeg, I think you have a representation worthy of the most serious consideration.

As I said before fundamentally we are in agreement with the greater part of the presentation and I hope you will give it the consideration which it certainly deserves.

The CHAIRMAN: I wish to thank this delegation for the presentation they have made. I also want to say that this committee went out of its way, and I think the delegation appreciate this, as a matter of policy, to hear them. I think after listening to the presentation they have made the committee appreciate very much that you gentlemen came down here.

Now, gentlemen, we have with us the president of T.C.A. He may have different views from those expressed by the delegation; and I think perhaps it is in order, with the approval of the committee, for him to state his case at this time while the delegation is still here. Is that agreeable to the committee?

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: I will then call Mr. McGregor, president of T.C.A. to state his case.

**Mr. G. R. McGregor (President, Trans-Canada Air Lines):** Mr. Chairman, Trans-Canada Air Lines also has a brief which we would like to submit to this committee and to anybody else who might like to see it. It is a matter of some ten or eleven pages and I would like to have the privilege of reading it. Before I do so I would like to ask for an opportunity later in the discussion to raise some points in rebuttal to some of the statements that have been made in the brief which has been submitted from Manitoba.

Mr. HAZEN: Mr. Chairman, could we have copies of this brief before he reads it?

Mr. MCGREGOR: I would like it to be distributed now, if I may.

I must apologize at the outset for the somewhat voluminous nature of this document but I felt it was necessary in order that the matter might be viewed in the proper light that some background be given in it.



## TRANS-CANADA AIR LINES

## HEADQUARTERS ORGANIZATION

The Sessional Committee on Railways and Shipping owned, operated and controlled by the government will, following the usual practice, consider the 1948 annual report and the 1949 capital budget of Trans-Canada Air Lines. It is understood that, as a result of objections raised by civic and other groups in Winnipeg and the surrounding territory to a transfer of Trans-Canada Air Lines employees from Winnipeg to Montreal as described elsewhere in this memorandum, that committee will also consider Trans-Canada Air Lines' reasons for deciding upon that transfer of employees.

Since this decision was originally taken more than two years ago, and since a number of the members of the committee will not be entirely familiar with the internal organization of Trans-Canada Air Lines, it has been thought desirable to prepare this memorandum, which will, as briefly as possible, outline the company's organization, review the reasoning which resulted in the original decision, trace the steps which have been taken toward implementing that decision, and provide a summarized cost comparison study based on 1948 figures.

## PART I

*Outline of T.C.A. Organization*

Trans-Canada Air Lines' plan of organization closely parallels that of the larger American airlines, and for that matter, nearly all organizations having a wide geographical area of activity.

Reduced to its essential elements, it consists of an executive group, operations department administrative headquarters and traffic department administrative headquarters. The executive group consists of the president, secretary, and eight staff officers whose responsibility it is to formulate policy and advise the president on the following specifically assigned matters:

- Research and economic control
- Personnel and organization
- Facilities and supply control
- Public relations
- Accountancy
- Finance and insurance
- Legal matters
- Medical matters

The first four groups of duties listed above are dealt with by full-time Trans-Canada Air Lines personnel. The duties of the remaining four, and the secretary, are performed by officers of the Canadian National Railway Company in conjunction with similar duties performed for that organization.

The operations department administrative headquarters consists of a vice president, operations, his assistant, and nine staff officers whose duties are to advise the vice president, operations in respect to the following technical matters:

- Maintenance
- Overhaul
- Engineering
- Flight Development
- Flight Operations
- Passenger service
- Communications
- Training
- Station services



The traffic department administrative headquarters consists of a vice president, traffic, his assistant and nine staff officers responsible for advising the departmental head on the following specific matters:

- Traffic procedures
- Passenger sales
- Express and cargo sales
- Rates and tariffs
- Advertising
- Agency relations
- Reservations
- Training
- Results

All three groups contain technical and clerical assistants proportional to the volume of work performed.

The field organization maintains the functional division of responsibility as between the operations and traffic departments. The territorial responsibility of each department has been divided into four regions, to which regional operations and regional traffic managers are appointed. A further geographic division of responsibility takes place within each region, with a station manager being the local senior operations department employee, and a district traffic and sales manager being the local senior traffic department employee.

It is understood that the details of the field organization are not particularly relevant to the text of this memorandum, but it has been thought desirable broadly to outline the whole organization, in order that an accurate picture may be formed of the manner in which the fanned-out lines of authority are gathered in, first from the forty-three system points to the eight regional headquarters, from the eight regional headquarters to the two departmental headquarters, and from the two departmental headquarters to the one executive group.

## PART II

### *Elements of Trans-Canada Air Lines' Organizational Problem*

The evolution of Trans-Canada Air Lines is, so far as is known, unique within the industry.

The history of both private enterprise and most government-sponsored airlines reflects a development from small beginnings through normal stages of expansion, with all major elements of the airline growing logically with the growth of the whole. Trans-Canada Air Lines' history would probably have followed a similar pattern, were it not for the fact that its inception was so closely followed by the war.

With the exception of a short route between Vancouver and Seattle which had been taken over from another airline company, no part of the Trans-Canada Air Lines system was permitted to fly passengers on a commercial basis until April 1, 1939, and approximately five months later the country was plunged into war, with military and associated requirements placing such a demand on transportation facilities that passenger travel was confined to government-issued priorities.

This circumstance had the effect of distorting the development of the company's head office organization from the normal tri-functional body (executive, operations and traffic) to what practically amounted to an operations headquarters only.

Since the company was denied the right to buy additional equipment, since civilian international travel was forbidden, and since the solicitation of domestic civilian air travel, on an already overcrowded airline was out of the question,



executive and traffic administrative functions were virtually non-existent, and this is reflected by the number of company officers in these combined groups throughout the war.

At the end of 1945 the office of the company's president, Mr. Symington, as had been the case since the company's inception, was in Montreal. The remainder of the executive group at that time consisted of a vice president in charge of operations, located at Winnipeg, with all other staff duties performed by officers of the Canadian National Railways. The traffic department's administrative head office consisted of a general traffic manager and four staff assistants.

Immediately after, and in some respects even before the end of the war, these conditions began to change rapidly toward normalcy. New and larger aircraft were ordered and obtained. Travel for war purposes disappeared, traffic solicitation, passenger and cargo handling, and like traffic responsibilities, grew to a position of prime importance. The rapid growth of the airline, augmented by the many new executive duties associated with the purchase, supply and financing of more and larger equipment, international negotiations associated with the establishment of new routes, and the planning and administration of greatly increased numbers of supervisory employees, made a proportional growth in the company's executive group imperative, and it took place.

Early in 1947, therefore, the company found itself in the position in which its head office establishment was undergoing rapid expansion, while head office functions were separated geographically. At that time it was obvious that the smooth-working of the organization required one geographically consolidated headquarters, without which few if any organizations have achieved efficient administration. With this basic point established, it was clear that only two geographic locations for Trans-Canada Air Lines' head office could logically be considered:

- (a) Winnipeg, at which was then located the general operations department, the small but growing general traffic department, the main body of the accounting department, and the company's engine overhaul base, or
- (b) Montreal, at which was then located the office of the president, the offices of the Canadian National officers a proportion of whose time was devoted to Trans-Canada Air Lines, and whose responsibilities are listed under Part I of this memorandum, a Trans-Canada Air Lines administrative vice president (a position which was later abolished with the appointment of a full-time T.C.A. president) and the T.C.A. director of facilities and supply control and his staff.

Pertinent factors in favour of the move to Winnipeg were:

- (1) A smaller number of people involved in the move of the then Montreal strength, to Winnipeg than the reverse.
- (2) Lower scales of clerical wages.

And I underline "clerical".

Factors in favour of consolidated headquarters being established in Montreal were as follows:

- (1) The ability to continue the joint use of C.N.R. executive officers at a very substantial economy to T.C.A.
- (2) Since a consolidated headquarters was going to require the construction of permanent building facilities at one point or the other, the inclusion of space for Trans-Canada Air Lines in the then-planned International Aviation Building (being built for the express purpose of housing International Civil Aviation Organization and International Air Transport Association headquarters establishments, permitted further economies.



(3) Since at Montreal were located Canadair, Trans-Canada Air Lines' intermittent source of new aircraft and continuous source of spare parts, the Canadian head offices of Pratt & Whitney and Rolls-Royce, the two manufacturers of all the company's power plants, the head offices of the International Civil Aviation Organization and the International Air Transport Association, organizations with which the company has continuous contacts of major importance, a vast amount of travelling expense, time, and difficulty of negotiation could be eliminated if all the company's officers were not separated from these many important points of company contact by the distance between Montreal and Winnipeg.

(4) Conversely, investigation developed the fact that with the exception of a minor proportion of its insurance business, Trans-Canada Air Lines carried on none of its outside corporate business with organizations in Winnipeg. (The purchase of supplies used in maintenance and overhaul work is, of course, not considered as corporate business.)

(5) The company's government affiliation, and particularly its close collaboration with the Department of Transport, which administers all the airway and most of the airport facilities used by Trans-Canada Air Lines, requires that a considerable proportion of the time of many of the company's offices be spent in Ottawa, 120 miles from Montreal and 1,240 miles from Winnipeg.

(6) At that time there was some indication that the company's international route expansion would be heavier to the east than to the west.

Consideration of the foregoing factors led to the decision to take preliminary action toward the establishment of the company's consolidated headquarters in Montreal, and as will be seen later in this memorandum, developments during the succeeding two years and have proved the decision to be sound from both economic and administrative standpoints.

### PART III

#### *Implementation*

To house the proposed consolidated headquarters, arrangements were made with the Canadian National Railways to provide office space in the International Aviation Building, then in process of being planned. This ten-storey modern building in a central location near the corner of Dorchester Street and Beaver Hall Hill, is planned to form part of a large group of buildings which in conception resemble a somewhat smaller edition of the Radio City group in New York. As previously stated, the building will also house the world headquarters of the two international organizations dealing with all elements of the civil aviation industry, namely International Civil Aviation Organization and International Air Transport Association. A lease has been signed for Trans-Canada Air Lines' rental of approximately 30,000 square feet of this space at \$3.25 per foot per annum, inclusive of all services such as heat, light, cleaning, repair and maintenance.

In May 1948 the general traffic department was moved from Winnipeg to temporary quarters at Dorval Airport, where it will continue to be housed until the International Aviation Building is available for occupancy.

Early in January 1949, following the completion of a cost comparison study, which will be dealt with under Part IV of this memorandum, all Trans-Canada Air Lines personnel who would be involved were advised that the company planned to complete the establishment of a consolidated headquarters in Montreal as of October 1, 1949, by moving the operations department administrative headquarters, and the staff members of the executive group



not already in Montreal, and associated assistants. Since then, residences of some officers have been sold, and notices of intended cancellation of leases on rented living premises have been given. Leases have also been negotiated in some cases for the rental of residence premises in Montreal, and preliminary negotiations have been carried out in other cases for the purchase of houses.

#### PART IV

##### *Consideration of Factors Affecting Second Stage of Move Described in Part III Above*

Since the shortage of housing accommodation was considered to be more acute in 1949 than might later be the case, and since the company had succeeded in functioning for a considerable period of time with a geographically split headquarters organization, it was obviously necessary that the final step to effect headquarters consolidation should only be taken this year if a further investigation of the relevant factors gave a clear indication that, company-wise, the advantages outweighed the disadvantages by a sufficient margin to justify the personal inconvenience and in some cases hardship which would be experienced by the company personnel directly affected.

The factors listed in Part II of this memorandum which had brought about the original decision, were found to weigh as strongly in 1949 as had been the case in 1947. Furthermore, the accomplishment of the move of the general traffic department the previous May well within the company's budgeted expense for that move, and the reasonably satisfactory solution of the personnel housing problem which that move involved, constituted a further factor in favour of the completion of the original plan.

The 1948 data recorded a continuation of the tendency of the centre of gravity of the company's activities to move eastward. The following statistics are relevant:

(1) During the year trans-Pacific routes, hitherto considered to be the ultimate responsibility of Trans-Canada Air Lines, were assigned to Canadian Pacific Air Lines, Limited, with the apparent effect of making the Pacific coast a definite boundary to any more westerly expansion of Trans-Canada Air Lines' routes.

(2) Montreal is now the terminus of 11,000 of the company's 16,000 miles of route pattern, or 70 per cent of the company's total route mileage. And these figures being at variance with the brief submitted by Manitoba, I will be very glad to go into the details later.

(3) The three closely-grouped cities of Toronto, Ottawa and Montreal now emplane 31 per cent of the company's total passenger traffic and among them collect 40 per cent of the company's total transportation revenue.

(4) Fifty-two per cent of the company's total passengers and 67 per cent of the company's revenues are secured on company lines east of London, Ontario.

(5) Four of the company's eight regional offices are shared between Montreal and Toronto, and a fifth is located at Moncton.

(6) The previously planned location of the world headquarters of the International Civil Aviation Organization and the International Air Transport Association has now become a firm fact, with the negotiation of leases for the required accommodation in the International Aviation Building.

(7) The permanency of the Canadair plant at Montreal, which at one time was in some doubt in the public mind, has apparently been established, thanks to the success of the North Star aircraft which they



manufacture, and the placement of further substantial orders for this and other aircraft types by both British and Canadian interests.

(8) Both the Rolls-Royce and Pratt & Whitney establishments in Montreal have grown substantially in the last two years.

(9) The costs pertaining to the move, referred to in the last paragraph of Part III hereof, were carefully investigated and were found to be as follows:

- (i) Number of people involved, more or less a small percentage of variation depending on the final decisions of junior employees ..... 159
- (ii) Estimated non-recurring transportation and other associated costs chargeable to the company in respect of this move ..... \$160,000

*Annual Dollars*

|   |           |
|---|-----------|
| Lease of office accommodation in Montreal involved in this contemplated move (159 x 110 x \$3.25) ..... | 56,900    |
| Termination of rental charges on office accommodation at Winnipeg .....                                 | 21,200    |
| Net increase in office rental .....   | \$ 35,700 |

T.C.A. does not own the majority of the space in Winnipeg which it now occupies.

|  |           |
|--|-----------|
| Increase in salary expense represented by difference in clerical wage scales between Winnipeg and Montreal ..... | 20,000    |
| Total increase in company annual expense .....   | \$ 55,700 |
| Travel and communication annual saving* .....  | 78,600    |
| Annual reduction in administrative expense .....   | \$ 22,900 |

\* (Calculated saving based on the actual figures for the two representative months of May and November, 1948, resulting from lost productive time while travelling, living expenses while away from home, and communications charges for only that amount of supervisors' travels represented by trips from Winnipeg to Montreal and Montreal to Winnipeg which would have been avoided had a consolidated headquarters existed in Montreal.)

I will deal with those figures later, because I have no doubt people will want to know their source and authenticity.

These figures are in themselves conclusive, but they reflect no part of the major advantages that are expected to result from the establishment of the geographically consolidated headquarters. Hardly a day goes by in the administrative life of the company in which one officer or another is not confronted with the effects of a delay in reaching an administrative decision, a delay resulting from separation of correspondence files, a delay resulting from the impossibility of conducting a full discussion on a subject of mutual responsibility with a representative of another department. All elements of the organization suffer in more or less degree from this condition, and instances of monetary inefficiency have been traced directly to it, of considerable volume.



## PART V

*General*

A move of this nature cannot be accomplished without a certain amount of temporary disorganization, and, as previously referred to, a very substantial amount of personal inconvenience and unhappiness. Many of the Trans-Canada Air Lines people affected, including some officers, have expressed dissatisfaction based on personal considerations.

Statements have been quoted in the Winnipeg press, and elsewhere, purporting to be reasons advanced by company personnel as to why the move is not advantageous from a company standpoint. No officer or employee has at any time made representations of this type to management, and nearly all of the company officers affected have stated that, while the move involves personal inconvenience and expense, they foresee the attainment of a simplification of their administrative problems otherwise impossible.

Civic groups in Winnipeg have based strong objections to the move, not apparently in consideration of the move as it is described herein, but largely on the premise that this move marks the beginning of a transfer of all T.C.A. activities from Winnipeg to Montreal. It is naturally impossible to make accurate forecasts for many years in advance on a point such as this, but it can be and has already been definitely stated that neither the company directors nor management can foresee any possibility of it ever proving economically sound to move from Winnipeg any of the Trans-Canada Air Lines functions not covered by the move described herein.

In reference to the move of the general traffic department from Winnipeg to Montreal May 1, 1948, the statement was publicly made in Winnipeg that that move would not have the effect of reducing the total number of Trans-Canada Air Lines employees in Winnipeg. In that connection it is interesting to note that as of December 31, 1947, there were 1497 people employed by Trans-Canada Air Lines at Winnipeg, and this number had become 1601 as of December 31, 1948, even taking the general traffic department move into account.

Reasons for the move have been attributed to Trans-Canada Air Lines which have included the relative merits of Montreal and Winnipeg as A-bomb targets, and the personal preference of a domicile of senior officers. Trans-Canada Air Lines has not hitherto been asked to state its reasons for the move by any responsible body. It is hoped that the facts contained herein will demonstrate that the company has based its decision on sound reasoning, that the present move completes a carefully considered plan of long standing, and that the fears which have been voiced in Winnipeg and elsewhere that that city is threatened with a mass exodus of Trans-Canada Air Lines employees are entirely unfounded.

The CHAIRMAN: Gentlemen, it is one o'clock; shall we meet at four this afternoon? Is that agreeable? Then, four o'clock this afternoon.

The committee adjourned, to meet again this day at 4 p.m.

## AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: We have a quorum. I think Mr. McGregor has a few remarks to make. Before he does so, however, might I ask in view of the difficulty there will be in having a meeting tomorrow morning, almost an impossibility, would it be asking too much to have a meeting tonight?



Mr. MAYBANK: I shall have to be at another meeting myself, tonight.

The CHAIRMAN: I see.

Mr. MAYBANK: Yes, Mr. Chairman, and there are several other members of this committee who will have to be elsewhere tonight. You are up in the House tonight, are you not, Mr. Jackman?

Mr. JACKMAN: I may be.

Mr. MUTCH: I hope we can get to that stage.

The CHAIRMAN: We cannot have meetings on Wednesday night, as a rule; and when there is a caucus in the morning, it is difficult to hold a meeting. What do you say as to tomorrow afternoon? We might be able to finish then?

Mr. MAYBANK: I think tomorrow afternoon would be all right.

An Hon. MEMBER: Could we not finish this question of the Winnipeg delegation because the delegation might want to return as soon as possible; and might we not deal with the T.C.A. report tomorrow?

Mr. MUTCH: Let us get on with this, Mr. Chairman, and let us see how far we can get. If we find that we have not concluded it today, possibly we might conclude it tomorrow afternoon. There is urgency, and we can only proceed in the face of it. If we cannot find a quorum tonight, we will not have one tomorrow morning.

The CHAIRMAN: If it meets with the committee's approval we will ask Mr. McGregor to go on with his remarks and when he has finished we will see where we stand.

Mr. MCGREGOR: Thank you, Mr. Chairman. I think I can be exceedingly brief. There are two or three points I would like to make. The first point I have in mind is to express appreciation of the manner in which the Manitoba brief was presented.

I think it is worthy of note that, under the circumstances, there was no sense of ill feeling. The brief is in no way acrimonious. And I would certainly like to say that from the standpoint of Trans-Canada Air Lines exactly the same feelings obtain.

T.C.A.'s long association with Winnipeg has been a very happy one and will continue as long as I can see, in Winnipeg. We certainly would not wish to do anything that was not fully justified for administrative reasons, which would in any way have the effect of causing a rift between Winnipeg and the Air Line. I think that the points made in the brief as submitted, considering the fact that, presumably, its authors did not have access to a great deal of T.C.A.'s confidential information, are very good. But I do think there are some serious errors in that brief which should be pointed out. In reference to the form of the T.C.A. annual report for the year 1948, the very lengthy list of so-called directors which appeared in previous reports of that type was excluded along with much of the, shall I say, ginger bread, which also appeared in previous reports. It means nothing so far as moves are concerned. The people listed therein went down fairly deeply into the organization including regional managers, and so on, when putting out the 1948 report. We also called attention to the company's very intense program and policy of economy, and we condensed and tidied the thing up as much as possible. There were no directors, as the term is applied within the "organization," moved in 1948 from Winnipeg to Montreal.

I would like to touch on the question of the move as it was planned and described in my brief, and the possibility of what may happen. As I understand it, the great fear is that this is simply the withdrawal of a bung from a barrel and the whole contents is going to flow out as a result. I would like to reiterate my previous statement and that of the directors of T.C.A. as such—I am referring



to the board of directors—that none of us can see any possibility of such an action proving to be economical. I feel quite sure, although I have not discussed the point with him, that the Minister is of exactly the same opinion.

I wish to express gratitude to His Worship, Mayor Coulter, for accepting that statement. I would like to dwell for a moment on the reason why that statement is made, with a great degree of confidence. Probably few of you have seen the Air Lines' establishment in Winnipeg. We have there permanent buildings which have been equipped with heavy machinery, a great deal of which is built into the structure of the buildings. That machinery is associated with the over-haul of engines, both the radial DC-3 engines and the Rolls-Royce engines. And all the company's engine over-haul work is done there. Thus, to disrupt that situation, would be unthinkable.

That machinery could not be transplanted. The cost of moving it would be tremendous, and T.C.A. would be moving from an area in which it can hire good mechanical help, in an apparently abundant supply, into an area where that supply, both as to quality and quantity, is not comparable. I fully agree with all the arguments advanced by the Manitoba brief in that regard.

Mr. MUTCH: If it is permitted to interrupt briefly, might I ask, in the event of the T.C.A. developing jet, to what extent would that argument apply?

Mr. MCGREGOR: I would think the argument would apply fully as well, Mr. Mutch.

The Air Lines took on Rolls-Royce fluid-cooled engines, after having operated with radial air-cooled engines entirely, and it followed exactly that program. So I see no reason why the introduction of jet or prop-jet engines would not fit in satisfactorily with conversion of that over-haul base to exactly the same type of work.

Mr. MUTCH: The argument then was that you would prefer to be near Pratt and Whitney in Montreal. Would that argument not apply to the fact that jet would probably be developed in the east?

Mr. MCGREGOR: No. Our desire to be near to these organizations with whom we are doing business, is founded purely on an administrative basis. It is somewhat akin to the situation of the head office of a power company being located in a business centre, where its transactions are carried out, rather than at a power house at some falls on a river.

The organization at Winnipeg, in so far as the employment of those 1,600 people are concerned, is on that footing. Exactly the same thing applies to the accounting department. A great deal of accounting work is associated with this over-haul work, such as recording the hours of time per job, recording all pieces of new stock checked out of the stores, and recording salvaged parts and repair parts checked in. So you see, a vast amount of T.C.A. accounting is associated with that overhaul work.

Therefore, as long as over-haul work is done in Winnipeg it is certain that the accounting department must be situated there. But its revenue department could be anywhere. The company's funds and money are handled through Montreal. The accounting department has been in Winnipeg and will continue to be there. It is purely a matter of bank transfer.

I am sincere when I say that it is inconceivable that this consolidation of headquarters, with which I think nobody can argue from an administrative standpoint, forms the beginning of a move by such a group as the engine repair group and the accounting group which constitute, by far, the greatest proportion of our employees in Winnipeg.

I do not want to labour a controversial point in the Manitoba brief, but there are some points which bear examination. Reference was made to the location of headquarters of the various air lines in the United States at such points as Dallas, and so on. But reference might also have been made to an equal number



of somewhat larger air lines whose headquarters are in New York, such as Pan-American, American Airlines and American Overseas Airlines.

Reference was made to the adequate space at Winnipeg for the consolidated headquarters, or for the people who are there. That is not the case. T.C.A. owns one building, having office accommodation in Winnipeg, and it rents the remainder of its Winnipeg headquarters from the government.

Now I would like to touch on some of the comments made by the president of the Trade Development Board, the President of the Trades and Labour Congress, and Mr. Farenhurst. T.C.A. is not moving any organized labour from Winnipeg to Montreal, nor is it contemplating doing so. It is merely moving clerical people and the departmental administrative group which was described in my brief. I do not know what proportion of that group could be considered to be in the low-salaried brackets, but I think it would be a very small proportion.

T.C.A. has a scale of wages which is based on type of employment, length of service, and so on, and that scale of wages is exactly the same for its employees at Montreal as it is for its employees at Winnipeg or any place else in the system, with the exception of clerical people, who are paid on the basis of the going rate for that class of individual, such as secretaries, stenographers, and so on. The result is that the clerical people involved in this move have been told what their changes in remuneration will be in respect of the move and the pay involved for such clerical people. Increases from \$10 to \$20 per month.

Now, a point was raised this morning about the hardships which will ensue to a large number of people. Let me say that the number of people is not large. T.C.A. is very conscious of the disruptive effect of a move of this kind, and it is taking every possible step to counteract it. For the last three months the company has had a group of its own employees working in Montreal on the collection of data with respect to available living premises both for purchase and for rent; and T.C.A. has circulated this information among the employees involved in the move.

T.C.A.'s whole purpose in announcing this move nine months in advance was to remove any unnecessary hardship which might result from carrying it out at short notice. I am told that the houses which have already been sold have been sold very advantageously.

There is a further point, although I do not plead it, that every employee, when joining T.C.A., is required to agree to serve anywhere the company may require him to go. That is a necessary procedure in the case of an air line. I do not see why the administrative group should be favored over the pilot group who move from region to region, from one coast to the other, sometimes as often as twice a year. Therefore, I do not see any good reason why a move of Headquarters people should be considered so disruptive an action, when nearly everybody else in the company has had to face it, not once but several times.

Again, this thing harks back to the comments on the part of Winnipeg about its losing an industry. Winnipeg is not going to lose an industry, as far as I can possibly see it. It is going to lose 159 people, according to our best estimates. But 159 people do not constitute a very large proportion of the 1,600 odd people now working for T.C.A. in Winnipeg. If there are any questions about the figures in the brief, I feel sure that the chairman would give me an opportunity to answer them.

Right Hon. Mr. HOWE: May I just add a word about the government's interest in Winnipeg. Our total investment in the Winnipeg airport amounts to \$4,300,000 against a local investment—that is by the city and municipalities—of \$400,000. A part of that latter investment has been made within the last twelve months. The figures do not include the property built and owned by T.C.A., nor do they include the property of the R.C.A.F. on the airport. I can



say further that, as a member of the government responsible for T.C.A., I hate to see any move. Such a move always causes discussion. However, I cannot get away from the fact that having entrusted the management of the airline to a board, and having made it responsible for the internal operation of the airline, I cannot overrule it without good cause. I think if an attempt was made by the directors to move the overhauling department or the accounting department, after the remarks of the president, I would have good reason to put a veto upon the suggestions. I say that as an added assurance to those employees who are fearful of having to move. They need have no such fear.

The CHAIRMAN: Gentlemen, I have in mind the fact that this group has come all the way from Winnipeg to make its presentation. The members have listened to Mr. McGregor make explanations and he has perhaps contradicted, to some extent, some of the points contained in the delegation's brief.

I think the committee here would want the delegation to have every opportunity of explaining its position.

Does the committee agree that it would be in order for one of the gentlemen who came to make a statement now, providing that it is desired to have a statement made? Is that giving the delegation a fair opportunity? Is it agreeable to the committee?

Some Hon. MEMBERS: Hear, hear.

Mr. MAYBANK: Speaking for two Winnipeggers and a St. Bonifacer, I should think it would be fair.

The CHAIRMAN: The committee wishes to be fair. If one of you gentlemen wishes to come forward and say a few words the committee would be pleased to hear you.

Mr. FILLMORE: Mr. Chairman, and gentlemen; you will appreciate the fact that we have been, as you might say, on the outside looking in. The information we have had available has been somewhat fragmentary. I have to congratulate Mr. McGregor on the very fine presentation he made this morning and I think, without careful analysis, it might be somewhat impressive. After doing the best we have been able to do in the limited time at our disposal. I think that we are in a position to make an effective answer. In the short time available to us we have drafted something in the nature of a reply. I have here some four pages which, if it is agreeable to the committee, Mr. Chairman, I will read.

Referring to page 2, paragraph 4 of Mr. McGregor's brief, he states in effect that the organization breaks down into four territorial regions. With this we fully agree, and, as the work has been properly apportioned between the various traffic areas, the headquarters can be located in any suitably centralized spot. On page 3 of Mr. McGregor's brief we find this paragraph, after the reference to wartime conditions, and developments under wartime conditions.

"This circumstance had the effect of distorting the development of the company's head office organization from the normal tri-functional body (executive, operations and traffic) to what practically amounted to an Operations Headquarters only."

We submit that the normal tri-functional activities can be carried on at Winnipeg as well and as effectively as at Montreal. We fail to see any distinction between the operation of an airline carrying predominantly military and government traffic as opposed to civilian traffic. The question of soliciting and obtaining civilian traffic in competition is, of course, the responsibility of the various regional traffic officers. Actually, by virtue of the right given to T.C.A. there is not much competition for civilian traffic in Canada at the present time. We refer there to airline competition because, of course, there is competition between the railway passenger departments and the T.C.A. traffic department. The fact is that by 1947 all T.C.A.'s organizations were congregated under one roof and



it is peculiar reasoning to justify the removal from this one roof in Winnipeg to another location.

Reference is made to the president, Mr. Symington. As a matter of record, he was not the original president but succeeded Mr. Hungerford. Neither of these men were full time airline operators, with the result that the operations were mainly conducted—practically 100 per cent—from Winnipeg. Judging by the financial statements up to the end of 1945 the results were satisfactory.

Mr. McGregor refers to the development of the airline, pointing to the fact that the headquarters should be established (a) in Winnipeg, or (b) in Montreal.

Of course that is the whole question—that is the \$64 question.

For some reason, or rather for reasons which have now been given, with the greater part of T.C.A. personnel centred at Winnipeg, and with the expense factor in favour of Winnipeg, they started to move in May 1948 to Montreal; having already moved some forty odd employees in the traffic department, they use this as an argument to consolidate some 165 more.

This preponderous of personnel is acknowledged in this paragraph, as well as the statement that clerical wages are lower in Winnipeg.

This agrees with our contention, but could also be extended to include executive, skilled and unskilled labour.

Since this memcranda was dictated we have had your assurance with respect to mechanical labour.

On page 4 of Mr. McGregor's brief, the second last paragraph refers to the joint use of C.N.R. executives such as the treasurer, secretary, medical officer, legal officer, etc.

We suggest that the duties performed by these senior executives of the C.N.R. are mainly formal in character and that they do not take an active part in the administration of the affairs of T.C.A. The duties are more formal and more supervisory, and these officials are only consulted at odd intervals. As a matter of fact the C.N.R. and the T.C.A. jobs by themselves are more than full time positions for any one man.

In any event the C.N.R. has duplicate services throughout the major centres in Canada and can give such assistance at any centre, including Winnipeg.

The only position of which I have any personal knowledge is that of the man who looks after T.C.A.'s legal affairs. There is in Winnipeg a man who I think looks after most of the T.C.A. legal affairs. I happen to know that he is a first class man and has a very good knowledge of aviation law. He is probably better qualified than any man in the C.N.R. legal department to render the desired services to T.C.A.

We agree with the desirability of the consolidation of headquarters under one roof. If more space is needed in Winnipeg, there can be built an addition to the present buildings to house the total headquarters personnel for probably twice or three times the annual rental that it is proposed to pay in Montreal.

Another point is raised regarding the North Star plane becoming obsolete.

Is it suggested that T.C.A. move to Seattle or California, in the event of their next planes being Boeings or Douglas?

Furthermore, is it the customary practice for firms with something to sell to solicit this business from their prospective customers. The location of a plane manufacturer should not be a factor in this argument.

Reference is made to ICAO and IATA. This sounds impressive, but upon analysis has no weight at all. ICAO is an organization of countries and governments for the regulation of international air traffic, landing lights, etc. The representative for Canada is a member of the Department of Transport and has nothing whatever to do with airline transportation companies, although naturally the company is interested in the results. IATA is an organization of air transportation companies and as such does not affect T.C.A. This organization in



Montreal handles the clerical work but IATA decisions are arrived at during annual meetings, which, as a matter of interest have been held in the successive years 1945 to 1948 at Montreal, Cairo, Rio de Janeiro, Brussels—the 1949 meeting to be held in the Hague. In the same years the presidents have successively represented Canada, Egypt, Brazil, Belgium and the president, as of this date, represents Holland.

We know of only one executive who has sold his house in Winnipeg and he was giving up this residence in any event. We believe there were three or four of the junior employees who sold their houses. Many other houses originally put up for sale have been taken off the market, pending this hearing and, even more important, because they were unable to obtain assurances of satisfactory housing in Montreal.

Since this morning, we have had a report from Mr. McGregor as to the efforts being made in Montreal to obtain housing. We do not know how successful those efforts have been, or the costs of buying or renting as they are in Montreal.

We deal briefly now with the various points raised on page 7 of Mr. McGregor's report.

Have we any assurance that T.C.A. in due course may not take over the trans-Pacific run? C.P.A. may find it unprofitable and may desire to abandon the run.

The route mileage is a specious argument. The trans-oceanic run represents a considerable mileage but few flights. The ground personnel have very little to do with the craft once it is in the air and the fact is that the trans-oceanic mileage represents only one-seventeenth of the domestic traffic.

To follow this argument to its conclusion: in one 'round-the-world flight' of 24,000 miles, we would make the point of departure the terminus of more miles flown than all the other routes combined.

We have no argument against the statement that 31 per cent of the company's total traffic emanates from Toronto, Ottawa, and Montreal; this is about the proportion that we have estimated.

Nor is this item in dispute with our contention that the bulk of the domestic traffic is from Toronto west.

We have dealt with the North Star plane but incidentally, BOAC have purchased a number of these North Star planes. We understand that they are also purchasing Stratospheres as soon as possible, at which time the North Stars will be put on non-competitive, empire routes.

Now, I want to ask this question: What has this to do with the location of T.C.A. headquarters? We do not think that it makes any material difference to the operation of the T.C.A. whether the headquarters are located at Winnipeg or Montreal or anywhere else. The organization is set up and working now at Winnipeg and we do not see any justification for the setting up of an entirely new organization to replace it at Montreal.

Another point, Mr. Chairman; we have no means of knowing the accuracy of the figure of \$160,000 given as additional moving costs. I think we may safely assume that it is more costly to work at Montreal, to get the work done at Montreal; it certainly is more costly to try to secure accommodation for the staff at Montreal and living costs are higher. But, as I say, we have no means of knowing how they arrived at the figure given in Mr. McGregor's brief. In the question of leasing of office accommodation in Montreal, we presume they have divided the total rental of \$98,000 in the amounts applicable to the employees that they have already transferred and are about to transfer; and we submit that to us it would appear that the proportion for those about to be transferred would be approximately \$60,000.



The fact remains, however, that T.C.A. and the taxpayers have entered into a rental of \$98,000 a year for space, which according to their own figures could have been handled for \$21,000 a year in Winnipeg.

On the question of the increase in salaries: This works out at the rate of about \$200 per year per clerical employee. This also bears out our contention regarding moving into a higher cost area, and the same increase in wages will apply the more people are moved to Montreal. Such an increase would mean hundreds of thousands of dollars annually, and it cannot be justified, in our opinion.

They show the saving in travel and communication of \$78,600 per year. We are unable to reconcile this figure with the statement made at page 21, where they show a total travelling expense for domestic and overseas of \$31,000 per year (Item 6600-36) and as they assured us that it was just this administrative staff that was being moved we cannot reconcile these two different figures.

As you will see, travelling expenses for the traffic and sales department, in relation to the move which has already been made, shows an increase of \$81,000 for the year 1948 over 1947; an increase of 60 per cent, whereas the revenue only increased 52.2 per cent.

I would like to say in conclusion, Mr. Chairman and gentlemen, it is said that these air line offices are being moved to Montreal because certain executive officers are located there. They could go there and consult them occasionally, perhaps, but as a matter of policy we do not believe that it would have any material effect. We do not think that the removing of the Winnipeg personnel, I refer particularly to the administrative personnel, to Montreal is in the circumstances justified.

Secondly, there is the suggestion that certain matters had to be taken up in Ottawa in connection with air line operations. We do not know very much about that. We do not know how important that is. They may have to consult with officials at Ottawa but, gentlemen, they are not 2,000 miles away from Winnipeg, they are five or six hours away from Winnipeg only.

Another suggestion is that they are closer to sources of supply and equipment. Well, gentlemen, they are not produced here. They can be purchased here or in Winnipeg just as well as they can be purchased in Montreal.

I do submit, Mr. Chairman and gentlemen, that there cannot be any justification on these alleged grounds for moving the clerical staff and the administrative staff or any other staff from an area which is desirable in every respect and setting up new offices and a new administration in Montreal.

The CHAIRMAN: I believe Mr. McGregor has two or three more things he would like to mention and then perhaps he would like to take up the report.

Mr. MCGREGOR: Mr. Chairman, I just made a few brief notes as Mr. Fillmore has been speaking. I would like to review one or two of the points he has mentioned. He questioned whether C.N.R. officials performed comparable functions for the air line to those that they did for the railway or were consulted other than formally and at infrequent intervals. The answer to that is these people are consulted on behalf of T.C.A. exactly as they are by the railroad and their staffs have in many cases been increased appropriately to permit that. We have discussed with Canadian National Railways officials on more than one occasion the question of charges which would be involved in the segregation of that group of duties and we have had very well substantiated figures from the president of the Canadian National Railways, and I regard his figures as being conservative. After having studied them, that it would cost T.C.A. \$108,000 to duplicate the services which are now performed for us by the Canadian National Railways.

Mr. JACKMAN: How much did you say you paid the C.N.R., \$108,000?



Mr. McGREGOR: No. I indicated that our payments are \$88,000. We pay them \$50,000, that excludes the salaries of all the people they employ purely for air line purposes.

Mr. MUTCH: Is that cheaper for you?

Mr. McGREGOR: Unquestionably. For instance, the medical officer who has been supervising the business of pilot examination for the last twelve years; you could probably not get such a medical officer in Winnipeg at all, quite apart from the question of remuneration.

Mr. MAYBANK: May I get that clear? You say that to set up these services would cost you \$108,000 and you pay \$86,000, so that would be a saving of the order of \$25,000?

Mr. McGREGOR: No, the \$108,000 Mr. Maybank is the cost of separating out the administrative assistance. The salaries which I have included in that, about \$38,000, would still be added to it.

Mr. MAYBANK: What is that, \$38,000?

Mr. McGREGOR: \$38,000.

Mr. MAYBANK: You say you would have to add that which would bring it to \$88,000?

Mr. McGREGOR: I did. We now pay \$50,000 for administrative services.

Mr. MAYBANK: \$50,000, did you say?

Mr. McGREGOR: Yes. That is the figure that should be put against the \$108,000. Our total commitment for help to the Canadian National Railways is of the order of \$80,000 to \$88,000.

Mr. MAYBANK: So that that would indicate the saving as the difference between the \$50,000 which you pay and the \$108,000 which you would have to pay if you had your own staff?

Mr. McGREGOR: That is correct.

Mr. MAYBANK: And the \$108,000 is for the purpose of making a comparison, what the cost would be to you if you paid for those services yourself; but as it is you pay \$50,000?

Mr. McGREGOR: That is right.

Mr. MAYBANK: And you now tell us that to duplicate that service would cost you \$108,000, but it now costs you—what?

Mr. McGREGOR: \$50,000.

Mr. MAYBANK: I wanted to be sure I understand that.

Mr. MILLER: Would it make that much actual difference if you had your own experts?

Mr. McGREGOR: Yes. If we made our headquarters in Winnipeg, in order to have functions comparable to what we now enjoy we would have to duplicate all these people.

Mr. JACKMAN: I am not sure, Mr. Chairman, that I just understand what Mr. McGregor has said. As I understood you, you said that to maintain the same services with your own staff would cost you \$108,000; that you now pay \$86,000 for certain services rendered to the T.C.A. by the Canadian National Railways and that if you were to start new services of a similar kind and quality for yourselves it would cost you \$108,000. Now, I understood you to say that you pay \$50,000 for these services to the C.N.R. so the reference to \$86,000 is something else?



Mr. MCGREGOR: Yes. We pay the C.N.R. two groups of money in respect of their assistance; one, \$50,000 administrative fee which covers all such services as medical, legal, financial, insurance—and until January 1 of this year public relations and advertising, purchasing—and until recently architectural. In addition to that—

Mr. MUTCH: Before you go on with that—

Mr. MCGREGOR: I am not through with Mr. Jackman yet.

Mr. MUTCH: Oh, I am sorry.

Mr. MCGREGOR: In addition to that we pay between \$35,000 and \$40,000 of clerical and other types of salaries to C.N.R. employees employed by the C.N.R. and on the C.N.R. payroll who devote their time entirely to the work of the T.C.A.

Mr. JACKMAN: And that is a direct charge to T.C.A.?

Mr. MCGREGOR: That is correct.

Mr. JACKMAN: You mentioned paying \$108,000 to establish certain services under your own direction.

Mr. MCGREGOR: That is true, and it is the result of Mr. Vaughan's estimate of the amount of money that would be required to duplicate the services that we get from the C.N.R. at the present time for the \$50,000, not for \$86,000.

Mr. JACKMAN: The T.C.A. pays the C.N.R. and they are losing money on it.

Mr. MUTCH: Is it correct that the amount you are now paying the C.N.R. is \$50,000 for the services you have indicated?

Mr. MCGREGOR: That is correct.

Mr. MUTCH: And the \$108,000 would include the payment of similar services at any other centre on a full-time basis?

Mr. MCGREGOR: Yes, but I would think as in the case of the chief medical officer since the two jobs can be handled by the one man, he would not be efficiently used full-time by the T.C.A.

Mr. MUTCH: Could you give us an idea of the personnel involved in this \$50,000 fee?

Mr. MCGREGOR: The people involved?

Mr. NICHOLSON: I wonder if the rest of us might be permitted to take part in that little friendly discussion you seem to be having down there.

The CHAIRMAN: Mr. Mutch, would you mind speaking louder please.

Mr. MUTCH: I am sorry. I asked if the president could give us some idea who the personnel were whose services were covered by that \$50,000 yearly fee. He has mentioned the chief medical officer and one or two others, but that is only a backlog of the other officials.

Mr. MCGREGOR: By names, Mr. Mutch?

Mr. MUTCH: Or by position, I am not interested in names.

Mr. MCGREGOR: The chief legal officer of the Canadian National Railways, the secretary, the vice president—finance, the controller, the chief purchasing officer—a vice president, the chief medical officer; and as I said until January 1st, the director of publicity; and until I believe it was last August, the chief architect.

Mr. MILLER: If you did not change your present set-up, however, there would be no change.

Mr. MCGREGOR: Yes, that is correct. I am glad to hear that apparently everybody consulted agrees that a consolidated headquarters may be regarded as an essential.

Mr. MILLER: I do not know whether that is so or not. It is a point anyway.



Mr. MAYBANK: If you mean by that that it seems to be agreed that the consolidation of headquarters which we have here indicated is a benefit, then you are drawing too long a bow.

Mr. MCGREGOR: No, I said a consolidated headquarters.

Mr. MAYBANK: A consolidated headquarters, not this particular consolidation.

Mr. JACKMAN: Do you not think that you would be better off to spend this \$108,000 and have your own services than to continue operating under the services supplied to you by the Canadian National Railways, one of the largest railroads in the world, and one which has a tremendous breakdown of official personnel and has plenty to do without looking after any other new field of transportation which has no connection with railway transportation? At what point would you feel that you would be large enough to want to be on your own, where it would pay you to have your own services? For instance, the Air Force, as is well known, has a whole department of medical aviation, a whole school of medical aviation which is carrying on specialized studies in that field. I should think that the medical problems of the T.C.A. and the examination of pilots would be very different from any examination required in the railway services. I do not think the chief medical officer there has very much experience in connection with aviation, nor do I think you could rely on the several departments involved which are already handling a heavy volume of traffic, one in excess of \$20,000,000 a year, to give you the same high quality of service which a staff of your own might be expected to give.

Mr. MCGREGOR: Well, Mr. Jackman, I think that your cast into the future is probably entirely correct. When that becomes either necessary or economically sound will be a question to be decided in the future, probably separately by departments. In so far as experience is concerned in the aviation medical field the group of Canadian National Railway doctors with which T.C.A. is working has now had twelve years of experience of that nature and I am quite certain I speak for the company as a whole when I say we have no fault to find with them.

If the company continues to grow at something like the rate you draw attention to there might be justification for the progressive assumption of the various responsibilities, possibly beginning with purchasing, but at the moment it is certainly the cheaper procedure for T.C.A. and it is very grateful for being able to get the benefits of the services of officers of long transportation experience at what is a very much less sum of money expended than would be the case if it had its own people.

Mr. MILLER: Those eight or nine men you mentioned, Mr. McGregor, the chief solicitor and so on, would they actually be consulted much or on frequent occasions, and if so, who would consult them? Would it be you yourself, who is already in Montreal?

Mr. MCGREGOR: Largely myself. I am in Montreal consulting these people, or some of them, not less frequently than once a month, and usually twice and sometimes three times a month. Mr. May, who is on my left, is not among those gentlemen named, and he is chief assistant to the comptroller, Mr. Cooper, and I can assure you that the T.C.A. finances being in the condition they are in, the finances of the company are matters of the closest scrutiny and discussion. I doubt if there is a day goes by without a telephone call between the two offices, and the whole financial structure of the company, its revenues and expenses by groups are gone into very thoroughly and frequently, and I think it would be a safe estimate to say that between Mr. Cooper and Mr. May, T.C.A. matters occupy 75 per cent of Mr. May's attention and 30 per cent of Mr. Cooper's.



Mr. MAYBANK: By the way, in the last statement where you divide the time of these two gentlemen in percentages, do you feel that the C.N.R. is in agreement with you there?

Mr. MCGREGOR: On the percentages?

Mr. MAYBANK: You gave percentages of the time of the men you mentioned as between the C.N.R. and the T.C.A.

Mr. MCGREGOR: From the fact that Mr. Vaughan is continually complaining to me that he is not getting enough money for their services I think they would be in agreement.

Mr. MILLER: You had better take them over, or let the C.N.R. do it.

Right Hon. Mr. HOWE: Don't forget that the C.N.R. owns the T.C.A. and is vitally interested in its finances.

Mr. MAYBANK: Your medical services to a certain extent are performed in Winnipeg?

Mr. MCGREGOR: It is given at all pilot bases throughout the season. Montreal is by far the largest pilot base.

Mr. MAYBANK: To what extent is it given in Winnipeg?

Mr. MCGREGOR: To the extent of what pilots we base on Winnipeg. I would say there are about fifty there.

Mr. MAYBANK: The medical service, then, is just for the flying personnel?

Mr. MCGREGOR: No, all employees are periodically examined, and all incoming employees are, of course, examined before acceptance.

Mr. MUTCH: Other than medical examination of pilots, does it require any special technical medical skill to examine the other personnel?

Mr. MCGREGOR: I would not say so.

Mr. MUTCH: Would it not be possible to secure from the ranks of other medical men, who had a great deal of experience with flying personnel during the war, doctors to perform these medical examinations?

Mr. MCGREGOR: The Canadian National Railways' medical experience extends to such things as claims for workmen's compensation and injuries to employees, and I am glad to say that we have not been involved in that type of thing so far as passengers are concerned, but it would also apply there.

Mr. MILLER: You answered the Manitoba brief, suggesting that the Pan American and some other lines had headquarters at New York.

Mr. MCGREGOR: Right.

Mr. MILLER: And are they all trans-ocean flights?

Mr. MCGREGOR: All except American Airlines. I mentioned Pan-American, American Airlines, and American Overseas, a separate company of American Airlines, very much as our Trans-Canada Atlantic is a separate company of the T.C.A. They are the overseas operator for American Air Lines. Pan-American is entirely trans-ocean.

Reference was made to the obsolescence of the North Star. Words almost fail me. The North Star aircraft came into domestic service last June 1. We are depreciating it, which answers another question raised earlier, on a straight line basis on a seven-year life. We are exceedingly hopeful and I think justified in that hope that after that aircraft has been fully depreciated in passenger traffic it will see at least another two or three years of useful life in T.C.A. freight service, and there will not be any heavy depreciation charges while carrying cargo. It is by no manner of means an obsolescent aircraft. Reference was made to the BOAC going to use them on non-competitive routes in Europe. I do not know of any such in Europe.

We are not proposing to move to the supplier. The fact remains that as in the case of all aircraft, the purchase of replacement parts is a very



important factor, and both the Canadair Company and the T.C.A. are interested in such things as that the noise level in the North Star should be improved, and we are in constant consultation for satisfactory design to improve that.

Reference was also made to ICAO and IATA and rather played down the importance of these two organizations as far as T.C.A. is concerned. Due to the fact that T.C.A. is a government air line, T.C.A. and its technical people, mostly engineers, are continually required to assist the delegated representatives of the Canadian government at ICAO conferences, and a good many of our technical people are so employed. IATA is not only an organization on traffic, it is also one of technical divisions and that technical work comprises the assimilation of information from carriers, and their recommendations and discussions as to agenda of conferences and so on, is all undertaken at their headquarters. T.C.A. is represented on nearly every committee of IATA and T.C.A. men are chairmen of many of the committees. I do not think that is a pat in the back for T.C.A., but T.C.A. forms a buffer state between the sterling group of countries and the dollar group.

Mr. MAYBANK: With reference to all this representation upon those two international bodies, what has that to do with head office? Are they head office people that are on these committees? I thought you indicated that some of them were technical men.

Mr. MCGREGOR: Nearly all.

Mr. MAYBANK: Now, for example, who are some of these?

Mr. MCGREGOR: Captain Rawson, Mr. Dyment, Mr. Bain, Captain Seagrim—  
—I could mention two or three others, but you have four, all on headquarters staff.

Mr. MAYBANK: Would there be any great difficulty in having such representation if your head office were elsewhere than Montreal?

Mr. MCGREGOR: Not a great difficulty. Just the business of being out of touch with the organization, and the 1,250 miles of traveling involved.

Mr. MAYBANK: How much time of people from headquarters is expended in this work with these international bodies?

Mr. MCGREGOR: I have the man-days here. It is astonishing.

Mr. MAYBANK: Well, let us get astonished. How much is it?

Mr. MCGREGOR: I will ask Mr. May to look that up, if you will. I take it you mean in reference to ICAO and IATA only?

Mr. MAYBANK: I was endeavouring to weigh the importance of these two international bodies as a magnet for this headquarters move. You have cited those two bodies and their location in Montreal as being one of the reasons why you wanted to make this consolidation at Montreal. I just want to see how important that is, taken by itself.

Mr. MCGREGOR: We can get that figure for you, Mr. Maybank. I have the man-days for supervisory travel out of Winnipeg.

Mr. MAYBANK: Supervisory travel of T.C.A.?

Mr. MCGREGOR: Certainly.

Mr. MAYBANK: I was not dealing with that at all. I was asking how much time these international bodies take up.

Mr. MCGREGOR: I can get it for you.

Mr. MOORE: I would like to ask a question in regard to the transfer of the headquarters from Winnipeg to Montreal: When the T.C.A. has completed all the transferring they intend to do, how many employees will be left in Winnipeg?

Mr. MCGREGOR: Well, as of the moment, 1,450, I would stab at. I am subtracting 159 from 1,609.



Mr. MOORE: When those executives are moved will that entail the transfer of others later on?

Mr. MCGREGOR: I cannot see it, as I said before.

Mr. MAYBANK: May I ask this question in regard to certain figures you have given us on pages 7 and 8, chiefly at the bottom of page 8? Your remarks on 159 employees at the top of page 8—you show that there is a transportation cost of \$160,000. That is non-recurring cost? Do you mean by that it will cost you this amount of money to effect the removal of these 159 people? It is not related to that?

Mr. MCGREGOR: It includes that and all the other things that are stated there—"estimated non-recurring transportation and other associated costs chargeable to the company in respect of this move"—associated costs such as the erection of partitions and many other things of that nature.

Mr. MAYBANK: Does it mean the transportation cost among other things—the transportation cost of these people being moved? Are you just moving them or are you moving their household effects? By the way, Mr. McGregor, I should point out that you have been nodding to me in answer, and the Hansard reporter would not be able to record anything but the spoken word.

Mr. MCGREGOR: I did not want to interrupt with a "yes".

Mr. MAYBANK: I appreciate that but quite often one gets an answer which he understands, but later on when it is being read there is no understanding at all, because there is no answer recorded. Well, then, the \$160,000, to which you refer here takes care of the transportation costs of the individuals that you are removing?

Mr. MCGREGOR: Correct.

Mr. MAYBANK: It also takes care of removing their household effects?

Mr. MCGREGOR: Correct.

Mr. MAYBANK: And certain other things in addition to those that I have mentioned?

Mr. MCGREGOR: Yes.

Mr. MAYBANK: Now, roughly, could you indicate the division between the two types of expenditure?

Mr. MCGREGOR: No, I certainly could not. I do know this, that the estimate of the cost of moving the people was based on the actual experience of the move of the general traffic department last May.

Mr. MAYBANK: I see.

Mr. MUTCH: Well this time the executive will have more chattels to move and the rate, I suppose, should be a little higher.

Mr. JACKMAN: The lease on the office accommodation in Montreal at \$3.25 per foot is \$56,900; and you have this tremendous rental charge for office accommodation in Winnipeg of \$21,200. That surely is not an annual charge? How do you calculate it?

Mr. MCGREGOR: That is the cost of rental of space, light, janitor service, cleaning, and so on. It is an annual credit.

Mr. JACKMAN: You are just deducting it, and you can get rid of it all right?

Mr. MCGREGOR: Yes.

Mr. MILLER: The Winnipeg reply suggested that that \$56,900, shown on page 8, was correct in that it was assumed that it was just for additional people being moved?

Mr. MCGREGOR: That is correct. The Winnipeg reply referred to the fact that the lease apparently involved \$98,000 of rentals. That figure is approximately correct. It also said that that should be stacked up against a \$21,000 credit,



being the cost of the space we are now renting in Winnipeg. That, of course, is incorrect. The \$56,900 is rental cost associated with the use of the people represented in the transfer, in this document, 159 people. The total cost of the space rented is in the order of \$98,000, and it represents housing of the people now presently housed at Dorval airport in premises which cost us a good deal more than \$3.25 per foot, because we pay \$1 per foot for the premises; and in addition we have to pay for the transportation of those people to and from Dorval to down town Montreal.

Mr. MAYBANK: Those are the personnel who were removed from Winnipeg last year?

Mr. MCGREGOR: Some, and some previously.

Mr. MAYBANK: How many previously?

Mr. MCGREGOR: I think the number is in the order of 25. It includes the office and group of the Director of Material and Supply, Mr. F. T. Wood, and his associated people.

Mr. MAYBANK: And to that number could be added how many for last year?

Mr. MCGREGOR: The general traffic move involved about 40 people at the time. The size of the department has risen to approximately 70 since that move, which accounts for the percentage of increase in general traffic costs which was previously referred to, and was incorrectly attributed to the fact that general traffic was moved from Winnipeg to Montreal.

Mr. MAYBANK: You really had a number at Dorval and, in addition to housing them, you have had other costs. And if you were to treat that as space occupation it would be pretty expensive. Is that right? When you take into account the cost of bringing them out and taking them back, together with the lease cost—just for the purpose of comparison, you call it rental costs—it is an expensive operation.

Mr. MCGREGOR: Yes, but that cost should end with the movement of these people into consolidated headquarters in the Aviation Building.

Mr. MAYBANK: Consequently the bringing of them into Montreal allows you to set off a rather large and almost exorbitant expense that you have had until now. It is not normal to have so large an expense?

Mr. MCGREGOR: No. It is expensive housing for that type of office accommodation.

Mr. MAYBANK: So, when you record that figure, whatever it is, that Dorval figure, as a saving, of course, that is a figure you would not have been able to keep paying anyway. I mean, you would not be justified in paying it regularly.

Mr. MCGREGOR: It is within a quarter per foot of office rentals as they run for that type of accommodation, and the expense was not included in the cost comparison.

Mr. JACKMAN: But it is pretty expensive.

Mr. MCGREGOR: Indeed it is.

Mr. MAYBANK: And you had the transportation costs as well.

Mr. MCGREGOR: Yes.

Mr. MUTCH: But at Dorval they are only slightly more convenient than here.

Mr. MCGREGOR: That is correct.

Mr. MUTCH: Admitting the principle then of the desirability of consolidated headquarters, would it not be interesting for the committee if you could estimate for us the relative financial position had you elected to consolidate your headquarters in much less expensive areas than those which they are presently



occupying, and made your consolidation there? You are showing here a net increase in your office rental of \$56,900 for this group which you propose to move. And you state in the next line that you are already accommodating them for \$21,200.

Mr. MCGREGOR: The net increase is not \$56,900. The net increase is \$35,700.

Mr. MUTCH: The additional expenditure in Montreal is \$56,900. You are paying on the basis of \$35,700 for the policy of concentrating in Montreal rather than concentrating in Winnipeg.

Mr. MCGREGOR: And for housing in a permanent modern building rather than in temporary wooden buildings at an airfield.

Right Hon. Mr. HOWE: The reason for these people being in Montreal was that one group was down there in order to supervise the building of some new planes. That was something they could not do from Winnipeg. The other group was composed of traffic people who were down there where the bulk of traffic originates.

Mr. MUTCH: That is an interesting contribution because what we have been trying to do, more or less unsuccessfully for a long period of time, is to find some watertight reason for the consolidation at that place. Perhaps you have now given us one reason which we can put our fingers on.

Right Hon. Mr. HOWE: That is why they are there.

Mr. MILLER: Is it accurate to say that the bulk of traffic does originate there?

Right Hon. Mr. HOWE: Yes.

Mr. MCGREGOR: For this group of Ottawa, Montreal and Toronto?

Mr. MILLER: If you eliminate Toronto that answer would not be correct, would it?

Right Hon. Mr. HOWE: Montreal is much nearer Toronto than is Winnipeg.

Mr. MAYBANK: A certain number of people board planes in Toronto and in Ottawa as well as Montreal. That is one of the reasons why you should be centred in Montreal. If you eliminate one of those places you would be one-third less strong in your argument; your statement would be one-third less valid.

Mr. MCGREGOR: If that is what you take from my words, then evidently I have not been making myself clear. Let me say that because of the volume of boarding traffic, we have within that area four, and, within a slightly increased area, five of our eight total regional offices. The head office group is intimately concerned with the regional offices and their activities. The head office does not administer the company directly to stations; it administers through a chain of organizations through the regional offices. The headquarters people deal directly with regional managers and vice versa, and not with the field organization. The principle of boarding passengers by areas is only of interest in so far as it determines where the regional offices are.

Mr. MAYBANK: I see. Holding to the remarks made a few minutes ago concerning expenditures, rental expenditures and that sort of thing, you observed that you would compare what you were getting in Montreal, namely, a fine building, as compared to a plain building at an airport. Would you mind telling me what it would have cost you to build your accommodation in Winnipeg?

Mr. MCGREGOR: I have no idea, Mr. Maybank, other than to say that the question of erecting a building in Winnipeg was investigated, I believe, very thoroughly although it was before my time, some three years ago, when this original decision which I speak of in my brief was made. All I can say, from personal knowledge, is that the plan was abandoned at that time, I think, in the face of very heavy building costs.



Mr. MAYBANK: I think it is important to do a little better than that. Would you be able to produce whatever records there are? My information is quite contrary to what you have just said. In fact, the information given me is that you could have built adequate accommodation for not very many years of rent.

Right Hon. Mr. HOWE: I do not think Mr. McGregor intends to reflect on the accommodation at Winnipeg which, I think, is pretty good. He is reflecting on the accommodation at Dorval airport, which is pretty bad.

Mr. MAYBANK: There is no thought of pride of places in my questioning. I only mentioned the matter to draw your attention to the point upon which I desire to offer some questions. I am not concerned whether you were reflecting or not. It is a question of costs. The information we have is radically different from what you stated just now. If you could have built more cheaply, you might still have gone to Montreal for other reasons. I do not know; but I want to deal with each one at a time. What about this consideration of cost?

Mr. MCGREGOR: I can only speak from my personal experience and from the standpoint of history. I do know that tentative plans were prepared. Perhaps Mr. May may be able to throw some light on the question of constructing an aviation building on a site at Stevenson field in Winnipeg, and whether those plans were given due consideration. I am sure that entirely disinterested study was given to them and they were abandoned. Frankly, in my present position I do not believe that the proper place for a head office of an air line is at an air field, where it is subject to all the interruption and noise of aircraft running up. Again, I would say that it was no more sensible than the simile which I drew earlier today, that of having the head office of a power company located at a power station.

Mr. MILLER: When were the plans figured out and when were they abandoned?

Mr. MCGREGOR: The abandonment was within six months of three years ago. Can you cast any light on this subject, Mr. May?

Mr. S. H. MAY: No, I have no information regarding the cost of the proposed buildings.

Right Hon. Mr. HOWE: The fact is you have got an air line crossing the Atlantic ocean which takes in one-third of all the revenue taken in by the air line. Surely, on the face of it, Winnipeg is not the place to operate that service, is it?

Mr. MAYBANK: That might very well be. But might it not be operated as a separate matter. Is not that policy the part where you lose the most of your money?

Right Hon. Mr. HOWE: That is why we want to give it more attention. That Atlantic service bothers me more than the domestic service. I think we will pull out of the domestic service.

Mr. MAYBANK: Why not handle it the way the Sackville station is handled by the C.B.C.—for a fee—if we are going to run it for prestige.

Mr. MCGREGOR: I have every confidence that the trans-oceanic services will operate in black figures. The three of them, the Bermuda, the United Kingdom, and the Caribbean, are suffering more or less from the fact that they are comparatively new operations. I am talking of them as passenger revenue units. It is the history of airlines, from the word go, that they suffer financial lickings in the initial stages of their activities, and the Caribbean and Bermuda runs are no exception. I may say it is not anything like as true on the trans-Atlantic run as it is of the Caribbean and Bermuda runs. The trans-Atlantic to the U.K. is highly competitive and it is a matter of getting over the condition—one which I feel confident is temporary—following the war. There were a great many people who wanted to travel only one direction so it meant that



a great many flights operated at a 50 per cent load factor. You were flying aircraft across the Atlantic for the purpose of flying a pay load back. I would suspect that unbalance of traffic potential is curing itself as the war becomes more distant. It is certainly showing signs in that direction.

Mr. MILLER: Is not that service run by a separate Crown company?

Mr. MCGREGOR: No, but it is a separate entity as far as organization is concerned. It uses the same aircraft, the same stations, and the same maintenance organization.

Mr. MILLER: Going back to the statement which was made a few moments ago, you say that three years ago you abandoned the plans for the building in Winnipeg. Did you pretty well have it in your mind then to come to Montreal?

Mr. MCGREGOR: I was not a member of T.C.A. at the time.

Mr. MILLER: I am speaking of it as a continuing plan?

Mr. MCGREGOR: I would think the decision to move T.C.A. to Montreal was taken fully a year after that date.

Mr. MILLER: Two years ago was the first time you made plans to rent space in that building in Montreal, and you just rented one floor? You just made arrangements to rent one floor?

Mr. MCGREGOR: No, two floors.

Mr. MILLER: Are you sure?

Mr. MCGREGOR: I believe so.

Mr. MILLER: I thought it was just one?

Mr. MCGREGOR: I think that two floors have always been under consideration.

Mr. MILLER: The evidence you gave two years ago mentioned one floor, but you may or may not be right?

Mr. MCGREGOR: Was it not expressed as 30,000 square feet?

Mr. MILLER: I think you said last year that it was 30,000 feet. When I used the expression "you" a moment ago, you took me up strictly, but I understood that it was a decision of the board of directors.

Mr. MCGREGOR: Yes.

Mr. MILLER: Do you mind telling the committee when the board of directors passed the resolution transferring the headquarters from Winnipeg to Montreal?

Mr. MCGREGOR: The resolution covering that took the form of the authority to lease the space, which, if I remember correctly, was by minute No. 1004, of the meeting in Montreal on November 25, 1948. The board of directors approved the lease of the third and fourth floors in the International Aviation Building in Montreal to accommodate the company officers.

Mr. VIAU: That is only six months ago?

Mr. MCGREGOR: Yes, but that was the first time we knew when the space would be available. Two floor accommodation for T.C.A. in that building had been on the books since the inception of the building.

Mr. MOORE: If there is no intention to move the 1,450 employees of the maintenance staff, why is it proposed to move the director of maintenance and his five assistants?

Mr. MCGREGOR: Because the director of maintenance is part of the headquarters establishment of the company. He is the man who I ask why the maintenance costs for a Pratt and Whitney engine in the month of February rose by \$1 per flying hour.

Mr. JACKMAN: He must get the information from Winnipeg.

Mr. MCGREGOR: No, the information had already arrived. It is a continually recorded piece of data.



Mr. GIBSON: He does not use a monkey wrench.

Mr. MCGREGOR: No, he definitely does not.

Mr. LOCKHART: Do you own any accommodation in Winnipeg at all?

Mr. MCGREGOR: Yes, we own two hangar buildings.

Mr. LOCKHART: No, I am speaking of office accommodation where these people are accommodated.

Mr. MCGREGOR: Yes, there is an office.

Mr. LOCKHART: What percentage of your accommodation do you own in Winnipeg?

Mr. MCGREGOR: Of what we occupy?

Mr. LOCKHART: Yes.

Mr. MCGREGOR: In floor area I would estimate 20 per cent.

Mr. LOCKHART: When you go to Montreal it will all be rented?

Mr. MCGREGOR: Yes, but we will retain 20 per cent of what we occupy in Winnipeg.

Mr. LOCKHART: I am trying to arrive at what you are surrendering in Winnipeg as compared with what you are assuming in Montreal?

Mr. MCGREGOR: We are only surrendering in Winnipeg part of our temporary wooden building rented accommodation, a little bit more than two-thirds of it.

Mr. MILLER: How many feet?

Mr. MCGREGOR: I would have to get you that figure.

Mr. MILLER: In 1947, when Mr. Cooper was giving evidence before the committee, he said that T.C.A. would take one floor in that new building. I am getting at the point that in 1947, late in the season, when the evidence was being given, the transfer could not have been agreed upon?

Mr. MCGREGOR: Yes, it very definitely was, and I would point out that since that time the total strength of T.C.A. has risen by 2,000.

Mr. MILLER: How many square feet are there on each floor which you will lease?

Mr. MCGREGOR: 15,000.

The CHAIRMAN: Mr. Moore, you have a question?

Mr. MOORE: I was going to ask if either of the engine companies which have been mentioned have offices or distributing plants in Winnipeg?

Mr. MCGREGOR: No.

Mr. VIAU: You stated a while ago, Mr. McGregor, that there were no directors transferred during the last six months but that new appointments had been made at headquarters in Montreal.

Mr. MCGREGOR: Yes.

Mr. VIAU: How many directors will remain in Winnipeg?

Mr. MCGREGOR: After this move?

Mr. VIAU: After this move.

Mr. MCGREGOR: I cannot think of any.

Mr. VIAU: How about the directors of engineering and training?

Mr. MCGREGOR: Training will remain in Winnipeg.

Mr. VIAU: What about the engineering director?

Mr. MCGREGOR: He will move.

Mr. VIAU: To Montreal?

Mr. MCGREGOR: Yes.



Mr. VIAU: How will he follow the work of the engineering personnel in Winnipeg?

Mr. MCGREGOR: Very simply. The engineering in T.C.A. is done by projects. There are six subdivisions of the engineering department which have subdivision heads and a project is put out to a group. For instance it may be a design problem or a maintenance problem—in the case of maintenance it may be an engineering, a repair problem, or a question of safety. From that point the problem will be worked out and the answer to the problem may come up perhaps six months later. Sometimes it may be two years until an answer is given.

Mr. VIAU: What about the director of maintenance?

Mr. MCGREGOR: I said that he would move to Montreal and he would be the man that I would ask why the maintenance cost per hour of a type of engine has gone up. He provides me with the answer. He is not the director or supervisor of the maintenance work. He is very definitely a desk man involved entirely, for comparison purposes, with data as produced by his department.

Mr. MILLER: Mr. McGregor, if you move all of those directors in control of repairs and that sort of thing to Montreal, will not the staffs have to go back and forth a lot? It is just as far from Montreal to Winnipeg as it is from Winnipeg to Montreal?

Mr. MCGREGOR: Quite. The answer to your question is that the amount of travel will be very much less, according to our calculation of what the requirements are. As it is now engine removal and replacement takes place in Montreal as the aircraft come in off the Atlantic run, the Caribbean run, the Bermuda run, or the trans-continental run. The runs are considered by T.C.A. to end at Montreal and not Halifax. All flight numbers change at Montreal, and the type of aircraft changes at Montreal. Montreal is the connecting point for different flights and is not just a way point on the trans-continental service. Many of the problems which arise in connection with the people you mention are only directly supervisable at Montreal and there will be some travelling in the reverse direction after the move. That has been taken into account in computing the net difference. I would suspect it would be only a fraction of that which goes on now and a great deal of travel will not be repeated, particularly such travel as is done by the executive groups.

Mr. MILLER: Who do you have to bring to Montreal now?

Mr. MCGREGOR: Do you mean by name?

Mr. MILLER: By office.

Mr. MCGREGOR: All of them. I would say our engineering director, Mr. Dyment has spent a great deal more than 50 per cent of his time in Montreal rather than Winnipeg in the last three months. The percentage is probably 70 per cent in reference to our communications director, Mr. Stephens, and the percentage is about 30 per cent in my own case. The flight operations director has spent probably 50 per cent of his time in Montreal and, in fact, however unwelcome this move may be to certain elements in Winnipeg, the T.C.A. wives are enthusiastic about it.

Mr. MUTCH: If you want to go into that aspect it is another thing. Had you persisted in what was the avowed intention of T.C.A. since its inception—to have an eventual headquarters consolidated in Winnipeg—would the degree of travelling by these auditors and other people, from Winnipeg to Montreal, have continued?

Mr. MCGREGOR: Not quite to the same extent. The degree of travelling required is aggravated by the separation which exists between the various members of the headquarters. It would not have been eliminated if the headquarters had been consolidated.



Mr. MUTCH: It may not have been eliminated but am I right in saying had you persisted with the original intention and consolidated at Winnipeg instead of Montreal, the travelling required would have been less?

Right Hon. Mr. HOWE: I think that your history is a little incorrect. T.C.A. started with a headquarters in Montreal. The president, Phil Johnson was there; the vice president in charge of operations was in Montreal and the move to Winnipeg was made during the war.

Mr. MUTCH: I am fully aware of that. I also remember Phil Johnson and I know as well his argument for the eventual headquarters of the airline being in the prairies because, among other reasons, it would be farther away from Ottawa.

At the time I thought it was a sound argument.

Right Hon. Mr. HOWE: The fact that it is far away from Ottawa is certainly one reason why I would like to keep it there.

Mr. MUTCH: That would be one of the reasons.

Right Hon. Mr. HOWE: I do not know how they could operate.

Mr. MILLER: Do you still believe Winnipeg is the hub of the continental route?

Right Hon. Mr. HOWE: It is the centre of the route between Montreal and Vancouver. However, you must remember that there are a great many lines east of Montreal other than the Atlantic. We operate a service right now into Newfoundland.

Mr. VIAU: The decision was taken two years ago by the Board of Directors?

Right Hon. Mr. HOWE: That is right.

Mr. VIAU: Was the government advised?

Right Hon. Mr. HOWE: No, we were not advised. Of course, I get copies of the reports of the Board of Directors' meetings. It is a matter of internal management.

Mr. VIAU: But this decision was taken two years ago.

Right Hon. Mr. HOWE: By the management, yes. You take the way we are operating now, I do not think Winnipeg is just the most desirable point for our overhaul service. We take planes off our Atlantic service and fly them to Winnipeg for overhaul and then fly them back again from Winnipeg. That is not very economical, but we did that to maintain our operating headquarters in Winnipeg.

Mr. MUTCH: I wonder if Mr. McGregor could give us the routes which use Montreal as a terminus? In that I understand there are 11,000 miles of trans-ocean routes. Could you name them?

Mr. MCGREGOR: I could name them if it would be any help to the committee. Montreal is the terminus of what we regard as all the routes of the Maritime service; Sydney, Moncton, Halifax, Saint John, Gander, Torbay; it is the terminus of all the trans-ocean services. Perhaps reference to the map in the middle of the report would be of help to you. It is about two pages along.

Mr. MUTCH: That is an important point, that 11,000 miles—

Mr. MCGREGOR: I haven't finished yet, if you will allow me.

Mr. MUTCH: All right.

Mr. MCGREGOR: It is the terminus of the trans-Atlantic operation operating through Goose Bay and Gander and Sydney to Prestwick and London. It is the terminus of half the Bermuda service—really all of it, but some of it is routed through Toronto—and it is the terminus of all the Caribbean services; Nassau and Kingston, Jamaica, and to Port of Spain, Trinidad. It is the terminus of one of the services to Chicago and it is the terminus of all the transcontinental services west and the terminus of the Inter-City services—Ottawa and Toronto.



Mr. MUTCH: This has reference just to T.C.A.?

Mr. MCGREGOR: That is correct.

Mr. MUTCH: What would be the percentage of Winnipeg routes?

Mr. MCGREGOR: Well, the T.C.A. have a service out of Winnipeg to Saskatoon, and there is what we call the milk run service over the prairies to Lethbridge—and it is also the terminus of one DC three service we operate to over the lakehead to and from Toronto.

Mr. MUTCH: Could they not be divided? Is there any offset? You state here on page 7 of your report, "Montreal is now the terminus of 11,000 of the company's 16,000 miles of route pattern, or 70 per cent of the company's route mileage." The major part of that mileage is made up of your run to Prestwick, or your overseas routes?

Mr. MCGREGOR: A good part of it.

Mr. MUTCH: Which flies how many trips a week?

Mr. MCGREGOR: In the wintertime, this last winter, it has flown four scheduled line trips and about twenty charter flights; that is an aggregate of thirty-six flights per month. That frequency is going to be stepped up as from the 1st of May to two flights per day and from June 1 probably to two and one-half flights per day.

Mr. MUTCH: I cannot understand any reason why as a matter of policy we should decide to have trans-ocean flights, I can even think of reasons why we should not have them. However, I am perfectly willing to go with you in your forecasts.

Right Hon. Mr. HOWE: But eventually these services might grow into something big.

Mr. MUTCH: But I cannot help being reminded that in the past emphasis has been placed on the fact that these trips were experimental, a matter of prestige and as being of some importance in the matter of national defence.

Right Hon. Mr. HOWE: I never heard about the prestige of the line being involved. We operate those lines for the purpose of making money; and, of course, they help to carry the flag.

Mr. MUTCH: I am quite ready to help you carry the flag, but what I am trying to get at is this: what is the economy, what is the value of the organization, and what is the major operation? I submit that the services operated within Canada are the major operation of the T.C.A., much more so than anything else, and I cannot see the reason why this extra mileage is brought in. We talk about an economy of \$22,000 being effected. Of course, there have been some general suggestions that there were some other economies in excess of that or in addition to that, and some reference was made to them in the annual report. I am not objecting to that; but I do not think a saving of \$22,000 by this move from Winnipeg to Montreal plus all the other savings hinted at, would of themselves be sufficient to justify the move. That is the principal argument which has been produced and I think it has been pretty well met. I have yet to hear any cogent reason why an air line cannot operate from headquarters at any point along its route with equal efficiency as compared to a headquarters establishment at one end of that route. I do not think much of the idea of the argument you have presented. Do you know of any good reason why you cannot operate an air line as you could a railway from any convenient location along the line; why one location is not just as good as another?

Mr. MCGREGOR: Yes, I think I can. However, may I suggest that in my opinion that is one of the matters which might more properly be taken up by the committee when it is considering our report. Now, with reference to this question of whether any air line can more easily be operated from one point



than another, I would very much like to talk to that. What you say about the figures in this brief is absolutely correct. I only attempted to evaluate in the brief the things that were subject to accurate estimating; or, better still, as in the case of most of them, actual firm figures. The concrete savings to the T.C.A. is not the \$22,000 to which you referred, nor is it the figure indicated in that report, and it has not been evaluated for the reason that it would be virtually impossible to do so; and to quote figures or estimated figures in relation to these economies would be to risk being accused of, if I may use the term, simply crystal gazing. I can perhaps answer your question in this way as well as any, by stating a case which came up within the last few days. The headquarters of the air line is primarily responsible for its safe operation. To do so we issue edicts from time to time stating exactly what pay load can be carried on definite types of flight. That is not a matter, not a question in which the judgment of the captain is the deciding factor. It is a matter of firm company policy to be considered in the light of all the known factors involved. For two months we found ourselves to have been operating with a 200-pound pay load on the Atlantic less than we might have carried because we did not know that at Dorval Airport the old type of bunk mattress had been replaced by one weighing 50 pounds less. That is the type of thing which goes on continuously. I cite that one case as an example of the type of thing which comes up to be dealt with. When you have major operations beginning and ending 1,200 miles away from the people who are responsible for issuing instructions it complicates the operation.

Mr. MAYBANK: What did you say the change was?

Mr. MCGREGOR: In the mattresses used in the crew bunks.

Mr. MILLER: If the company had not ever started its trans-oceanic lines would you have preferred to leave your headquarters in Winnipeg or to what extent would that affect the whole situation.

Mr. MCGREGOR: To a very considerable extent. Overocean flying is a very much more delicate operation than flying over a route where you can set your aircraft down every 300 miles or so on a good runway should you need to.

Mr. MILLER: What can you do about it in Montreal?

Mr. MCGREGOR: We cannot do anything about it but we can be very sure that we know what the problems are which are being faced by those planes.

Mr. MILLER: Am I safe in presuming then that it might be your opinion that if the trans-ocean flights were not a consideration that perhaps there would be no necessity of changing headquarters?

Mr. MCGREGOR: I would say that the weight in favour of it would be less than it is. I have not studied the condition of trying to eliminate from my mind the trans-oceanic services because they are not subject to elimination. I would say the weight of argument would be lessened.

Mr. MAYBANK: Why not divide the two operations, have two different organizations?

Right Hon. Mr. HOWE: Can you tell me where we can get a second trained organization?

Mr. MAYBANK: I do not know. Would that be a compelling reason against it?

Mr. MCGREGOR: No. It would cost us about half as much again. That would be the compelling reason against it.

Mr. MAYBANK: Are you using the same equipment?

Mr. MCGREGOR: Using the same equipment, using the same engines, the same overhaul bases; we have the interchangeability of equipment and we are using the same senior officers.



Mr. MAYBANK: You do not think separation would be feasible, that it would not be advisable to have two corporate entities?

Mr. MCGREGOR: I do not think so.

Mr. MAYBANK: And that is why you are not operating them now as two separate corporate entities?

Mr. MCGREGOR: Yes, and also the terms under which the two companies exist by agreement with the government are a little different.

Mr. MILLER: So far as the president of Trans-Canada Air Lines and all the other men whom you now propose to move back here to Montreal are concerned, if they and a few other key men, were moved to Winnipeg, the only handicap you would be labouring under would be that of consulting with the wise men with experience of the C.N.R.?

Mr. MCGREGOR: No, they are not the only ones. There is this other point about which we have been talking, that of having your headquarters 1,200 miles away from the centre of your operations.

Mr. MUTCH: Coming back to this question of personnel, what percentage of the expenses of your headquarters personnel located in Winnipeg were taken up by flights west to Vancouver and intermediate points; was it a considerable proportion?

Mr. MCGREGOR: Yes, I would say so. There is a certain amount of supervisory travelling done, but only the smallest fraction of the total. You might also take an example in my own case. As I told you, I have been in Vancouver I think twice in the last eighteen months. You see, we do not charge transportation as an expense. Our heaviest expense would be hotels, and the like.

Mr. MUTCH: You used mileage before and I was only taking that as a basis of comparison.

Mr. MAYBANK: And I think you also pointed out in your memo the resultant loss of productive time came into the cost of personnel?

Mr. MCGREGOR: That is correct.

Mr. MAYBANK: What Mr. Mutch says would be correct. You may not pay your fare but you do take more time?

Mr. MCGREGOR: That is quite correct, Mr. Maybank; except that it applies to two trips in eighteen months as against an average of about two trips a month.

Right Hon. Mr. HOWE: This air line takes in \$30,000,000 a year; and it pays out \$32,000,000. Yet here we are talking about an item of \$20,000.

Mr. MUTCH: We may be talking about \$20,000. At least, I was doing so, a few minutes ago; I was talking about \$23,000 in the economy of a \$30,000,000 company with the government behind it in the case of a deficit. But I feel it is relatively much more important both in the provincial picture and the national picture than any emphasis which has been given in the discussion so far. A moment ago the minister spoke jocularly about Winnipeg complaining. I would point out that, primarily, Winnipeg is not complaining. The representations which you have heard here today, despite what I know to be a conception on the part of some of you, are not a Winnipeg matter. Rather, they are a Manitoba matter; and in the minds of us who come from there we think it is a matter which has national significance. We have refrained from dealing more or less with what Mr. McGregor has said in his brief and his comments on Manitoba people. But there was another aspect treated somewhat lightly today; that is the national aspect of this matter.

We cannot afford to continue a trend which is all too pronounced in industry and otherwise to further concentration in the central provinces of Canada, unless there be some overwhelming economic reason which can be shown for



it. I am not making a political speech when I say—and I am speaking wholly in the national interest—that I see nothing in Mr. McGregor's brief today which has even attempted to review the importance of that consideration in a question like this. I do not myself believe in, and I would not normally be a party to, the suggestion of putting pressure on a government to have it put pressure in turn on a Crown corporation to do something which is of peculiarly local interest. The people who have been charged with fomenting this particular complaint, if you care to call it that, have been charged quite improperly, because they have merely given voice to popular opinion. However, if it were true, they are the very people who, time after time, have spoken to you and to the government about the interference with management in the carrying out of these enterprises. That is the only way government enterprises may succeed. I personally subscribe to that belief. Therefore, if it were merely a matter of local grievance I would not be here at all. But this matter transcends local grievance because it has in it something of the nature of national implications, which have repercussions in all the provinces. Whether you break in London or Toronto or elsewhere, those repercussions will be felt right through to the Pacific ocean as a further manifestation of government which the people of western Canada do not like.

For that reason, I do not think it is a matter of local grievance but rather a matter of first interest in the unity and well being of this country; and I think that something should be said about it, rather than just to cast it aside and refute it as an argument in a brief.

Right Hon. Mr. HOWE: The problem of this air line is to increase its revenue by at least \$2,000,000. I won't operate an air line very long which is in red ink. I put that problem up to the board of directors and the board of directors said the way to do it was to get the executive staff concentrated in Montreal. Incidentally, the directors of T.C.A. are also directors of Canadian National Railways in Montreal.

Mr. MILLER: Would you eliminate your ocean flights? Would you get rid of your ocean flights?

Right Hon. Mr. HOWE: We started those ocean flights in 1942. We believe them to be a very very important service to Canada. This committee has never expressed an opinion otherwise. But, if this committee wants to move that we eliminate the ocean flights, we will take it into consideration. The domestic flights are just as much in the red as the ocean flights.

Mr. MAYBANK: Is the loss equal on the domestic operation, or proportion of the domestic operation?

Mr. MCGREGOR: Very nearly equal. I would like to add to the Right Honourable Mr. Howe's reply to Mr. Mutch. Mr. Mutch referred to the concentration in the east. We are not contemplating concentration in the east. I would be astounded if, in 18 months time, there were not more employees in Winnipeg than there are today, after this move.

Mr. MAYBANK: Every person, I think, hopes for a steady growth. Every person hopes that you may be quite right about the increase, but I may say I feel quite sure that the skepticism which has been existing in that neighbourhood will not immediately be dispelled as a result of what we have heard today. I think there is great skepticism. The mere fact that this has been kept quiet—and it has been kept pretty quiet since 1947—

Right Hon. Mr. HOWE: You have not been reading the papers.

Mr. MAYBANK: Just a moment, it was actually quite recently that this came out.

Right Hon. Mr. HOWE: It is an amazing thing to me—

Mr. MAYBANK: Just a moment, until I conclude my sentence.



Right Hon. Mr. HOWE: Yes.

Mr. MAYBANK: As a matter of fact there was a time last fall when there was a good deal of endeavour put forward on the part of many people to obtain more information. One of your officers came to Winnipeg and gave some interviews, only after there was a great deal of questioning in the press.

Mr. MCGREGOR: If I am not interrupting, I feel sure that your information is not correct. The first announcement of this intention was made a year ago at a Chamber of Commerce luncheon in Winnipeg when I said I understood that there was a great deal of curiosity on the part of the Winnipeg Chamber of Commerce as to T.C.A.'s plans. I enunciated those plans in the same way as I have here. A Chamber of Commerce delegation waited on me in November of last year and I repeated then what I have repeated here.

Mr. MAYBANK: Did you give the same figures?

Mr. MCGREGOR: I gave the same figures within 9. I told that delegation the number of transfers was to be 150 but I was strongly misquoted in press reports. There has certainly been no iron curtain established as far as this move is concerned, and, certainly that was not the desire of the company.

Mr. MUTCH: I think it would be fair to say that there has been considerable speculation.

Mr. MCGREGOR: That is correct. The press has never asked me for a statement of the reasons for the move, nor has the Chamber of Commerce.

Mr. MAYBANK: Was there no person sent to Winnipeg to give information?

Mr. MCGREGOR: No.

Mr. MILLER: If you get the 15 per cent increase that has been promised will you show a surplus with respect to your western flights?

Mr. MCGREGOR: I beg your pardon?

Mr. MILLER: If you get the 15 per cent increase, which you will get, will that take you out of the red in so far as the western flights are concerned?

Mr. MCGREGOR: We hope that the increase will take us out of the red on our whole domestic operation.

Mr. MILLER: That is what I meant, as distinguished from your ocean flights.

Mr. MCGREGOR: There will be a few other economies required.

Mr. MILLER: Do you agree with the statement that the 15 per cent increase would more than wipe out your operating deficit—for instance your deficit for 1948? That statement was made in the western brief at page 11?

Mr. MCGREGOR: I think it probably would.

Mr. MILLER: At the risk of being theoretical can I put one more question to you? Right now, if you eliminate ocean operations and move the president and all those other fellows back to Winnipeg, your only handicap would be—as far as operating from Winnipeg is concerned—your required interviews with the C.N.R. officials?

Mr. MCGREGOR: Not quite. It is probably more true of airlines than most organizations that by eliminating services you do not economize on the total expense of the service. If T.C.A. was not flying the ocean service it would have eleven aircraft doing nothing. Those aircraft represent \$750,000 each on which we would continue to pay interest, and also depreciation at the frightful rate of one-seventh of the value per year. You would be faced with either letting out trained crews in each of which the company has invested about \$20,000 or keeping them working about one-quarter of the time. The elimination of the trans-ocean service would save only the cost of gas and oil, and a few other things.



Mr. MILLER: If you did not have that service on your hands it would be quite practical to move back to Winnipeg. The only obstacle or hindrance or difficulty would be the necessity of having consultations with the C.N.R. men in Montreal.

Mr. MCGREGOR: That would be one difficulty of several. Montreal would continue to remain the terminus for a lot of services.

Mr. MILLER: I beg your pardon?

Mr. MCGREGOR: Montreal would continue to remain the terminus for a lot of services—the point where engine changes would be made. On a through service you do not take an aircraft out of service on a flight from Montreal to Vancouver just because you happened to have bumped into a repair terminal. Cargo cannot be taken out of one aircraft, and people do not want to be taken out of one aircraft, in the middle of a flight and loaded into another. Aircraft come on and off service at the termini, and for that reason the most unsatisfactory service is not to carry on your engine replacements at the terminus. Even if Montreal ceases to be the terminus of the trans-ocean services it will continue to be the terminus for the trans-continental service.

Mr. MILLER: T.C.A. could still be run from Winnipeg, even if Montreal was the terminus?

Mr. MCGREGOR: It could be, yes.

Mr. EMMERSON: Mr. Chairman, I would like to ask a question. As I see it this transfer means a reduction of about 10 per cent in the Winnipeg staff?

Mr. MCGREGOR: That is correct.

Mr. EMMERSON: And is this a particularly large percentage of transfer? Have there been other transfers?

Mr. MCGREGOR: Yes. I think this is the largest individual transfer other than flight operation people who have been moved by large groups. At one time we had all of our Trans-Atlantic pilots, while they were being trained for the operation, in Winnipeg and we moved them to Montreal; but this is the largest individual move in one package that I know of.

Mr. EMMERSON: The largest number?

Mr. MCGREGOR: Yes.

Mr. EMMERSON: I remember two or three years ago there was a large movement from Moncton to Montreal; percentagewise would it be as large a movement?

Mr. MCGREGOR: No doubt it was, in relation to the number of people involved at Moncton.

Mr. EMMERSON: And that was done at Moncton to improve the efficiency of the service?

Mr. MCGREGOR: That is right.

Mr. MUTCH: Are we to understand that the percentage of personnel involved was proportionately the same? Here I understand it is 150 out of 1,600.

The CHAIRMAN: Gentlemen, it is 6 o'clock.

Mr. MAYBANK: Before we adjourn, Mr. Chairman, I want to say that I think it would have been wiser not to have distributed this statement. As far as I am concerned you can have it back. I do not want any confidential information published here.

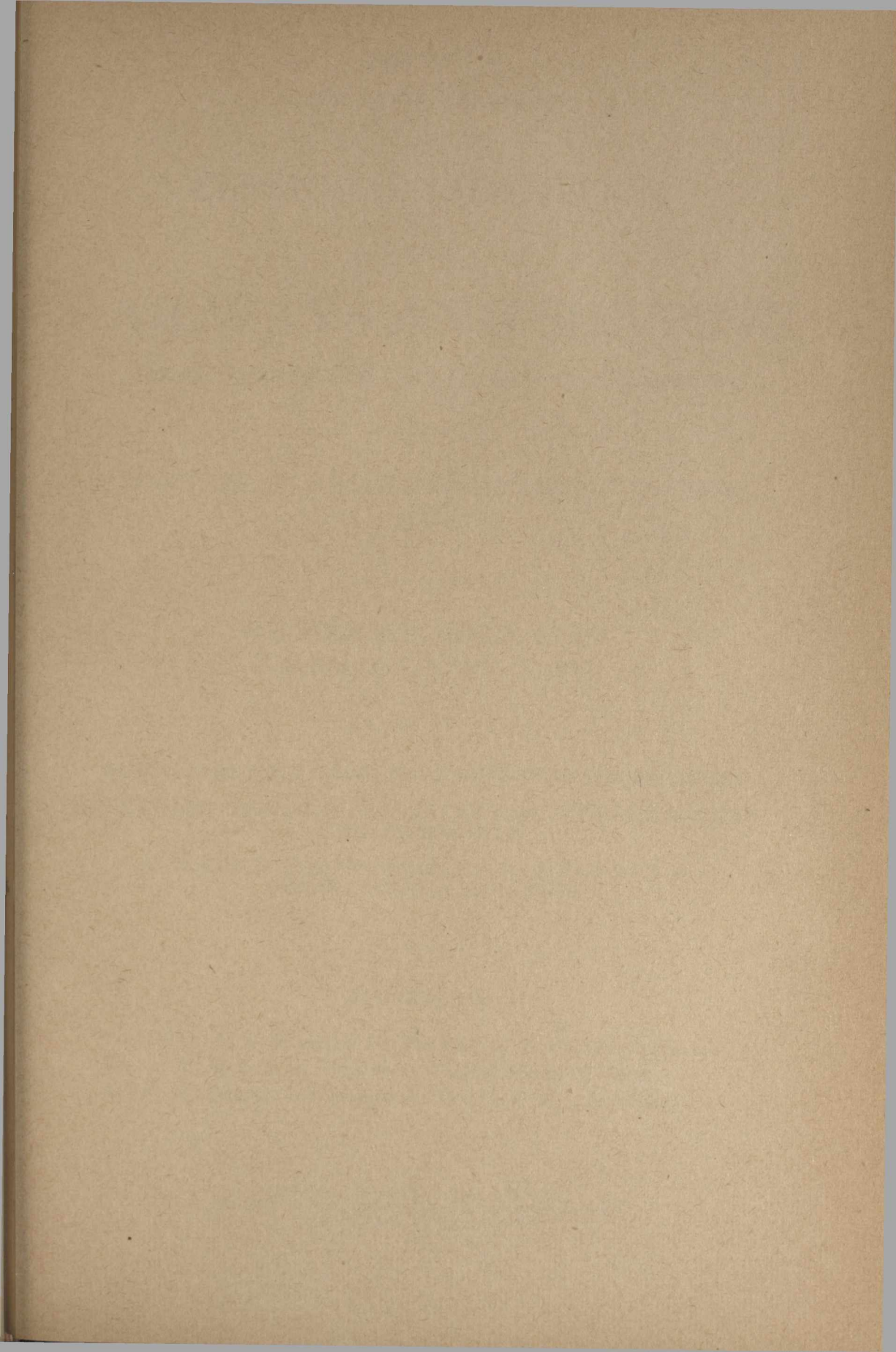
The CHAIRMAN: I think tomorrow we will use a smaller room where everybody can hear what is being said. We cannot sit tonight. If it is O.K. we will meet tomorrow afternoon at 4 o'clock in a smaller room.

The committee adjourned to meet again tomorrow, April 6, 1949, at 4 o'clock p.m.















SESSION 1949  
HOUSE OF COMMONS

**SESSIONAL COMMITTEE**  
**ON**  
**RAILWAYS AND SHIPPING**

Owned, Operated and Controlled by the Government

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MINUTES OF PROCEEDINGS AND EVIDENCE  
No. 5

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WEDNESDAY, APRIL 6, 1949  
THURSDAY, APRIL 7, 1949

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ANNUAL REPORT (1948) OF TRANS-CANADA AIRLINES  
PROPOSED REMOVAL OF OPERATING HEADQUARTERS  
AND PERSONNEL

AUDITOR'S REPORT (1948) TO PARLIAMENT ON  
TRANS-CANADA AIRLINES

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WITNESSES:

Right Hon. C. D. Howe, M.P., Minister of Trade and Commerce;  
Mr. G. R. McGregor, President, Trans-Canada Airlines;  
Mr. P. W. Bennett, of George A. Touche & Co., Auditors.

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







## MINUTES OF PROCEEDINGS

ROOM 430, House of Commons,  
Wednesday, April 6, 1949.

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 4.00 o'clock p.m. Mr. S. M. Clark, Chairman, presided.

*Members present:* Messrs. Clark, Emmerson, Fulton, Hazen, Hlynka, Jackman, Maybank, McCulloch (*Pictou*), Miller, Moore, Mutch, Nicholson, Viau.

*In attendance:* Right Hon. C. D. Howe, Minister of Trade and Commerce; Mr. G. R. McGregor, President, Trans-Canada Air Lines; Commander C. P. Edwards, Deputy Minister of Transport (Air); Air Vice Marshall A. T. Cowley, Director Air Services; Mr. S. H. May, Assistant Controller, Trans-Canada Air Lines, and Mr. F. M. Stone, representing Geo. A. Touche & Company, Auditors.

The Committee resumed the adjourned study of the subject of the removal of the operating headquarters and personnel of the Trans-Canada Air Lines from Winnipeg to Montreal. In this connection Messrs. Howe and McGregor were examined at length.

Before concluding study of the above-named subject and expressing an opinion thereon the Committee deemed advisable to consider the Annual Report of the Trans-Canada Air Lines for the calendar year 1948, after which the question of a recommendation would be considered.

Mr. McGregor, President of Trans-Canada Air Lines was called, read the report and was questioned thereon.

At 6.00 o'clock p.m., the Committee adjourned to meet again at 11.00 o'clock a.m., Thursday, April 7, 1949.

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ROOM 497, House of Commons.  
Thursday, April 7, 1949.

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government met this day at 11.00 o'clock a.m. Mr. S. M. Clark, Chairman, presided.

*Members present:* Messrs. Clark, Emmerson, Fulton, Gibson (*Comox-Alberni*), Hlynka, Lockhart, Maybank, Miller, Moore, Mutch, Nicholson, Pouliot, Viau.

*In attendance:* Right Hon. C. D. Howe; the officials of the Department of Transport (Air), and officers of Trans-Canada Air Lines as listed in attendance at the meeting of Wednesday, April 6th (see above). Also, Mr. P. W. Bennett, representing Geo. A. Touche & Company, Auditors.

The Committee had before it for further consideration the Annual Report of Trans-Canada Air Lines for the calendar year 1948.



On motion of Mr. Maybank:

*Resolved*,—That the Committee consider what recommendations, if any, it might wish to make to the House on the question of the removal of operating headquarters and personnel from Winnipeg to Montreal.

By order of the Committee, strangers were requested to withdraw and the Committee continued to sit, in camera.

Mr. Maybank moved the following Resolution:

*Resolved*,—In the opinion of this Committee the reasons for the removal of personnel from Winnipeg to Montreal are not convincing and the Committee is of opinion that nothing with respect thereto should be done for a period of one year, and that two members of the Committee be appointed to draft an appropriate paragraph to be included in the report to the House to express the ideas embodied in this Resolution.

Discussion followed and Mr. Nicholson moved in amendment to the proposed Resolution of Mr. Maybank that same be tabled and considered again at the next executive session of the Committee.

The question having been put on the amendment of Mr. Nicholson, it was resolved in the negative.

And the question having been put on the motion of Mr. Maybank, it was resolved in the negative.

It was agreed that the Committee resume consideration of the Annual Report of the Trans-Canada Air Lines (1948), and the auditors report on Trans-Canada Air Lines operations, 1948, in the afternoon.

At 12.20 o'clock p.m., the Committee adjourned to meet again at 4.00 o'clock p.m.

ANTOINE CHASSÉ,  
*Clerk of the Committee.*

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#### AFTERNOON SITTING

ROOM 497, HOUSE OF COMMONS,  
THURSDAY, April 7, 1949.

The Committee resumed at 4 o'clock p.m., the Chairman, Mr. S. M. Clark, presiding.

*Members present*: Messrs. Clark, Emmerson, Fulton, Hlynka, Lockhart, Maybank, Miller, Moore, Mutch, Nicholson, Viau.

*In attendance*: Rt. Hon. C. D. Howe; and Messrs. McGregor, May, Edwards, Cowley and Bennett.

The Committee resumed consideration of the Annual Report of Trans-Canada Air Lines for the year 1948.

Examination of Mr. McGregor was continued.

On motion of Mr. Nicholson, the Annual Report was adopted.

The Committee proceeded to consideration of the Auditors' Report on the accounts of Trans-Canada Air Lines for the year 1948.

Mr. Bennett was called and questioned.

On motion of Mr. Maybank, the Auditors' Report was adopted.

The witnesses retired.

At 5:45 o'clock p.m. the Committee adjourned to the call of the Chair.

A. L. BURGESS,  
*Acting Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 6, 1949

The Sessional Committee on Railways and Shipping met this day at 4 p.m. The Chairman, Mr. S. M. Clark, presided.

The CHAIRMAN: Gentlemen, we have a quorum. We were discussing and had a couple of sessions on the Winnipeg picture. Would you like to take up the report today?

Mr. MILLER: Mr. Chairman, I would like to finish up one question with Mr. McGregor. You said, Mr. McGregor, there was a resolution passed, sort of an indirect resolution referring only to the taking of space for the T.C.A. offices in Montreal. Would the substance of that resolution be on the record, showing who was present and the mover and seconder?

Mr. MCGREGOR: I have the minute, which is numbered, and the date of the directors' meeting at which it was passed. I have not got the mover and seconder. That is not recorded in the minute.

Mr. MILLER: Who were present?

Mr. MCGREGOR: The whole quorum of the T.C.A. board of directors. It is the T.C.A. directorate.

Mr. MILLER: I would like to have the names of the ones present, the date of the resolution and what the resolution said.

Mr. MCGREGOR: The resolution was covered by minute No. 1004 and was passed at a meeting of the Trans-Canada Air Lines board of directors held in Montreal on November 25, 1948, approving the lease of the third and fourth floors of the International Aviation building, Montreal, to accommodate company offices. I am certain I am correct in saying that the full board was present. It consists of Mr. Gagnon, Mr. Northey, Mr. Symington, Mr. Vaughan, Commander Edwards, Mr. Herring, and myself.

Mr. MILLER: There was nothing directly approving of the transfer from Winnipeg to Montreal except the taking of this space.

Mr. MCGREGOR: Not that I know of. I have not been entirely through the minutes of all directors' meetings for three years back in search of that particular information, but I do not know of any other specific board resolution that covers it.

The CHAIRMAN: Is it all right to now take up the report, gentlemen?

Mr. FULTON: I would like to ask Mr. McGregor one or two questions with respect to the brief which he filed yesterday. On page 4, in sub-paragraph (b), there are set forth some of the reasons why it was thought better to have the operational headquarters moved to Montreal. It says that one was that the offices of the Canadian National Railways officers, a proportion of whose time was devoted to the T.C.A., are in Montreal. Is it not the case that these officers' functions are all purely administrative—their functions with relation to Trans-Canada Air Lines are all administrative?

Mr. MCGREGOR: No, they are direct in every case of the four functions mentioned in part 1 of the brief: accountancy, finance and insurance, legal matters and medical matters.



Mr. FULTON: That is what I had in mind when I said they were purely administrative.

Mr. MCGREGOR: Oh, yes, but they function directly and administer these functions of the Trans-Canada Air Lines. It is not merely in an advisory capacity.

Mr. FULTON: But it is in the administrative side of your organization, not the operations?

Mr. MCGREGOR: That is correct.

Mr. FULTON: The second question: on the same page you have listed factors in favour of the move to Montreal. I ask you in all seriousness whether you would not agree that you have omitted from your brief some quite important factors—additional factors, I would say—which might be urged in support of keeping T.C.A. at Winnipeg, or moving it to Winnipeg?

Mr. MCGREGOR: I could not think of any I omitted. If you have any suggestions—

Mr. FULTON: Well, I put forward these for your comment. You might imagine that Winnipeg is closer to the centre of gravity of operations in their geographical aspect.

Mr. MCGREGOR: Not correct. I do not think so.

Mr. FULTON: So far as T.C.A. is concerned. What I had in mind was the number of air miles flown on your different routes. Did you take that into consideration? The preponderance is heavily in favour of the geographical centre of Canada, as I understand it.

Mr. MCGREGOR: That is a function of the season. We fly twice a day across Canada as a transcontinental service, and that would be considered to be a Montreal-Vancouver service. We fly, at the moment, four times a week across the Atlantic. At the end of the month we will be flying a daily service, and by June 1, twice daily across the Atlantic, and in addition to that, we are flying charter services several times a month.

Mr. FULTON: But if you take the mileage figures, do you not find that the majority of miles are flown in Canada?

Mr. MCGREGOR: There is more mileage flown in Canada, but the geographical centre of that is not in Winnipeg.

Mr. FULTON: But closer to Winnipeg than to Montreal?

Mr. MCGREGOR: No, I would think it is even east of Montreal.

Mr. MAYBANK: Is not Mr. Fulton speaking of that which is flown over land, and you are speaking of that which is flown across the ocean between Vancouver and the British Isles?

Mr. MCGREGOR: I do not think so. I think, Mr. Maybank, that the subject under discussion is the total mileage flown by the two companies.

Right Hon. Mr. HOWE: If you will look at the map in the centre of the report it gives you a very good picture of the mileage.

Mr. FULTON: It gives you a very good picture of the mileage of each route, but when you take into consideration the factor of the number of flights per route, I am suggesting that the actual mileage flown, the number of flight miles flown, is heavier in Canada, and that Winnipeg is nearer the centre of that picture than Montreal.

Mr. MCGREGOR: Well, taking the question of frequency of service into account, in my answer to you, pointing out that during the summer months the frequency is the same east and west of Montreal, considering only those major services, the transcontinental one on the one hand, and the transatlantic on the other, with the transatlantic being 1,000 miles longer than the transcontinental,



and the frequency the same, I would again contend that the centre of gravity, even including frequencies, and not only considering route mileage, is east of Montreal.

Mr. FULTON: Figures were given us in the submission; but I take it you just do not agree with those figures in the brief?

Mr. MCGREGOR: The figures in my own brief?

Mr. FULTON: No, in the brief submitted by the Manitoba delegation?

Mr. MCGREGOR: No, I do not agree with many of the figures in that.

Mr. FULTON: Then another factor, and this is hypothetical: would it be that, presumably, Trans-Canada Air Lines will have some interest in transpacific operations, or are you closing yourself off from that forever?

Mr. MCGREGOR: Let us say, it was closed for us. We have no interest in the Pacific whatever.

Mr. FULTON: And you do not contemplate, no matter how great the development might be, having any interest in transpacific flights?

Mr. MCGREGOR: If the development was unforeseeably great, we might ask for permission to fly the Pacific, but there does not seem to be any indication of that happening in the lives of many of those of us present.

Mr. FULTON: I find that very interesting because you were not willing to make a very definite statement that you would not make further moves from Winnipeg, moves of personnel, but you appear to be ready to go further than that today and say you will not be interested in transpacific operations.

Mr. MCGREGOR: I was very willing to go to the greatest possible extent with reference to further moves from Winnipeg. I do not know whether the transcript of yesterday's proceedings is available yet, but that will make that clear, and I had already done so on two other occasions.

Mr. FULTON: But in your brief you were careful to say—I think I had better use your exact words, as I do not like words to be put in your mouth. I will find it in your brief.

Mr. MAYBANK: The second last paragraph.

Mr. FULTON: It was close to the end, I know.

Mr. MCGREGOR: Page 9.

Mr. FULTON: Yes, the third last paragraph on page 9. I read: "It is naturally impossible to make accurate forecasts for many years in advance on a point such as this, but it can be and has already been definitely stated that neither the company directors nor the management can foresee any possibility of it ever proving economically sound to move from Winnipeg any of the Trans-Canada Air Lines functions not covered by the move described herein."

As I say, you hedged that by saying it is impossible to make accurate forecasts for many years in advance.

Mr. MCGREGOR: I am thinking of ten to fifteen years in advance.

Mr. FULTON: I asked you to think that far in advance with regard to transpacific operations. Do you not wish to do so?

Mr. MCGREGOR: I do not for two reasons. First, it is contrary to a declared government policy at the moment, and secondly, I think that two carriers can carry the traffic that will develop between Canada and the orient, and between Canada and Australia and New Zealand, for as long as any of us are likely to be alive.

Mr. FULTON: I appreciate that Mr. McGregor is not responsible for government policy, but I cannot accept your conclusions, Mr. McGregor, and I hope the time will come when Trans-Canada Air Lines will justifiably be interested again in transpacific travel.



Mr. McGREGOR: It is purely a matter of opinion, but there are two carriers across the Atlantic and I would not like to think that there will be a third carrying people between Canada and the United Kingdom.

Mr. FULTON: But you are increasing your service to a daily basis.

Mr. McGREGOR: Exactly, and the same thing could happen to the carriers on the Pacific.

Mr. FULTON: However, it is speculation about the future.

Then I must ask you this: do you not contemplate considerable extension of traffic to the northwest as a distinct possibility?

Mr. McGREGOR: That territory is not available to the Trans-Canada Air Lines. By the Canadian northwest you mean between Edmonton and Whitehorse?

Mr. FULTON: Yes.

Mr. McGREGOR: That route is already assigned to another carrier and another American carrier.

Mr. FULTON: As a branch line?

Mr. McGREGOR: As a through service to the Orient.

Mr. FULTON: No, no, to the Canadian northwest. Not a through service to the Orient, but from Edmonton there is a tremendous area of Canada which is developing towards the north and west.

Right Hon. Mr. HOWE: C.P.A. have the franchise. We do not grant two franchises. It is not a question of where T.C.A. runs, it is a question of where the government tells them to run.

Mr. FULTON: C.P.A. is not permitted to run a trans-continental service.

Right Hon. Mr. HOWE: T.C.A. is not permitted to operate parallel to C.P.A.

Mr. FULTON: You are doing it between Vancouver and Calgary.

Mr. McGREGOR: Not on a competitive basis.

Right Hon. Mr. HOWE: No.

Mr. FULTON: It might as well be said that the service I have in mind will not be on a competitive basis. However, if you look at the possibilities of the northwest, those people, in future days, will desire a trans-Canadian service from where they live. It would not be a point to point service but a trans-Canada service and I should think it likely that there will be a demand for T.C.A. service in that area.

This is perhaps a matter of controversy but I think, in the same way that government policy has undergone changes from time to time, the situation I mention will possibly undergo a change in the direction I have indicated. I would consider that another factor against moving to Montreal, because you are going to be that much farther removed from operations should the change take place.

Mr. McGREGOR: On the basis of population and the amount of growth that would have to take place, I would think the possibility of the extension of the eastern route pattern much more likely and much more near in prospect.

Mr. FULTON: That is your answer and I must be satisfied, but I do not agree with it.

I would ask you for some comments, unless you have already made them—and I do not wish you to repeat anything you said yesterday—on the figures given on density of traffic origination. One finds a decided conflict between the brief submitted by the Manitoba delegation and the figures given in your brief.

Mr. McGREGOR: Perhaps I can answer by saying that the figures given in my brief are taken from our 1948 traffic records and I do not know the source of the Manitoba figures.

Mr. MILLER: Do you take in the same area in the two briefs?



Mr. MCGREGOR: No, not quite. I described the divisions that my figures referred to, and the places. I do not think the Manitoba brief does that. I think one point of comparison might be drawn, which is at variance with fact, in that the Manitoba brief compares passenger loadings in the western region with the eastern region, entirely neglecting the central region which is the heaviest travelled region.

Mr. FULTON: What do you call the central region?

Mr. MCGREGOR: The region that stretches from the lakehead to Ottawa.

Mr. FULTON: Do you think that is nearer Montreal than Winnipeg?

Mr. MCGREGOR: No, I said the figures included in the Manitoba brief excluded traffic in that region.

Mr. MUTCH: They split their figures in Toronto and you split them in London—that is the main difference.

Mr. MCGREGOR: No, I think, Mr. Mutch, the Manitoba brief splits the figures at Montreal rather than Toronto. Toronto was not included.

Mr. FULTON: In that regard, the figures, Toronto west and Toronto east, are shown on page 8. The figure for revenue excluding mail for Toronto west is approximately \$5,750,000, and the figure for Toronto east is \$2,400,000.

Mr. MCGREGOR: I think the crux of the situation is in the word "approximately." The figures in my brief are drawn from the actual results for 1948 operation.

Mr. MUTCH: You make the divisional point London rather than Toronto; you include all that southern Ontario haul which is west of Toronto.

Mr. MCGREGOR: Toronto is the only place involved.

Mr. FULTON: The Manitoba brief at page 8 says: "We are also informed that the average passenger boarding for 1948 for the western region, which embraces all stations for Winnipeg and west, was 660.8 passengers per day, and for the eastern region, which includes Montreal and east, was 307.4 passengers per day."

I think that is probably what you base your statement upon.

Mr. MCGREGOR: That is the point I mentioned.

Mr. FULTON: Then we come to the central region. How do you define the central region?

Mr. MCGREGOR: From the lakehead to Ottawa inclusive.

Mr. FULTON: From the lakehead to Ottawa inclusive, and that, you say, is the area of heaviest loading. I think if you will look at the map you will agree with me that it is divided?

Mr. MCGREGOR: About 80 per cent of the loadings in that area are in Toronto.

Mr. FULTON: About 80 per cent are in Toronto, so it really depends on which area you put Toronto in?

Mr. MCGREGOR: To quite an extent.

Mr. FULTON: If you split Toronto equally then I think you would find the great preponderous would weigh in the area west of Toronto?

Mr. MCGREGOR: If you split it equally?

Mr. FULTON: Yes, if you credit half of Toronto's traffic to Winnipeg and half to Montreal?

Mr. MCGREGOR: I would not think so. In any case Toronto is 330 miles from Montreal and 900 miles from Winnipeg.

Mr. FULTON: I am not just using that argument, but it is being said on the one hand that Winnipeg is the centre of gravity. Do you object to including that central area in Winnipeg's favour. I am certainly inclined to oppose its inclusion in Montreal's favour.



Right Hon. Mr. HOWE: If Winnipeg were the centre of gravity you would expect the ticket sales west of Winnipeg to be the same as the ticket sales east of Winnipeg. Would that be fair?

Mr. FULTON: Not necessarily.

Right Hon. Mr. HOWE: What constitutes the centre of gravity?

Mr. MUTCH: Perhaps income.

Mr. FULTON: Yes income, and mail revenue.

Right Hon. Mr. HOWE: Would you like us to get that figure for you? I think we can get it in a hurry, and I think you will find it is about 20 per cent for the west and 80 per cent for the east.

Mr. MUTCH: The average ticket sale at Winnipeg would be substantially greater.

Right Hon. Mr. HOWE: Yes, but in that case we figure in dollars. Would you get that figure for us?

Mr. MCGREGOR: Yes, but it would be very strongly in the company's favour because it has two regions against one, the central and the eastern regions, to say nothing of the Atlantic.

Right Hon. Mr. HOWE: Would you say that a fair guess would be 80 per cent east and 20 per cent west?

Mr. MCGREGOR: Perhaps 75 per cent to 25 per cent is a fair guess. The London point that I took is a point of good division because there is very little in the way of traffic generation to the west, as far as Winnipeg, with the exception of the lakehead. Sault Ste. Marie, London itself, and Windsor, are not very heavy traffic generating points. I can get the figure asked for easily but I can assure you that it will be in the order, I think, of 75 per cent to 25 per cent.

Mr. MUTCH: On page 7, paragraph 3 of your brief you say: "The three closely grouped cities of Toronto, Ottawa, and Montreal, now emplane 31 per cent of the company's total passenger traffic and among them collect 40 per cent of the company's total transportation revenue". That figure leaves 69 per cent of the revenue for the maritimes and the west?

Mr. MCGREGOR: And the remainder of the central region.

Mr. MUTCH: What is the remainder of the central region?

Mr. MCGREGOR: New York, Chicago, Cleveland, Windsor, Kapuskasing—

Mr. MUTCH: All right, all right.

Mr. FULTON: I notice on the same page in paragraph 4 you say that 52 per cent of the company's total passengers and 60 per cent of the company's total revenue are secured on company lines east of London, Ontario.

Even taking your division the figure is only 2 per cent more than half.

Mr. MCGREGOR: Of the passengers?

Mr. FULTON: Yes, and I am concentrating on passengers at the moment. Surely your overseas operation—that is the Montreal to London operation—is not a very heavy passenger originator?

Mr. MCGREGOR: About 100 passengers a day at the height of the season and 32,821 in 1948.

Right Hon. Mr. HOWE: That represents \$10,000,000 or one-third of the revenue of the system.

Mr. FULTON: It also lost more heavily than did the domestic run.

Right Hon. Mr. HOWE: About the same.

Mr. MUTCH: Does that figure include charter flights?

Right Hon. Mr. HOWE: The fact it loses is all the more reason why it needs more attention.



Mr. MAYBANK: Could you give more attention to it by having the head office in Montreal?

Right Hon. Mr. HOWE: Yes, sir.

Mr. FULTON: I am not so sure that the fact it loses money indicates that the headquarters should be moved to Montreal. The overseas operation is not really an economic operation and therefore we should not prejudice the domestic service.

Right Hon. Mr. HOWE: If it is not economic, we should either get rid of it, or give more attention to it and make it economic—one or the other.

Mr. FULTON: I quite agree with you in the latter respect but you should not prejudice runs elsewhere.

Right Hon. Mr. HOWE: Have you a map of the system in front of you?

Mr. FULTON: Yes.

Right Hon. Mr. HOWE: Do you see where Winnipeg is?

Mr. FULTON: Yes.

Right Hon. Mr. HOWE: Do you think that is the centre?

Mr. FULTON: Not as you have the lines drawn. You have the overseas services drawn on the map.

Right Hon. Mr. HOWE: We have to operate the overseas services.

Mr. FULTON: You have either to operate them or to give them up.

Right Hon. Mr. HOWE: Do you move that we give them up?

Mr. FULTON: I am not moving for giving them up. I am trying to carry on a discussion, and I am wondering whether it is wise to move your headquarters to Montreal because of your argument that you can give more attention to what is a losing proposition. I wonder if it wise to prejudice what is a successful operation by T.C.A. and the operation for which T.C.A. was set up, namely to give Canadians a trans-Canada service—not a trans-oceanic service or a service to Bermuda for a few Canadians who can afford that luxury.

Right Hon. Mr. HOWE: There are certain other factors that come into the Bermuda run. There are surplus planes when the Bermuda traffic is good. There is nothing unusual in the operation and besides we are trying to do additional Canadian business down there.

Mr. MILLER: You stated as fairly as you could, Mr. McGregor, that there was no intention to move any additional staff from Winnipeg?

Mr. MCGREGOR: Right.

Mr. MILLER: I think it is fair to ask you what assurance you can give us that the decision will be binding upon any future board of directors of the company or upon any future government?

Right Hon. Mr. HOWE: The answer is that it can be done in just about the same way as we can bind the next parliament.

Mr. MILLER: Exactly. Would not that be your answer as well, Mr. McGregor?

Mr. MCGREGOR: Very much. That is the reason why I stated it is impossible to forecast far into the future, but I do not look for any great change in the identity of the board of Trans-Canada Air Lines, on the basis of age and virility, and I certainly do not look for any basic change of thinking while the identity remains the same.

Mr. MILLER: Are you suggesting that there should be a change on the part of the government?

Mr. MCGREGOR: Oh no, I did not say that.

Mr. MAYBANK: One thing you have not indicated at any stage is this: you have not indicated that there will not be a gradual withdrawing of people from Winnipeg. You see, you have your head offices grouped together in Montreal



and there is the almost inevitable tendency it seems to me to draw more people in to that centralized headquarters unit. I think that is almost certain to take place and you certainly have not suggested anything definitely to the contrary although I do not think you were specifically asked that question.

Mr. McGREGOR: Mr. Maybank, I do not know how I could state that any more definitely unless I attempted to masquerade as a seer looking into the future.

Mr. MAYBANK: That seems to suggest that.

Mr. McGREGOR: No, I do not think it does. It does not say so.

Mr. MAYBANK: No, it does not say so, but that point was definitely in your mind, that there would not be such a movement?

Mr. McGREGOR: That is quite correct.

Mr. MAYBANK: How are we to understand that there really will not be a gradual filching away of personnel to the more convenient centralized headquarters unit? Can you give us any more assurance on that point than you did yesterday?

Mr. McGREGOR: I could not go further than I did yesterday when I said that I would be astounded if the number of T.C.A. employees at Winnipeg did not grow instead of recede.

Mr. MAYBANK: Oh, yes, I realize that, but that did not mean that they would grow as a result of being switched to Winnipeg. What you probably had in mind was the probable result of the natural growth of the System.

Mr. McGREGOR: No, not entirely.

Mr. MAYBANK: At any rate would there not be a gradual withdrawal of those whom you now have working in Winnipeg?

Mr. McGREGOR: No.

Mr. MAYBANK: Some way or other you thought there would be a growth in the number of employees in your organization at Winnipeg and that it would not cut down any further the number employed there because of the fact of what is being done today?

Mr. McGREGOR: That is correct.

Mr. MAYBANK: Now, I will express again what I said before, I fear a gradual and steady filching away from Winnipeg. After all, the head offices are down in Montreal and I do not know how you can assure us that that will not take place because of the reason that that is always what develops whenever there is a desire to have services taken away and brought closer together at one central point. If you can give such assurance why don't you?

Mr. McGREGOR: I know that fear exists, regrettably, and I am very sorry it does; but I say firmly and sincerely that that fear has no justification and I do not know how I can make that any more clear than I have done.

Mr. MAYBANK: Well, there might be such a thing as pledging yourself that it would not take place.

Mr. McGREGOR: I can neither pledge the government nor the board of directors of the T.C.A. as has been suggested; but I can say that the type of thing you envisage is a little bit like the sergeants infiltrating into the officers' messes, and I can see no reason for that.

Mr. HAZEN: Do you think as president of the T.C.A. that no provincial delegation is justified in appearing before this committee to present its views if such a delegation feels that it is in the best interests of all concerned and of the T.C.A. to have those views presented before a committee such as this?

Mr. McGREGOR: I feel that your question is a little bit academic as far as I am concerned.



Mr. HAZEN: I do not know that it is. I am asking you, in view of the document which was handed out in the committee yesterday and signed by you,—

Mr. MCGREGOR: Which does not express that opinion.

Right Hon. Mr. HOWE: I think until it appears properly before the committee it is not a matter for Mr. McGregor's comment.

Mr. HAZEN: It is signed by Mr. McGregor.

Right Hon. Mr. HOWE: Do you disagree with the fact that we appoint a board of directors to run the T.C.A.?

Mr. HAZEN: I am not here to be asked questions by you, I am asking the questions.

Right Hon. Mr. HOWE: That is your privilege.

Mr. HAZEN: I am asking Mr. McGregor a question and I think I am entitled to have an answer.

Right Hon. Mr. HOWE: The answer you are asking for is something relating to this committee. Mr. McGregor is not running this committee. He has nothing to do about it. You had better ask the chairman that question.

Mr. HAZEN: My question was this: I asked if he as president of the T.C.A., in the light of this document which was handed to us, takes the view as president of the T.C.A. that no provincial delegation is justified in appearing before this committee and presenting its views if that delegation believes the interests of its province are being jeopardized, and that action should not be taken by it to have its views brought to attention for consideration?

Right Hon. Mr. HOWE: I do not think he should answer the question.

Mr. HAZEN: Well, I will ask him another question if he refuses to answer that one: do you regard this brief which I hold here and which has been submitted to this committee by a delegation from the Province of Manitoba as mere agitation signed or presented by a small group of individuals? I might say that this brief was submitted on behalf of the Province of Manitoba, the city of Winnipeg and nineteen other organizations—

Right Hon. Mr. HOWE: Mr. McGregor obviously believes—

Mr. HAZEN: —from Winnipeg?

Mr. MCGREGOR: I do not like the word "mere", that it is mere agitation signed by a group of individuals; and I do not like the qualification "small". It is my understanding, and I submit it as my own personal opinion, and it is only that, that the Winnipeg Chamber of Commerce, which I believe was the chief motivating power behind the agitation, if you want to call it that, was not even balloted.

Mr. HAZEN: But you have the Premier of Manitoba coming here before this committee.

Mr. MAYBANK: Let us follow that a little further. I had not intended to take any part in this discussion, but if that is the attitude which is going to be adopted we had better go a little further. Why did the Premier of Manitoba come down here? Are you trying to suggest to this committee that the Premier of Manitoba and the representatives of the Chamber of Commerce and Board of Trade should not appear here?

Mr. MCGREGOR: Certainly not.

Mr. MAYBANK: Then just what do you mean by the suggestion that the Board of Trade was the chief agitating body—I think that is your expression?

Mr. MCGREGOR: I mean the movement toward objection being taken was started by it. That is exactly what I meant.

Mr. MAYBANK: Is there something reprehensible about that?

Mr. MCGREGOR: Not at all. I am not suggesting that.



Mr. MAYBANK: Is there any suggestion intended in your words that any of these people who came down here were under the thumb of or improper direction of the Board of Trade, the Chamber of Commerce or any particular group?

Mr. MCGREGOR: I made no suggestion of that kind.

Mr. MAYBANK: Did you consider that there was invalidity in the words used in your remark? Do you think that is important?

Mr. MCGREGOR: I think it is important.

Mr. MAYBANK: Is it your suggestion that these people are not properly representative of their Boards of Trade or other organizations?

Mr. MCGREGOR: I did not suggest that, Mr. Maybank.

Mr. MAYBANK: You say that is not what you intended to suggest?

Mr. MCGREGOR: I certainly did not suggest that.

Mr. MAYBANK: Then you said that for some reason or other. For what reason did you say it?

Mr. MCGREGOR: I said it to justify a statement that was made about a small group.

Mr. MAYBANK: Because the Board of Trade is not ballotted that indicates to you that it is a small group agitating for this?

Mr. MCGREGOR: Apparently that would be the inference.

Mr. MAYBANK: I am asking you, is that the inference you intended?

Mr. MCGREGOR: I had in mind the size of the groups involved.

Mr. MAYBANK: I am not asking you whether you knew how large the organizations were, I am asking you whether that is the inference you made.

Mr. MCGREGOR: Naturally, some idea was given—

Mr. MAYBANK: And you say that to justify your reference to them using the word "small".

Mr. MCGREGOR: I was justifying the use of the word small in the question I was asked.

Mr. MAYBANK: Was the word "small" the word you used?

Mr. MCGREGOR: No, it was not.

Mr. MAYBANK: Oh, it was in the question Mr. Hazen put, is that what you say?

Mr. MCGREGOR: Yes.

Mr. MAYBANK: You agree with the idea "small" and made your statement for that reason?

Mr. MCGREGOR: I said that justification of the use of the word "small" might be the fact that the Winnipeg Chamber of Commerce, as I understood it, had not been ballotted.

Mr. MAYBANK: Did you intend to convey the idea that this is an agitation by a small group?

Mr. MCGREGOR: No.

Mr. MAYBANK: You did not intend that?

Mr. MCGREGOR: I have no idea whether it was originally small or large.

Mr. MAYBANK: You have no idea of that, and whatever the case may be actually, at any rate you have no idea as to that?

Mr. MCGREGOR: No, I have no idea of that. What I was talking about is this, that it was started by the Winnipeg Chamber of Commerce.

Mr. MAYBANK: Of course, it is obvious that some one individual must have started this thing; but without considering the inception of it at all, was there some idea in your mind that you were facing here in the last couple of days something quite small and unimportant?



Mr. MCGREGOR: No, very definitely not.

Mr. MAYBANK: You are quite clear on that?

Mr. MCGREGOR: I could hardly be otherwise.

Mr. MAYBANK: I should think not too; and the reason I got into this when I did, because I had not intended taking any part at all in the type of questioning that was going on—the only reason that I got into this at all was because of what I considered to be your contemptuous reference or remarks made in reply to Mr. Hazen.

Mr. MCGREGOR: I am sure I have been misunderstood if it has been inferred that there was the slightest suggestion of contempt on my part in my answer to Mr. Hazen.

Mr. MAYBANK: I had the feeling at that time that the type of question which was being asked was such that I would have nothing to do with it.

Right Hon. Mr. HOWE: Let's get this clear—

Mr. MAYBANK: Just a moment.

Right Hon. Mr. HOWE: Just a moment now. This is a committee of the House of Commons, and as is the case in connection with all committees of parliament, anyone who likes may apply to appear and send representatives before the committee. As far as Mr. McGregor goes, he is here in the capacity of an expert witness to answer questions regarding T.C.A.

Mr. MAYBANK: Nevertheless, Mr. Chairman, I think I had a right to object in the way I did to the apparent attitude taken in reply to the question asked.

Right Hon. Mr. HOWE: I think we have to protect the witness.

Mr. MAYBANK: Oh, no, the minister is not here to protect the witness; the chairman is here to protect the witness. However, I have asked all the questions in this respect that I wish to ask. I am clear on it now, but I would like to have it understood that the reason why I intervened was what I considered to be the contemptuous reference to the use of certain words, that the matter was not being treated with proper respect. It was for that reason that I got into this conversation.

Mr. HAZEN: I would like to say this, Mr. Chairman: here is a brief which has been presented to the committee by a number of responsible organizations. These people are interested in the welfare of their province, they are trying to be of some help to their province and they come before this committee and submit a very well prepared brief, and that has been referred to as agitation, and it has been intimated that it is agitation, and I submit that it is most unfortunate that a thing of that kind should have developed.

Mr. MCGREGOR: Mr. Hazen, I was not referring to the brief as an agitation, I was referring to its inception. If I used the wrong word I am very sorry, but I know of no other word that quite covers the action of instigating an objection to an action on the part of the company as was done in this case. If the word should be replaced by another one then I should be the first to want to withdraw it. Certainly the brief was not referred to as agitation. I did not see the brief until yesterday morning.

Mr. HAZEN: I would just like to say this further word, Mr. Chairman. I think it is most unfortunate that a memorandum of this kind should have been placed before the committee in the way it was, a memorandum addressed "To only the members of the Sessional Committee on Railways and Shipping owned, operated and controlled by the government". Why should you issue a memorandum of this kind?

Mr. MCGREGOR: Because they are the only people concerned, are they not, sir?



Mr. HAZEN: Everything which takes place here is taken down by the reporters and is printed in the minutes of evidence, and I think it is most unfortunate that this thing should have been given out.

The CHAIRMAN: In this case, Mr. Hazen, I am responsible for the distribution of the statement to which you refer. I think I should have asked permission of the committee first. I had not even looked at it. Mr. McGregor presented a statement for the committee and I just asked the messenger to distribute it. I did not look at it but I should have asked the committee. That is the regular way in which it should have been done. I did not know what was in it.

Mr. VIAU: Have you seen this statement which is signed by Mr. McGregor and which is headed "Memorandum to only the members of the Sessional Committee on Railways and Shipping owned, operated and controlled by the government", and which is in reply to the brief submitted by the boards of trade and chambers of commerce from Winnipeg and the province of Manitoba which appeared before us yesterday?

Mr. MCGREGOR: That is a generalization, I think, is it not?

Mr. VIAU: You say that it made no reference to the brief. You had full knowledge of the brief; and this memorandum was presented to the committee yesterday afternoon.

Mr. MCGREGOR: Yes; not when it was prepared.

Mr. VIAU: There is no indication when it was prepared. It may have been prepared after the brief was presented.

Mr. MCGREGOR: Definitely not.

Mr. FULTON: I would like to complete my questions concerning the centre of gravity and the advisability of moving the office to Montreal in order, the better, to look after the overseas operations. I made a statement that the density of the overseas operation was considerably greater than that of the domestic operation; and the minister said that they were practically the same. I find it, as it appears at pages 5 and 9 of the annual report, that the density of domestic operations decreased by over half a million in 1948 as compared to 1947; so it ended up with just over \$1,000,000 deficit. On the contrary, your density on overseas operations increased by over \$1,000,000; so it now stands at \$1,350,000. The trend appears to be decidedly the other way.

Mr. MCGREGOR: The minister said the two amounts of density were of the same order.

Right Hon. Mr. HOWE: I had it in mind that they were about \$1,500,000; but I now see that I was wrong and I apologize.

Mr. FULTON: The important thing, I think, is the trend. One is on the increase and the other is on the decrease.

Right Hon. Mr. HOWE: Do you not think that before we begin to discuss the operations of T.C.A. we had better take up the report?

Mr. FULTON: I agree with you that we should examine the report. because I want to direct some questions on it to Mr. McGregor. Do you not think there is some merit in those who may feel, whether they come from Winnipeg or British Columbia, that this air line, which was instituted to give a trans-Canada service to Canadians, should not jeopardize the interests of a large geographical region?—I include myself, because I come from the west—should not jeopardize the interests of a large geographical region by moving to Montreal in order to be able to look after an unprofitable operation, and one for which the line was not originally established?

Mr. MCGREGOR: There would be great merit in them. The headquarters are not being moved to Montreal solely to look after the Atlantic operations. There are many other reasons, which I touched upon. A number of my



confères and I spend very many of our waking hours each day with one particular thought in mind, that is, how to operate trans-Canada Atlantic and Trans-Canada Air Lines in the most economical way in which it is possible to do so, and to make the best financial results under the conditions which exists. I would not advocate a move to Montreal if I did not think it was a step in that direction.

Mr. FULTON: You must be looking at the picture of Trans-Canada Air Lines and Trans-Canada overseas jointly when you make that decision. So let me narrow my question to this: Suppose you had only Trans-Canada domestic; I put it to you that the factors which have influenced you in deciding to move to Montreal—some of them—would not be existent in fact, if you considered only the domestic air lines; and you might well leave your operational headquarters at Winnipeg. That would be the more logical thing to do, would it not?

Mr. MCGREGOR: The argument in favour, the facts in that scale of the balance would be reduced in strength in that the Atlantic operation would not form part of the company's problem.

Mr. FULTON: It does seem to me that we cannot altogether divorce the two considerations, let us say, whether or not trans-Canada overseas is profitable and should be expanded from the question of whether we should move the headquarters to Montreal from Winnipeg. I now return to my question. since you agree with me that the revenue trend is reversed with respect to the two operations.

Mr. MCGREGOR: Yes, for two seven-month periods; but the trend in the Atlantic operation, as forecast for the year 1949, is also a reduced deficit.

Mr. FULTON: You are going to increase the service?

Mr. MCGREGOR: I have described the increases planned within the next six weeks.

Right Hon. Mr. HOWE: The services in the Atlantic fluctuate with the traffic. We had three services each day across the Atlantic last year. But today we have one every two days, practically. And should we have two and should we put on a third will depend entirely on the traffic.

Mr. FULTON: I think, from the point of view of the discussion which I had intended to pursue, we had better wait until we examine the annual report. I do hope that no decision will be made on this other matter until we have examined that report.

Right Hon. Mr. HOWE: Is this a matter of decision for the committee? The committee can very well decide that we dismiss the president and the board of directors, but I think when we do that they are through, are they not?

Mr. FULTON: Consider it as a recommendation, if you like, but we must decide whether we are going to recommend one way or the other.

Mr. MUTCH: It certainly is within the power of the committee to express an opinion on the validity, or otherwise, of the case and there will be an opportunity to do that as long as the committee continues to sit. I fancy that some of this discussion will be revived again in the annual report.

The CHAIRMAN: Gentlemen, as Mr. Fulton has more questions which he believes have a bearing on the matter, an opportunity would be given him to ask those questions if the report were to be taken up. Mr. Fulton has brought up a point which has a bearing on the report. So, perhaps Mr. McGregor might give us some explanation, after he has read his report, which might provide an answer to Mr. Fulton's questions. After Mr. McGregor has read his report, if members of the committee decide to ask him questions concerning the other matter, it will be perfectly all right, so far as I am concerned.

Mr. FULTON: My only point was that by turning from a consideration of this brief to the annual report we should not be taken as having finished the discussion on the other matter, because I think these matters are too closely related for us to do that.



The CHAIRMAN: Is it the wish of the committee that Mr. McGregor now read his report? Then, following his reading, if we decide to ask him some questions regarding Winnipeg, we may do so?

Mr. MAYBANK: I would go farther than that. I do not even want to ask any more questions.

The CHAIRMAN: Mr. McGregor, will you now read your report; and then we may ask you questions concerning it and anything that relates to Winnipeg.

Mr. MCGREGOR: Do you wish me to read the preamble, Mr. Chairman, or should I begin with the details?

Right Hon. Mr. HOWE: I think you had better start at the beginning, Mr. McGregor.

Mr. MCGREGOR:

#### PREAMBLE

#### TRANS-CANADA AIR LINES

Montreal, March 10, 1949

To the Right Honourable,  
the Minister of Trade and Commerce, Ottawa.

Sir:

The Board of Directors submit the Annual Report of the Trans-Canada Air Lines system for the calendar year 1948.

There was continued development of the nation's air services. T.C.A. made few route extensions within Canada, but began new international operations to the British West Indies and Bermuda. Flight frequency was increased between several cities. Over 2,000,000 more revenue miles were flown in 1948 than in 1947. At home and overseas, the quality of service was improved by the addition of twenty North Star aircraft.

Traffic was the heaviest on record. Nevertheless, Trans-Canada Air Lines, domestic, and Trans-Canada Air Lines (Atlantic) both suffered substantial financial deficits as sharply rising costs offset the highest revenues in the Air Line's history. Added to the increased costs of labour and materials, there were the expenses incident to the introduction of a new four-engined fleet. The greater gross revenue in 1948 was due almost entirely to increase in passenger, mail and cargo traffic and, with the exception of trans-Atlantic passenger fares, not to higher transport charges.

T.C.A., during the past year, shared economic difficulties that were general throughout the air transport industry and these remain both acute and serious.

The Company's financial position was, however, somewhat stronger than in 1947. The deficit from domestic services was reduced by a third, revenues being increased by 36 per cent, as compared with a 30 per cent rise in expenses. Domestic operating costs per available ton mile of transport fell by 10 per cent. Employees per 10,000 ton miles of saleable transportation on all services declined from 14 in December, 1947, to 9 in December, 1948. With energetic traffic promotion and cost control, it is hoped that these trends will continue.

The same cannot be expected of the new overseas air operations. In inaugurating these, T.C.A. has been required to proceed in the face of expected operational losses. However, the action taken is considered to be justified by the direct and indirect benefits that accrue to the nation as a whole through the existence of such important transport services—benefits that do not appear on the Company's balance sheet.



T.C.A.'s operations were conducted with efficiency in 1948. As expressions of service rendered to Canadian life the following facts are significant:

The airline carried 27 per cent more passengers on all services than in 1947.

Flew 106 per cent more ton miles of express and air cargo.

Began the first nation-wide transport of unsurcharged first-class mail by air in any American country.

Introduced 20 North Star aircraft, which increased carrying capacity by 60 per cent and established new standards of travel comfort.

Reduced transcontinental flight time between Montreal and Vancouver to 13 hours.

Mr. MAYBANK: They are what?

Mr. MCGREGOR: I believe the figure was 17.

Mr. MAYBANK: 17?

Mr. MCGREGOR: Yes.

Began air service between Canada and Bermuda and between Canada and the British West Indies.

Brought 6,000 new Canadian citizens from the British Isles and Europe in one of the largest mass movements of immigrants ever undertaken by air.

Carried 9,000 persons and 600,000 pounds of essential cargo across the Rockies in emergency service during the British Columbia flood crisis.

Mr. FULTON: Are we to have the preamble and the details taken up separately?

The CHAIRMAN: I think we should let Mr. McGregor read it all and then take it up page by page, if that is agreeable to the committee.

Mr. MCGREGOR:

#### DETAIL

#### TRANS-CANADA AIR LINES—NORTH AMERICAN SERVICES

##### Financial Review

|  | 1948         | 1947         | Increase or<br>Amount | Decrease<br>Per Cent |
|--|--------------|--------------|-----------------------|----------------------|
| Operating Revenues .....   | \$20,866,936 | \$15,297,346 | \$5,569,590           | 36                   |
| Operating Expenses Excluding<br>Depreciation .....                                   | 19,249,971   | 14,845,672   | 4,404,299             | 30                   |
| Surplus of Revenue Over Operating Expenses<br>Before Depreciation and Interest ..... | \$ 1,616,965 | \$ 451,674   |                       |                      |
| Depreciation .....   | 2,374,085    | 1,950,820    | 423,265               | 22                   |
| Operating Deficit After Depreciation .....   | \$ 757,120   | \$ 1,499,146 |                       |                      |
| Interest on Capital Invested .....   | 425,902      | 261,897      | 164,005               | 63                   |
| Deficit .....  | \$ 1,183,022 | \$ 1,761,043 | \$ 578,021            | 33                   |

Operating revenues totalled \$20,866,936, an increase of \$5,569,590 or 36 per cent over the preceding year and testimony to T.C.A.'s growing importance in the transportation field. Passenger traffic accounted for \$14,869,578, increasing by \$4,419,054 or 42 per cent. Mail revenue totalled \$4,648,775, an increase of \$840,578 or 22 per cent. Cargo revenues rose by \$314,728 or 70 per cent. Revenues from Sales and Services decreased by \$62,497 or 15 per cent. Other revenues increased by \$57,727 or 35 per cent. Passenger revenue contributed 71 per cent of the total, mail revenue 22 per cent and cargo revenue 4 per cent.

Operating expenses, excluding depreciation, totalled \$19,249,971, an increase of \$4,404,299 or 30 per cent over the previous year. Payroll charges rose by \$1,100,732 in 1948 and higher price levels consumed an additional \$666,831 in the purchase of the Air Line's materials and supplies. Other increases stemmed from the use of a larger fleet with its greater maintenance requirements, gasoline



consumption and insurance charges. The cost of selling air transportation rose by \$277,208 as T.C.A. conducted an extensive and successful promotional campaign.

The charge to operations for accrued depreciation on aircraft and other property during the year amounted to \$2,374,085, an increase of \$423,265. Before the charges for depreciation and interest on capital, there was a surplus of revenue over expenses of \$1,616,965.

After depreciation and interest, there was a deficit of \$1,183,022.

This amount was equivalent to 6 per cent of the Company's gross revenues, as compared with 12 per cent in 1947.

In 1948, the Company again shared in the paradox of an air transport industry facing a high level of general prosperity, yet incurring financial losses. The air lines, for all their immense capacity for public service, are still comparatively young and particularly vulnerable to economic fluctuations over which they have no control.

Periods of rising wages and prices strike hard at air transport, primarily because the price of its own product is frozen within narrow limits. Unlike surface transport, the air lines, for technological reasons, are basically dependent upon passenger traffic, and must maintain reasonably competitive passenger rates with the surface carriers. The latter, drawing the bulk of their revenues from commodity transport, are under less compulsion to adjust their passenger charges upwards. The air lines are thus caught between rising costs and a relative fixity of rates.

The same dependence upon passenger traffic renders them particularly subject to the wide seasonal variations of business and vacation travel. The duration and severity of the northern winter accentuates this difficulty for Canadian operators, resulting in a peak of about four months of intense activity during the summer season.

These fundamental problems can be solved only by the development of more diversified air line business. T.C.A., in common with air transport generally, sees at least part of the answer in the growth of air cargo. But this will take time to achieve.

### *Service Development*

The most significant event of the year was the introduction of 40-passenger North Star aircraft to domestic operations. These fast transports not only reduced flight time and increased travel comfort on the main trunk routes, but released the smaller DC-3 aircraft for improved inter-city service.

They were first used between Toronto and New York on May 1, before entering transcontinental service on a twice daily schedule on June 1. North Star operations between Toronto and Chicago also began on the latter date.

It was unfortunate, from an operational standpoint, that these events should have coincided with the demand for emergency transport to meet the flood conditions in British Columbia. The heavy strain placed upon the fleet resulted in numerous flight delays at the very time the new aircraft were making their first public appearance and operational regularity suffered indirectly for almost two months, due to an accumulation of maintenance work.

During the summer months, third North Star schedules were flown between Montreal, Toronto and Winnipeg and between Lethbridge and Vancouver.

Because of airport limitations and the necessity of fully exploiting the longer range of the new aircraft, North Star stops were confined to Montreal, Toronto, Winnipeg, Calgary and Vancouver on the transcontinental route. Intermediate communities were served by DC-3 aircraft, feeding into those larger



cities. Deterioration of the Calgary runways obliged T.C.A. to move its North Star operations to Lethbridge in July, but the mainline returned to the former city in December.

A new and larger pattern of air services took shape on the Prairies. Brandon and Yorkton were added to the T.C.A. network on June 1, while Lethbridge, Edmonton, Saskatoon, Regina, Medicine Hat and Swift Current were linked by DC-3 flights to the mainline North Star route.

A second daily DC-3 flight was added between Toronto, Sault Ste. Marie, the Lakehead and Winnipeg.

Flight frequency was doubled on the Northern Ontario service between Toronto, North Bay, Porquis Junction and Kapuskasing.

In the Maritime provinces, direct operations began between Sydney, Moncton and Saint John.

Because of inadequate traffic, Lakehead-Duluth flights were suspended on October 1.

In 1948, T.C.A. made available 48,528,469 ton miles of air transport on its scheduled domestic services, an increase of 45 per cent from 1947, resulting principally from the use of larger aircraft. Of this potential, 57.8 per cent was employed, as compared with 58.5 per cent in the previous year.

As T.C.A.'s North American operations most closely resemble those of the United States airlines, a table of comparative statistics involving sixteen major representatives of the latter, is included for information as an exhibit in this Report.

#### *Passenger Traffic*

The additional comfort and speed of the North Star aircraft, together with an intensified sales campaign, attracted travellers to the Air Line in record numbers.

A total of 532,555 revenue passengers were carried on North American routes, an increase of 104,588 or 24 per cent from the 427,967 of 1947. During the same period, air line passenger travel in the United States declined by about 4 per cent. In the past five years, the volume of T.C.A.'s passenger traffic has grown by 280 per cent. On December 21, T.C.A. carried its two millionth passenger since service began in 1937.

In 1948, the Air Line flew 249,575,544 revenue passenger miles, as compared with 179,808,562 in 1947—an increase of 39 per cent. Utilization of available seat miles rose to 68 per cent from the previous year's 62 per cent. The average passenger load per revenue mile increased from 12 to 16 persons, reflecting both the larger aircraft and the greater demand for air transport. The average passenger flew 469 miles in 1948—49 more than in 1947.

Revenue per passenger on scheduled services was \$28.13 and per passenger mile 5.99 cents, as compared with \$24.50 and 5.84 cents respectively in 1947.

There was no increase in T.C.A.'s domestic fares in 1948. On the major United States air lines, however, there was a general increase in April and another in September. As the United States fares were previously lower than those of T.C.A., this had the effect of an approximate equalization.

Mr. Maybank assumed the chair.

#### *Mail Traffic*

In 1948, T.C.A. and the Post Office Department combined to introduce the general carriage of first class mail by air, at unchanged postal rates. This service, commonly known as "all-up" mail, provides for the air transport of all first-



class mail one ounce or less in weight if delivery is thereby hastened. Canadians now enjoy the most inexpensive air mail service in the world and Canada is the first American country to establish such air carriage on a nation-wide scale.

The service began on July 1, more than doubling the volume of mail transported by T.C.A. This could not have been accommodated in the old fleet. During the full year, the Air Line flew 2,294,088 ton miles of mail. In 1948 86 per cent more mail was carried and 22 per cent more mail revenue was received.

During the first eleven months of 1948,\* sixteen United States trunk lines reported aggregate increases of 11 per cent in mail volume and 53 per cent in mail revenue.

No new mail contract was negotiated in 1948, the Post Office paying T.C.A. at a fixed monthly rate of \$450,000 during the initial and experimental period of first class mail transport. This arrangement will continue until March 31, 1949, and provides, roughly, for a rate of \$2 per ton mile, a lower return than is received by airlines of comparable size in the United States.

#### *Cargo Traffic*

The development of commodity traffic was one of the principal concerns of the year and both air express and air cargo grew steadily.

The new air cargo service, based upon volume rates, was designed for bulk shipments at much lower cost than is possible under the air express tariff. Arrangements were made with the Canadian National Express to provide pickup and delivery. A specialized sales force and a research bureau were established for the promotion of air cargo. To some extent, the development of this traffic has been impeded by the very heavy mail loads.

In the first year of this service, T.C.A. carried 1,874,149 pounds of air cargo. Ton miles totalled 704,831.

#### *Property and Equipment*

Flight equipment as of December 31, 1948, consisted of:

20 North Star aircraft, equipped with four Rolls-Royce Merlin engines, each of 1,725 horsepower. Nine of these were assigned to the North American services and eleven to the overseas services.

27 Douglas DC-3 aircraft, equipped with two Pratt and Whitney Twin-row Wasp engines, each of 1,200 horsepower.

All of the 14-passenger Lockheed Lodestar aircraft were retired and the majority sold by year-end.

Three DC-3 aircraft, whose engine installations were not standard with the remainder of the fleet, were also retired and sold. These had become surplus to T.C.A.'s requirements after the introduction of North Star equipment.

The larger scale of operations in 1948 intensified the problems of airport accommodation for traffic and aircraft. At Winnipeg, T.C.A. added a two-storey shop and office annex to one of its hangars. At Malton Airport, Toronto, the Department of Transport constructed a new and badly-needed administration building to cope with the heavy air traffic through that point. A field post-office building was also built at Malton to facilitate the handling of air-borne mail. Many small extensions to T.C.A.'s airport quarters were made throughout the system.

A traffic office was opened in North Bay and improved accommodation provided in a number of other cities.

\* United States figures for December are not yet available.



### Routes

At December 31, 1948, Trans-Canada Air Lines was providing service for passengers, mail, express and air freight over nation-wide routes totalling 7,912 miles. This was an increase of 153 miles or 2 per cent over 1947. The routes operated are as follows:

|  | *Miles |
|--|--------|
| Sydney-Victoria (via Halifax, Moncton, Montreal, Ottawa, Toronto, Winnipeg<br>Calgary and Vancouver) ..... | 3,469  |
| Sydney-St. John's, Newfoundland (via Gander) .....   | 523    |
| Sydney-Saint John (via Moncton) .....  | 379    |
| Halifax-Boston (via Yarmouth and Saint John) .....   | 563    |
| Halifax-Moncton .....  | 120    |
| Toronto-New York .....   | 363    |
| Toronto-Chicago (via London and Windsor) .....   | 465    |
| Toronto-Cleveland .....  | 196    |
| London-Cleveland .....   | 124    |
| Toronto-Kapuskasing (via North Bay and Porquis Junction) .....   | 476    |
| Toronto-Winnipeg (via Sault Ste. Marie and the Lakehead) .....   | 1,030  |
| Winnipeg-Edmonton (via Saskatoon) .....  | 763    |
| Winnipeg-Lethbridge (via Brandon, Regina, Swift Current and Medicine Hat) ..                               | 720    |
| Winnipeg-Regina (via Yorkton) .....  | 372    |
| Lethbridge-Edmonton (via Calgary) .....  | 301    |
| Victoria-Seattle .....   | 103    |

\* Mileages are duplicated over portions of these routes due to the interlocking nature of the airways.

### Airway Facilities

T.C.A. and the Department of Transport continued to work and plan, co-operatively, for the betterment of Canada's airport and airway facilities. Although the following projects were the work of the Department, they are of direct significance to the Air Line's operations.

Very large airport extensions were made at Winnipeg and Calgary and the runways at these cities can now support scheduled air service by the largest commercial aircraft.

Similar runway improvements were begun at Malton, Moncton and Windsor and, by next summer, those airports will be of a much higher standard.

The runways at Brandon were lengthened to conform to the requirements for DC-3 operations.

The installation of instrument landing systems proceeded at major airports. This radio device, which provides precision landing guidance to aircraft when visibility is poor, promises new standards of schedule reliability to Canadian aviation. T.C.A. aircraft are equipped with the I.L.S. and its crews have been trained in its use. At the end of 1948, ground units were in operation at Montreal, Toronto, Winnipeg, Saskatoon, Lethbridge, Calgary and Vancouver.

Additional teletype facilities were leased in 1948 to meet the rising volume of communications traffic, particularly in connection with reservations.

The exclusive use of North Stars across the Rockies made it unnecessary to maintain a T.C.A. staff at Kimberley and this was withdrawn.

The ACTING CHAIRMAN (Mr. Maybank): Gentlemen, I think we will act for a few minutes as though this were a seventh inning and we will take a stretch. Mr. McGregor has been talking rapidly and for some time. We shall just do nothing for a few moments.

While the rest is taking place we could settle tomorrow's meeting. I presume we will meet in the morning as usual at 11 o'clock?

Agreed.

We cannot use this room, I understand, but 497 is available to us and you would prefer that to the large railway committee room?

Agreed.



Mr. McGREGOR: Is it the wish of the committee to discuss the domestic part of the report before we deal with the Atlantic service?

Mr. FULTON: I suggest that we have the whole report read because there are certain questions which will come up in considering the domestic runs that will have a bearing on consideration of the Atlantic runs.

Mr. MURCH: Yes, I suggest we go on with the report.

—Mr. Clark resumed the chair.

Mr. McGREGOR:

### TRANS-CANADA AIR LINES (ATLANTIC) LIMITED

#### Financial Review

The following statistics for 1948 include the new overseas services to Bermuda and the British West Indies.

|  | 1948         | * May 1 to<br>Dec. 31, 1948 | * May 1 to<br>Dec. 31, 1947 |
|--|--------------|-----------------------------|-----------------------------|
| Operating Revenues .....                                   | \$10,861,110 | \$8,886,112                 | \$5,483,298                 |
| Operating Expenses Excluding Depreciation.....             | 11,126,437   | 8,324,464                   | 5,000,161                   |
| <i>Deficit</i> or Surplus of Revenue Over Operating        |              |                             |                             |
| Expenses Before Depreciation and Interest.....             | \$ 265,327   | \$ 561,648                  | \$ 483,137                  |
| Depreciation .....   | 1,244,407    | 976,960                     | 341,737                     |
| Operating <i>Deficit</i> or Surplus after Depreciation.... | \$ 1,509,734 | \$ 415,312                  | \$ 141,400                  |
| Interest on Capital Invested.....                          | 240,484      | 180,956                     | 5,097                       |
| <i>Deficit</i> or Surplus.....                             | \$ 1,750,218 | \$ 596,268                  | \$ 136,303                  |

\* On May 1, 1947, T.C.A. assumed responsibility for the operations previously provided by the Canadian Government Transatlantic Air Service. For comparative purposes, the financial results of the equivalent eight months' operational period in 1948 are shown.

Operating revenues for the overseas air services totalled \$10,861,110 in 1948, of which passenger traffic contributed \$6,771,647 or 62 per cent, mail \$1,109,732 or 10 per cent and cargo \$514,217 or 5 per cent. Non-scheduled transportation, largely for the carriage of immigrants to Canada, produced revenue of \$2,085,463 or 19 per cent of the total.

Operating expenses, excluding depreciation, totalled \$11,126,437, a figure that was strongly influenced by rising wage levels and the increased cost of materials. The latter trend cost the overseas operations approximately \$420,000 in 1948.

In spite of the most vigorous efforts by those associated with the overseas services, there was a deficit of \$1,750,218, after depreciation and interest.

This result, however, can be expected of Canada's overseas air operations at the present time. Their existence is based not upon promise of direct financial return, but upon benefits of improved trade, social intercourse and international understanding that cannot be calculated. Until Canada has a much larger population, or until the basic costs of air transport are reduced, international flying must be regarded primarily as a long-term investment.

The contrast between the 1948 deficit and the 1947 surplus is a deceptive one. The Atlantic service must, by its nature, be geared to handle a very pronounced peak of summer traffic, thereby incurring very difficult winter months. The 1947 figures represent only the eight best traffic months of the year.

In 1948 results were further affected by a delay in the introduction of the North Stars. Crews were provided in the spring and other preparations made for an expansion of Atlantic operations that did not materialize until summer. Also, the difficulty of obtaining eastbound loads for aircraft proceeding to the United Kingdom for Canadian Government immigrant flights, together with the low rate quoted for that traffic, made this service unprofitable to the Air Line.



### *Service Development*

From June to September, T.C.A. doubled its usual Transatlantic service frequency of a daily round-flight to accommodate heavy summer travel. In the full year, the ocean was crossed 1,510 times in revenue flight.

The Air Line undertook a mass carriage of immigrants from the British Isles and Europe that had few parallels in air transport history. Under contract, first with the Ontario Government and then with the Dominion Government, T.C.A. flew 175 westbound charter flights with North Stars, bringing 6,000 new citizens to Canada.

A new overseas air service to Bermuda began on May 1. Vacation travel predominated and, although 1948 operations missed much of the popular winter season on the Island, loads were reasonably good. Two North Star flights were scheduled each week during the summer, one from Montreal and the other from Toronto. On November 1, a third flight was added. Flying time to Bermuda is five hours.

Canada and the British West Indies were linked by air when T.C.A. operations to the Bahamas, Jamaica and Trinidad began on December 2. The traffic potential of this service is more diversified, appealing as it does not only to vacationists but to the long-established commercial and industrial relationship of Canada and the Caribbean islands. Today's currency problems and trade restrictions stand in the way of the free flow of commodities, but it is hoped that the new air service can break through some of the barriers. Travel and shipping time between Canada and the West Indies has been reduced from seven days by ship to six hours from Toronto to the Bahamas, nine-and-a-half hours from Toronto to Jamaica and fifteen hours from Toronto to Trinidad. Two flights are scheduled weekly, one terminating at Kingston and the other continuing to Port of Spain. Both originate at Montreal and make intermediate stops at Toronto. This 3,000 mile operation is independent of the Bermuda service.

### *Passenger Traffic*

T.C.A. carried 32,821 overseas passengers in 1948. Of these, 23,429 crossed the Atlantic in scheduled flights and 6,441 in charters. The majority of the latter travellers were immigrants. The Bermuda and Caribbean operations served 2,951 persons.

Westbound trans-Atlantic traffic was close to fleet capacity during most of the year and continued to be much heavier than eastbound traffic. Only during the summer vacation months did passenger travel to the United Kingdom reach large proportions.

In common with all other operators and by resolution of the International Air Transport Association, T.C.A. increased its trans-Atlantic passenger fares by 8 per cent on April 1, 1948.

Round-trip Atlantic excursion fares, based on the normal one-way fare and a third, were introduced on October 1 in an effort to encourage winter travel.

T.C.A. and British European Airways established joint fares for travel from Canada to Continental Europe. These provide equalization with the through fares of competitive air lines.

A new Universal Air Travel Plan was introduced throughout the air transport industry on October 1 and actively promoted by T.C.A.

An improved quality of aircraft meal service was offered to trans-Atlantic and Caribbean passengers with the introduction in December of deep-frozen foods. T.C.A. has pioneered the application of this important new technique in Canadian transportation and will extend it to the domestic service in 1949. Substantial economies are involved.



*Mail Traffic*

Trans-Atlantic air mail totalled 368,488 ton miles in 1948. Almost all of this was carried on eastbound flights, little mail being offered T.C.A. in the British Isles.

There were 1,047 ton miles of Bermuda and West Indies mail.

*Cargo Traffic*

T.C.A. flew 787,165 ton miles of overseas air express and 154,105 ton miles of air cargo, the bulk of it crossing the Atlantic.

Commodity traffic increased steadily—a very necessary development in services dominated by and sensitive to the fluctuations of passenger business. The need of more diversified overseas loads was a keynote of the Company's sales efforts. Of special interest was the heavy volume of gift food parcels that moved to the United Kingdom by air.

*Property and Equipment*

Nine pressurized North Star aircraft were assigned to Atlantic and Bermuda service on June 1. These, together with the six unpressurized North Stars that had been used since April, 1947, comprised the overseas fleet during the busy summer months. The latter aircraft were retired from T.C.A. service in the autumn. Two additional pressurized North Stars were later assigned to provide for the Caribbean service. One unpressurized North Star was damaged beyond economical repair at Sydney, Nova Scotia, in August.

In 1948, T.C.A. assumed responsibility for its own aircraft maintenance in the United Kingdom.

The Company installed two 5,000 watt radio-telephone transmitters at Montreal and one at Goose Bay for use by aircraft of the Bermuda, Caribbean and trans-Atlantic services respectively. A radioteletype transmitter of equal power was installed at Montreal for reservations and administrative communication with Bermuda. Other 5,000 watt units were installed by T.C.A. at Moncton and Goose Bay for radioteletype and radiotelegraph use respectively by all trans-Atlantic air lines.

*Routes*

Trans-Canada Air Lines' overseas routes now total 8,275 miles, touching at England, Scotland, Ireland, Bermuda, the Bahamas, Jamaica and Trinidad. They are as follows:

|  | Miles |
|--|-------|
| Montreal-London (via Sydney, Shannon, Glasgow and London)..... | 3,540 |
| Montreal-Bermuda (via Toronto).....                            | 1,462 |
| Montreal-Port of Spain (via Toronto, Nassau and Kingston)..... | 3,273 |

## GENERAL

*Personnel*

There were 5,084 T.C.A. employees assigned to the two Companies at the end of 1948, an increase of 691 during the year. This expansion of staff was occasioned by the operation of more services and particularly by the greater maintenance requirements of four-engined aircraft. In general, the Air Line was able to meet the much stronger flow of traffic by increased efficiency rather than additional hirings. Although T.C.A. operated 11 per cent more revenue miles in 1948, carried 27 per cent more persons and flew 91 per cent more ton miles of mail and cargo, there was a personnel increase of only 16 per cent.

*North Star Aircraft*

The Company was well satisfied with the performance of its new fleet of four-engined aircraft. The Canadian-built North Stars were subject to many of the usual difficulties that accompany the entry of a new type into commercial service, but they also demonstrated that they are among the finest aircraft flying today.



Some serious disruptions of schedules attended the initial weeks of North Star operations. In part, this was due to minor mechanical complications and to unfamiliarity of ground staff with the much larger equipment. Another factor was the strain of simultaneously providing emergency flood transport in British Columbia and maintaining the scheduled services.

The mechanical difficulties were steadily overcome, however, and personnel adjusted to the new scale of transport. In the latter months of the year, flight delays were substantially reduced.

The North Stars are fast, comfortable and reliable aircraft. The entire fleet of twenty is equipped with cabin pressurization for the elimination of the discomfort associated with high altitude flying. Further improvements are constantly being made. By installing an advanced type of Rolls-Royce engine and new three-bladed propellers, the Company, in 1948, increased the carrying ability of each of the Transatlantic aircraft by over a ton.

#### *Sales Campaign*

Keeping pace with its greater capacity to provide air transportation, the Company, in 1948, intensified its sales and merchandising efforts. More sales staff were trained and advertising of air travel and air shipment was employed to better effect in newspapers and other media. There was greater use of direct mail solicitation. Additional sales agents were appointed. Group air travel was encouraged. To this campaign must be credited much of the rapid growth of traffic.

#### *Emergency Transport Service*

In June, T.C.A. and other air transport groups were able to relieve a very critical supply situation when most surface connections with British Columbia were severed by flood. Flying North Stars across the mountains in as many as six round trips daily, the Air Line carried 9,000 persons and 600,000 pounds of food and other essential cargo during the three-week period.

#### *Self Insurance*

The Company's self insurance fund increased by \$989,069 during the year and, at December 31st, amounted to \$3,113,800. This fund provides coverage for aircraft and other equipment, as well as passenger, public and employer liability on both domestic and overseas services. The premiums are regarded as operating costs and the growth of the fund has been made possible by the large expenditures that have produced T.C.A.'s record of safe and reliable flying.

#### *The Air Transport Prospect*

T.C.A. sees no immediate likelihood of large route extensions. Since the war, the Company has been working quickly and at considerable expense to recover the transport progress that was lost to commercial air transport during the period of hostilities. A basic pattern of mainline air services, domestic and overseas, has now been established. A fleet of modern aircraft has been provided to fly them.

The Company's primary effort in 1949 will be to improve the quality of service on its present routes. There will be a concentration upon staff efficiency and equipment performance. With better airports and new navigational aids, there should be marked advances in air transport standards and particularly in flight regularity.

With such advances, there are good prospects of higher revenues and of further reductions in operating costs per unit of transportation performed. This is the key to airline stability everywhere. Scheduled air transport at a competitive price has few limitations to its traffic potential. The Company's



CONSOLIDATED BALANCE SHEET AT 31st DECEMBER, 1948

| ASSETS  | LIABILITIES   |
|---|---|
| <b>CURRENT ASSETS:</b>                          | <b>CURRENT LIABILITIES:</b>                           |
| Cash.....\$ 559,778.79                          | Audited Accounts Payable.....\$ 1,365,526.97          |
| Working Fund Advances..... 104,597.16           | Accrued Accounts Payable..... 1,960,553.12            |
| Special Deposits..... 4,745.43                  | Traffic Balances Payable..... 519,383.93              |
| Accounts Receivable..... 2,554,622.68           | Air Travel Plan Deposits..... 631,975.00              |
| Traffic Balances Receivable..... 918,380.43     | Salaries and Wages..... 502,487.23                    |
| Balances Receivable from Agents..... 348,088.65 | Other Current Liabilities..... 930,914.22             |
| Material and Supplies..... 2,897,031.46         | <u>\$ 5,910,840.47</u>                                |
| Other Current Assets..... 315,566.32            |   |
| <u>\$ 7,702,810.92</u>                          |   |
| <b>Government of Canada:</b>                    | <b>RESERVES:</b>                                      |
| Deficit year 1948.....\$ 2,933,240.38           | Insurance.....\$ 3,113,800.03                         |
| Less paid on account..... 2,384,595.00          | Overhaul..... 424,246.81                              |
| 548,645.38                                      | Research and Development..... 75,481.54               |
|   | <u>3,613,528.38</u>                                   |
| <b>DEFERRED CHARGES:</b>                        | <b>CANADIAN NATIONAL RAILWAYS:</b>                    |
| Prepaid Insurance and Rents.....\$ 28,720.71    | Capital Advances..... 1,500,000.00                    |
| Other Deferred Charges..... 23,246.67           |   |
| 51,967.38                                       |   |
| <b>INSURANCE FUND.....</b>                      | <b>CAPITAL STOCK:</b>                                 |
| 3,113,800.03                                    | Common Stock—Fully paid..... 25,000,000.00            |
| <b>INVESTMENTS IN JOINT ASSOCIATIONS.....</b>   |   |
| 61,295.49                                       | <b>PROFIT AND LOSS:</b>                               |
| <b>CAPITAL ASSETS:</b>                          | Deficit 1st. January, 1948.....\$ 1,369,678.30        |
| Property and Equipment.....\$30,436,677.41      | Paid by Government under Vote No. 662..... 424,246.81 |
| Less Accrued Depreciation..... 5,890,827.76     | Appropriation Act No. 2, 1948..... 1,369,678.30       |
| <u>24,545,849.65</u>                            | <u>\$36,024,368.85</u>                                |
| <u>\$36,024,368.85</u>                          |   |

T. H. COOPER,  
Comptroller.

CERTIFICATE OF AUDITORS

We have examined the books and records of the Trans-Canada Air Lines and its Subsidiary Company for the year ended the 31st. December, 1948. We certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the Air Lines as at the 31st. December, 1948, and that the relative Income Accounts for the year ended the 31st. December, 1948, are correctly stated. We have reported to Parliament in respect of our annual audit.

10th March, 1949.

GEORGE A. TOUCHE & CO.,  
Chartered Accountants.



greatest obstacle today is the rising level of general costs. To this must be added the problem of organizing for the seasonal fluctuations of traffic that, in Canada, are very severe.

### Executive Appointments

On February 1, Mr. G. R. McGregor was appointed President of Trans-Canada Air Lines, succeeding Mr. H. J. Simington, C.M.G., K.C., retired.

Mr. A. C. McKim, previously Vice-President, Administration, became Vice-President, Traffic.

### Appreciation

The accomplishments of the Air Line are the work of an able and experienced staff, of whom 200 have completed over ten years of service and another 1,500 have been with T.C.A. more than five years. T.C.A.'s men and women are among the most skilled in the industry and the Company's greatest asset. To the employees, the Board of Directors again extend their sincere appreciation for the loyal and effective work which has marked the year's activities.

### INCOME ACCOUNTS

| North American Services                            |                        |                                       | Overseas Services      |   |
|--|------------------------|---------------------------------------|------------------------|---|
| Year<br>1948                                       | Year<br>1947           |                                       | Year<br>1948           | 1st. May, 1947,<br>to 31st. Dec.,<br>1947 |
| <b>OPERATING REVENUES:</b>                         |                        |                                       |                        |   |
| \$14,869,577.63                                    | \$10,450,523.53        | Passenger.....                        | \$ 6,771,646.61        | \$ 3,912,069.71                           |
| 4,648,775.41                                       | 3,808,197.01           | Mail.....                             | 1,109,731.51           | 735,013.40                                |
| 764,175.18   | 449,447.29             | Express and Cargo.....                | 514,217.02             | 331,556.59                                |
| 124,742.89   | 84,912.12              | Excess Baggage.....                   | 40,877.66              | 19,849.62                                 |
| 99,801.10  | 81,905.29              | Charter and Other.....                | 2,146,916.71           | 417,763.00                                |
| 359,864.12   | 422,361.17             | Incidental Services—Net.....          | 277,720.84             | 67,045.90                                 |
| <u>\$20,866,936.33</u>                             | <u>\$15,297,346.41</u> | <b>Total.....</b>                     | <u>\$10,861,110.35</u> | <u>\$ 5,483,298.22</u>                    |
| <b>OPERATING EXPENSES—EXCLUDING DEPRECIATION:</b>  |                        |                                       |                        |   |
| \$ 5,596,608.14                                    | \$ 3,955,603.04        | Flight Operations.....                | \$ 3,278,511.71        | \$ 1,246,662.09                           |
| 2,694,508.91                                       | 1,344,600.53           | Flight Equipment Maintenance.....     | 1,924,371.88           | 612,521.57                                |
| 3,623,019.48                                       | 3,551,212.21           | Ground Operations.....                | 1,693,462.09           | 1,009,821.23                              |
| 2,566,751.24                                       | 1,933,883.61           | Ground and Indirect Maintenance.....  | 1,552,445.37           | 691,009.76                                |
| 1,346,680.46                                       | 1,070,666.20           | Passenger Service.....                | 619,462.49             | 349,841.05                                |
| 2,043,684.09                                       | 1,799,852.67           | Traffic and Sales.....                | 1,201,804.38           | 619,013.18                                |
| 416,194.28   | 382,817.06             | Advertising and Publicity.....        | 244,746.30             | 167,075.70                                |
| 974,635.76   | 869,225.94             | General and Administrative.....       | 596,960.40             | 307,078.13                                |
| 12,111.68  | 62,188.85              | Miscellaneous Income—Net.....         | 14,672.39              | 2,861.71                                  |
| <u>\$19,249,970.68</u>                             | <u>\$14,845,672.41</u> | <b>Total.....</b>                     | <u>\$11,126,437.01</u> | <u>\$ 5,000,161.00</u>                    |
| <b>Surplus of Revenues over Operating Expenses</b> |                        |                                       |                        |   |
| \$ 1,616,965.65                                    | \$ 451,674.00          | before Depreciation and Interest..... | \$ 265,326.66          | \$ 483,137.22                             |
| 2,374,085.64                                       | 1,950,819.54           | DEPRECIATION.....                     | 1,244,407.10           | 341,737.19                                |
| \$ 757,119.99                                      | \$ 1,499,145.54        | Operating Deficit or Surplus.....     | \$ 1,509,733.76        | \$ 141,400.03                             |
| 425,902.17   | 261,897.30             | Interest on Capital Invested.....     | 240,484.46             | 5,096.72                                  |
| <u>\$ 1,183,022.16</u>                             | <u>\$ 1,761,042.84</u> | <b>Deficit or Surplus.....</b>        | <u>\$ 1,750,218.22</u> | <u>\$ 136,303.31</u>                      |



## SESSIONAL COMMITTEE

INCOME ACCOUNTS—*Con.*

| North American Services                  |                        | Overseas Services                                     |   |
|--|------------------------|---|---|
| Year<br>1948                             | Year<br>1947           | Year<br>1948  | 1st. May, 1947,<br>to 31st. Dec.,<br>1947     |
| <b>5100 FLIGHT OPERATIONS</b>            |                        |   |   |
| \$ 1,484,644.26                          | \$ 1,383,474.50        | 23 Captains and First Officers.....                   | \$ 549,851.46 \$ 214,553.56                   |
| —  | —                      | 24 Other Flight Personnel.....                        | 289,573.89 125,396.93                         |
| 215,172.24                               | 187,380.11             | 28 Training—Salaries and Expenses.....                | 59,198.12 20,904.04                           |
| 190,852.42                               | 158,311.75             | 36 Travel and Incidental.....                         | 100,768.22 33,807.63                          |
| 3,215,780.92                             | 1,940,561.35           | 45 Aircraft Engine Fuel and Oil.....                  | 1,867,067.34 702,526.77                       |
| 16,089.35                                | 40,008.30              | 53 Other Supplies.....                                | 8,642.87 10,077.66                            |
| 472,241.76                               | 240,006.85             | 55 Flight Equipment Insurance.....                    | 403,042.16 138,618.66                         |
| 1,381.94                                 | 5,368.01               | 67 Clearance Fees.....                                | 113.95 389.07                                 |
| 445.25                                   | 492.17                 | 74 Other Expenses.....                                | 253.70 387.77                                 |
| <u>\$ 5,596,608.14</u>                   | <u>\$ 3,955,603.04</u> |   | <u>\$ 3,278,511.71</u> <u>\$ 1,246,662.09</u> |
| <b>5200 FLIGHT EQUIPMENT MAINTENANCE</b> |                        |   |   |
| \$ 526,346.05                            | \$ 278,015.03          | 25 Aircraft—Labour.....                               | \$ 342,834.85 \$ 97,781.10                    |
| 575,652.69                               | 228,755.51             | 26 Aircraft Engine—Labour.....                        | 408,016.28 135,959.80                         |
| 121,731.49                               | 95,933.00              | 27 Aircraft Other Equipment—Labour..                  | 36,100.40 31,209.39                           |
| 485,125.19                               | 316,616.04             | 46 Aircraft—Material, etc.....                        | 332,273.96 97,039.37                          |
| 890,515.13                               | 359,579.73             | 47 Aircraft Engine—Material, etc.....                 | 741,850.03 186,166.05                         |
| 95,138.36                                | 65,701.22              | 48 Aircraft Other Equipment—Material,<br>etc.....     | 63,296.36 64,365.86                           |
| <u>\$ 2,694,508.91</u>                   | <u>\$ 1,344,600.53</u> |   | <u>\$ 1,924,371.88</u> <u>\$ 612,521.57</u>   |
| <b>6100 GROUND OPERATIONS</b>            |                        |   |   |
| \$ 210,527.74                            | \$ 239,108.57          | 21 General Officers and Superintendents.              | \$ 199,482.18 \$ 87,191.10                    |
| 205,592.62                               | 129,577.11             | 22 Station Managers and Assistants.....               | 55,567.27 18,613.85                           |
| 25,028.32                                | 33,306.51              | 28 Training—Salaries.....                             | 36,046.43 14,023.75                           |
| 359,382.34                               | 556,710.89             | 29 Ground Service Employees—<br>Mechanical.....       | 115,841.34 199,383.37                         |
| 495,710.55                               | 395,486.41             | 29 Ground Service Employees—Cargo..                   | 104,423.14 62,245.85                          |
| 132,727.20                               | 135,049.51             | 30 Flight Dispatchers.....                            | 79,002.21 38,285.87                           |
| 287,306.74                               | 249,125.68             | 30 Radio Operators.....                               | 3,261.82 —                                    |
| 131,323.49                               | 117,563.11             | 30 Teletype Operators.....                            | 17,525.51 6,252.49                            |
| 206,714.98                               | 251,919.11             | 35 Other Employees.....                               | 130,805.05 54,933.54                          |
| 132,971.28                               | 148,491.16             | 36 Travel Incidental.....                             | 136,610.52 54,498.86                          |
| 204,469.22                               | 189,511.51             | 37 Telephone, Telegraph and Teletype..                | 49,969.97 21,631.25                           |
| 64,567.41                                | 99,809.92              | 38 Light, Heat, Power and Water.....                  | 23,406.25 7,584.42                            |
| 185,088.06                               | 143,437.54             | 39 Cargo Expenses.....                                | 148,619.22 94,208.16                          |
| 75,078.66                                | 70,725.01              | 40 Agency Services and Joint Facilities..             | 19,635.08 8,536.10                            |
| 190,806.48                               | 215,433.14             | 43 Other Services.....                                | 118,808.07 125,430.18                         |
| 115,754.70                               | 75,811.65              | 44 Airport, Building and Office Rentals.              | 48,424.19 19,902.41                           |
| 410,145.90                               | 237,342.12             | 44 Airport Landing Fees.....                          | 240,199.56 104,950.58                         |
| 36,378.65                                | 83,528.42              | 49 Servicing Supplies.....                            | 43,182.30 17,678.62                           |
| 73,688.81                                | 76,994.83              | 50 Stationery, Printing and Office Sup-<br>plies..... | 46,325.78 22,107.46                           |
| 39,832.56                                | 42,770.65              | 53 Other Supplies.....                                | 15,227.86 5,078.75                            |
| 681.56                                   | 102.00                 | 64 Memberships.....                                   | — —   |
| 39,242.21                                | 59,407.36              | 74 Other Expenses.....                                | 61,098.34 47,284.62                           |
| <u>\$ 3,623,019.48</u>                   | <u>\$ 3,551,212.21</u> |   | <u>\$ 1,693,462.09</u> <u>\$ 1,009,821.23</u> |



INCOME ACCOUNTS—*Con.*

| North American Services                     |                        |   | Overseas Services      |   |  |
|---|------------------------|---|------------------------|---|--|
| Year<br>1948                                | Year<br>1947           |   | Year<br>1948           | 1st. May, 1947,<br>to 31st. Dec.,<br>1947 |  |
| <b>6200 GROUND AND INDIRECT MAINTENANCE</b> |                        |   |                        |   |  |
| \$ 149,481.76                               | \$ 107,617.73          | 21 General Officers and Superintendents.              | \$ 54,102.59           | \$ 32,342.61                              |  |
| 378,601.65                                  | 280,468.03             | 22 Maintenance and Stores Supervision..               | 258,373.40             | 121,275.90                                |  |
| 212,234.48                                  | 138,777.96             | 27 Equipment and Facilities—Labour...                 | 97,294.52              | 37,809.78                                 |  |
| 23,982.16                                   | 60,734.45              | 28 Training—Salaries.....                             | 32,719.64              | 9,327.53                                  |  |
| 310,396.97                                  | 190,260.54             | 28 Unallocated Shop Labour.....                       | 180,930.71             | 34,535.86                                 |  |
| 174,631.15                                  | 147,998.54             | 29 Building Attendants.....                           | 70,722.46              | 38,012.34                                 |  |
| 147,534.41                                  | 126,953.32             | 31 Stores Employees.....                              | 102,349.60             | 49,594.36                                 |  |
| 219,502.88                                  | 207,442.67             | 35 Engineering Employees.....                         | 115,926.66             | 88,502.21                                 |  |
| 207,484.15                                  | 200,029.81             | 35 Other Employees.....                               | 237,083.06             | 121,091.87                                |  |
| 101,691.78                                  | 90,397.80              | 36 Travel and Incidental.....                         | 53,131.23              | 25,595.98                                 |  |
| 15,254.81                                   | 9,929.27               | 37 Telephone and Telegraph.....                       | 15,877.24              | 11,987.63                                 |  |
| 88,809.79                                   | 44,535.31              | 38 Light, Heat, Power and Water.....                  | 33,982.81              | 7,907.34                                  |  |
| 8,986.75                                    | —                      | 43 Other Services.....                                | 10,859.33              | —   |  |
| 26,771.02                                   | 6,661.91               | 44 Building and Office Rentals.....                   | 32,343.43              | 10,118.36                                 |  |
| 218,067.90                                  | 183,912.77             | 48 Equipment and Facilities — Material,<br>etc.....   | 104,363.24             | 46,025.76                                 |  |
| 168,289.49                                  | 103,132.99             | 49 Shop Supplies.....                                 | 67,998.54              | 28,886.54                                 |  |
| 35,875.46                                   | 29,069.04              | 50 Stationery, Printing and Office Sup-<br>plies..... | 23,817.66              | 12,457.17                                 |  |
| 24,853.74                                   | 10,888.93              | 53 Other Supplies.....                                | 9,202.29               | 4,517.32                                  |  |
| 17,733.24                                   | 6,553.34               | 54 Stores Inventory Adjustment.....                   | 15,619.24              | —   |  |
| 263.10                                      | 82.16                  | 64 Memberships.....                                   | 3.00                   | 2.84                                      |  |
| 36,304.55                                   | 1,543.72               | 74 Other Expenses.....                                | 35,744.72              | 11,018.36                                 |  |
| <u>\$ 2,566,751.24</u>                      | <u>\$ 1,933,883.61</u> |   | <u>\$ 1,552,445.37</u> | <u>\$ 691,009.76</u>                      |  |

**6300 PASSENGER SERVICE**

|                        |                        |   |                      |                      |  |
|------------------------|------------------------|---|----------------------|----------------------|--|
| \$ 35,439.40           | \$ 35,435.03           | 21 General Officers and Superintendents.            | \$ 18,741.77         | \$ 6,715.59          |  |
| 289,576.20             | 245,673.30             | 24 Stewards and Stewardesses.....                   | 150,615.94           | 68,048.73            |  |
| 6,178.19               | 10,054.31              | 28 Training—Salaries.....                           | 2,832.38             | 1,958.16             |  |
| 5,512.44               | 10,368.62              | 35 Other Employees.....                             | 2,768.61             | 1,531.38             |  |
| 112,461.26             | 84,950.20              | 36 Travel and Incidental.....                       | 49,489.06            | 18,379.04            |  |
| 37,059.75              | 20,148.00              | 43 Other Services.....                              | 13,150.30            | 5,502.98             |  |
| 578.24                 | 842.10                 | 50 Stationery, Printing and Office<br>Supplies..... | 593.43               | 575.99               |  |
| 414,842.20             | 332,146.92             | 51 Passenger Food Expense.....                      | 127,612.40           | 54,749.84            |  |
| 133,773.32             | 115,114.76             | 52 Passenger Supplies.....                          | 46,122.40            | 30,374.12            |  |
| 121,647.59             | 96,530.10              | 56 Passenger Liability Insurance.....               | 47,823.77            | 76,512.62            |  |
| 119,129.22             | 66,771.26              | 63 Interrupted Flight Expense.....                  | 144,888.49           | 82,223.63            |  |
| —                      | 30.00                  | 64 Memberships.....                                 | —                    | —                    |  |
| 66,130.14              | 50,305.28              | 67 Customs Expense.....                             | 13,746.24            | 2,661.26             |  |
| 4,352.51               | 2,296.32               | 74 Other Expenses.....                              | 1,077.70             | 607.71               |  |
| <u>\$ 1,346,680.46</u> | <u>\$ 1,070,666.20</u> |   | <u>\$ 619,462.49</u> | <u>\$ 349,841.05</u> |  |



## SESSIONAL COMMITTEE

## INCOME ACCOUNTS—Con.

| North American Services |                        |    | Overseas Services                                  |   |                      |
|-------------------------|------------------------|----|--|---|----------------------|
| Year<br>1948            | Year<br>1947           |    | Year<br>1948                                       | 1st. May, 1947,<br>to 31st. Dec.,<br>1947 |                      |
| 6400 TRAFFIC AND SALES  |                        |    |  |   |                      |
| \$ 85,151.15            | \$ 77,257.05           | 21 | General Officers and Superintendents.              | \$ 50,073.80                              | \$ 21,300.66         |
| 129,603.30              | 85,983.46              | 22 | Traffic Supervision.....                           | 76,214.23                                 | 31,808.54            |
| 11,840.63               | 20,116.92              | 28 | Training—Salaries.....                             | 6,962.97                                  | 5,897.38             |
| 1,076.79                | 1,267.76               | 29 | Building Attendants.....                           | 633.21                                    | 385.98               |
| 26,775.13               | 34,334.50              | 30 | Teletype Operators.....                            | 15,745.33                                 | 10,391.37            |
| 355,169.18              | 378,739.59             | 32 | Ticketing Employees.....                           | 208,860.00                                | 118,100.89           |
| 332,503.58              | 372,416.96             | 32 | Reservations Employees.....                        | 195,531.33                                | 115,698.80           |
| 115,781.42              | 42,027.13              | 33 | Traffic Solicitors.....                            | 68,086.17                                 | 17,357.08            |
| 151,127.08              | 127,930.26             | 35 | Other Employees.....                               | 88,871.46                                 | 42,188.17            |
| 128,880.08              | 90,977.54              | 36 | Travel and Incidental.....                         | 75,788.93                                 | 32,592.18            |
| 166,664.51              | 163,731.97             | 37 | Telephone, Telegraph and Teletype..                | 98,008.37                                 | 56,866.11            |
| 8,061.16                | 7,141.05               | 38 | Light, Heat, Power and Water.....                  | 4,740.43                                  | 2,376.56             |
| 296,489.16              | 189,169.20             | 40 | Agency Services and Joint Facilities..             | 174,352.76                                | 92,097.72            |
| 34,613.51               | 16,862.29              | 43 | Other Services.....                                | 20,354.75                                 | 7,206.01             |
| 112,581.00              | 116,540.86             | 44 | Office Rentals.....                                | 66,204.14                                 | 38,870.54            |
| 71,398.27               | 63,301.92              | 50 | Stationery, Printing and Office Sup-<br>plies..... | 41,986.31                                 | 21,179.99            |
| 2,867.38                | 2,297.40               | 53 | Other Supplies.....                                | 1,686.19                                  | 1,209.66             |
| 3,155.04                | 1,377.96               | 64 | Memberships.....                                   | 1,855.34                                  | 247.77               |
| 9,945.72                | 8,378.85               | 74 | Other Expenses.....                                | 5,848.66                                  | 3,237.77             |
| <u>\$ 2,043,684.09</u>  | <u>\$ 1,799,852.67</u> |    |  | <u>\$ 1,201,804.38</u>                    | <u>\$ 619,013.18</u> |

## 6500 ADVERTISING AND PUBLICITY

|                      |                      |    |   |                      |                      |
|----------------------|----------------------|----|---|----------------------|----------------------|
| \$ 28,962.48         | \$ 24,935.83         | 59 | Timetables and Distribution.....                | \$ 17,031.61         | \$ 8,788.84          |
| 248,356.51           | 275,314.19           | 60 | Advertising—Space.....                          | 146,047.98           | 123,964.61           |
| 97,836.28            | 40,226.42            | 61 | Advertising—Other.....                          | 57,533.39            | 18,128.44            |
| 41,039.01            | 42,340.62            | 62 | Other Promotional and Publicity<br>Expense..... | 24,133.32            | 16,193.81            |
| <u>\$ 416,194.28</u> | <u>\$ 382,817.06</u> |    |   | <u>\$ 244,746.30</u> | <u>\$ 167,075.70</u> |

## 6600 GENERAL AND ADMINISTRATIVE

|                      |                      |    |  |                      |                      |
|----------------------|----------------------|----|--|----------------------|----------------------|
| \$ 72,523.19         | \$ 87,424.63         | 21 | General Officers and Supervision....               | \$ 45,785.43         | \$ 29,089.17         |
| 23,192.85            | 23,839.20            | 22 | Administrative Supervision—Other..                 | 14,642.15            | —                    |
| 243,309.72           | 201,716.97           | 35 | Other Employees.....                               | 153,925.10           | 74,500.52            |
| 19,059.65            | 24,192.20            | 36 | Travel and Incidental.....                         | 12,032.76            | 8,985.78             |
| 9,004.10             | 11,790.51            | 37 | Telephone and Telegraph.....                       | 5,684.45             | 4,572.15             |
| 30,830.00            | 37,999.99            | 39 | Affiliated Company Charge.....                     | 19,170.00            | 12,000.01            |
| 7,814.25             | 10,311.18            | 41 | Professional Fees and Expenses.....                | 4,933.28             | 3,604.69             |
| 18,591.28            | 4,792.02             | 44 | Office and Equipment Rentals.....                  | 11,737.01            | 2,361.56             |
| 26,656.11            | 25,581.87            | 50 | Stationery, Printing and Office Sup-<br>plies..... | 16,828.54            | 7,014.41             |
| 31,683.09            | 25,380.81            | 55 | Insurance—Public Liability and<br>General.....     | 8,891.12             | 7,570.58             |
| 63,513.87            | 58,388.35            | 57 | Insurance—Employees' Welfare.....                  | 90,604.83            | 60,924.58            |
| 298,342.67           | 242,768.93           | 57 | Pensions.....                                      | 149,386.93           | 72,405.87            |
| 10,983.96            | 4,938.14             | 64 | Memberships.....                                   | 6,934.24             | 274.86               |
| 46,688.73            | 41,210.27            | 68 | Taxes—Payroll.....                                 | 22,425.14            | 5,216.25             |
| 45,287.96            | 38,164.33            | 69 | Taxes—General.....                                 | 16,836.36            | 7,760.64             |
| 27,154.33            | 30,726.54            | 74 | Other Expenses.....                                | 17,143.06            | 10,797.06            |
| <u>\$ 974,635.76</u> | <u>\$ 869,225.94</u> |    |  | <u>\$ 596,960.40</u> | <u>\$ 307,078.13</u> |



INCOME ACCOUNTS—*Conc.*

| North American Services             |                        | Overseas Services                    |   |
|-------------------------------------|------------------------|--------------------------------------|---|
| Year<br>1948                        | Year<br>1947           | Year<br>1948                         | 1st. May, 1947,<br>to 31st. Dec.,<br>1947   |
| 5900 FLIGHT EQUIPMENT DEPRECIATION  |                        |                                      |   |
| \$ 1,370,951.01                     | \$ 1,186,435.43        | 75 Aircraft.....                     | \$ 669,417.96 \$ 205,483.38                 |
| 265,045.52                          | 188,843.82             | 76 Aircraft Engines.....             | 224,287.88 51,670.84                        |
| 303,184.64                          | 263,003.74             | 77 Aircraft Spare Parts.....         | 155,580.35 36,607.73                        |
| 220,874.67                          | 146,883.58             | 77 Aircraft Other Equipment.....     | 116,865.24 34,600.02                        |
| 6900 GROUND FACILITIES DEPRECIATION |                        |                                      |   |
| 214,209.80                          | 165,652.97             | 78 Ground Property and Equipment.... | 78,255.67 13,375.22                         |
| <u>\$ 2,374,085.64</u>              | <u>\$ 1,950,819.54</u> |                                      | <u>\$ 1,244,407.10</u> <u>\$ 341,737.19</u> |

## STATISTICAL DATA

| North American Services |              | Overseas Services                      |   |
|-------------------------|--------------|--|---|
| Year<br>1948            | Year<br>1947 | Year<br>1948                           | 1st. May, 1947,<br>to 31st. Dec.,<br>1947 |
| 7,912                   | 7,759        | Route Miles Operated.....              | 8,275 3,313                               |
| 15,270,649              | 15,543,485   | Plane Miles Flown—Revenue.....         | 4,671,120 2,386,709                       |
| 222,386                 | 472,649      | Plane Miles Flown—Training.....        | 27,015 51,978                             |
| 855,600                 | 671,514      | Plane Miles Flown—Other Non-Revenue..  | 425,144 117,725                           |
| 532,555                 | 427,967      | Revenue Passengers Carried.....        | 32,821 15,815                             |
| 469                     | 420          | Average Passenger Journey—Miles.....   | 2,874 3,134                               |
| 68                      | 62           | Percentage of Passenger Occupancy..... | 61 73                                     |
| 2,294,088               | 1,232,237    | Mail Ton Miles Flown.....              | 369,534 251,562                           |
| 1,415,231               | 634,019      | Express and Cargo Ton Miles Flown..... | 941,270 508,598                           |
| 192,871                 | 130,086      | Excess Baggage Ton Miles Flown.....    | 42,889 22,410                             |

COMPARATIVE OPERATING STATISTICS  
for  
THE DOMESTIC SERVICES  
of  
TCA AND SIXTEEN MAJOR UNITED STATES AIRLINES  
in  
THE YEARS 1948 and 1947

|  | T C A       |             |                                 | 16 U.S. Trunklines |               |                                 |
|--|-------------|-------------|---------------------------------|--------------------|---------------|---------------------------------|
|  | 1947        | 1948        | %<br>Increase<br>or<br>Decrease | 1947               | 1948*         | %<br>Increase<br>or<br>Decrease |
| Revenue Miles Flown.....                         | 15,543,485  | 15,270,649  | 1.76%                           | 311,879,430        | 315,974,688   | 1.31%                           |
| Revenue Passengers Carried..                     | 427,967     | 532,555     | 24.44                           | 12,246,353         | 12,231,580    | 0.12                            |
| Revenue Passenger Miles....                      | 179,808,562 | 249,575,544 | 38.80                           | 6,008,122,000      | 5,790,160,000 | 3.63                            |
| Available Seat Miles.....                        | 288,503,511 | 367,455,955 | 27.37                           | 9,058,579,000      | 9,945,007,000 | 9.79                            |
| Revenue Passenger Load<br>Factor.....            | 62.32%      | 67.92%      | 8.99                            | 66.33%             | 58.22%        | 12.23                           |
| Average Passenger Load Per<br>Revenue Mile.....  | 11.57       | 16.34       | 41.23                           | 19.26              | 18.32         | 4.88                            |
| Average Seats Available Per<br>Revenue Mile..... | 18.56       | 24.06       | 29.63                           | 29.05              | 31.47         | 8.33                            |
| Average Passenger Journey—<br>Miles.....         | 420.15      | 468.64      | 11.54                           | 490.60             | 473.38        | 3.51                            |
| Express and Freight Ton Miles                    | 599,186†    | 1,409,538   | 135.24                          | 63,441,410         | 101,344,011   | 59.74                           |
| Mail Ton Miles.....                              | 1,275,909   | 2,294,088   | 79.80                           | 32,844,774         | 32,669,163    | 0.53                            |
| Saleable Ton Miles.....                          | 33,731,549  | 48,800,587  | 44.67                           | 1,209,477,771      | 1,340,641,240 | 10.84                           |
| Revenue Ton Miles.....                           | 19,568,569  | 28,195,275  | 44.08                           | 682,135,634        | 686,993,101   | 0.71                            |
| Weight Load Factor.....                          | 58.01       | 57.78       | 0.40                            | 56.40              | 51.24         | 9.15                            |

\* December Estimated.

† Freight carried for only four months of 1947.



The CHAIRMAN: Well, gentlemen, do you wish to take the report page by page? I think that was the procedure we used last year.

Mr. JACKMAN: Mr. Chairman, I was away when reference was made to the statement which was submitted to the committee yesterday by this witness. I merely wish to go on record that I think it was unintentionally placed before the committee but nevertheless it was quite fortunate that a statement such as that should have been placed in the hands of members of the committee. I do not think I need to go into the reason for that but I do hope that such an incident will not occur again.

The CHAIRMAN: I think I explained how that happened while you were not here, Mr. Jackman. Now, gentlemen, we are on page 3 of the report.

Mr. MAYBANK: You are not going to take up these statements and tables, the consolidated balance sheet and so on, right through to the back?

The CHAIRMAN: No.

Mr. FULTON: They are essentially all technical, are they not?

The CHAIRMAN: Yes. Now we are on the report at page 3.

Mr. FULTON: Could you give us a breakdown of the increase in revenue miles as between the Transatlantic service and the Canadian service? You have a figure there of \$2,000,000 of an increase.

Mr. MCGREGOR: Yes, I think we could get that for you in detail. Is it not there?

Mr. FULTON: You give the route miles of each of the services but I do not think you give the increase in revenue miles.

Mr. MCGREGOR: On page 22 of the statistical data the route mile comparison is shown; the revenue passengers carried, the plane miles flown, the revenue passengers carried, the average passenger journey, the total mail revenue—yes, I think it is all there.

Mr. FULTON: I take it that the revenue miles mean the total mileage along the route multiplied by the number of flights?

Mr. MCGREGOR: Yes.

Mr. NICHOLSON: On page 3 reference is made to the improved economic outlook generally in the air transport industry. Is there any place in this statement where you give us figures showing how your operation compares with other lines?

Mr. MCGREGOR: Yes, that would be found in the back of the report on page 23.

Mr. NICHOLSON: Oh yes, I see that. You group the whole sixteen, don't you. Have you separate figures on them?

Mr. MCGREGOR: No, I have not.

Mr. NICHOLSON: What about the British European and B.O.A.C.?

Mr. MCGREGOR: I have only given the net operating results of B.O.A.C. and the whole group in the table you see there. The B.O.A.C. figure I have includes British European and British South American. These figures were published in American Aviation in that form and that is the reason they are grouped instead of separately.

Mr. NICHOLSON: But some of these sixteen are operating in Transatlantic service?

Mr. MCGREGOR: I know perfectly well that two of them are included there, Pan American and American Overseas. They are the only two flying the Atlantic.

Right Hon. Mr. HOWE: But this statement gives that.

Mr. MCGREGOR: Yes, but he was asking about operating lines.



Right Hon. Mr. HOWE: Oh, I am sorry.

Mr. VIAU: On page 3 you also mention traffic and your figures indicate that in your transocean service or traffic were included some 6,000 new Canadians flown from Europe, and there were also 9,000 people flown over the Rocky Mountains. The reference to that is on page 4. That is traffic, particularly the 6,000 D.P.'s is business of a type that will not repeat?

Mr. MCGREGOR: Yes, that is true, those groups are made up largely of what one might call non-repeating groups of traffic.

Mr. VIAU: And did T.C.A. charge a special rate for these 6,000 new Canadian citizens? How would that affect the revenue plane miles flown?

Mr. MCGREGOR: That revenue would not appear in the domestic treatment.

Mr. VIAU: Well, then, what about the 9,000 persons you flew over the Rocky Mountains?

Mr. MCGREGOR: That is in the revenue statement. Of course, as you know, a lot of that traffic was service we gave in co-operation with the railroads in connection with the floods in British Columbia.

Mr. VIAU: Well, would there not be a lot of emergency passenger traffic included in that?

Mr. MCGREGOR: No, only what might be regarded as due to the flood conditions.

Mr. VIAU: But you did carry these 6,000 new Canadian citizens from the British Isles and Europe and you would not expect that traffic to continue in future years. I mean, there is no definite immigration policy at the moment and that is not the type of passenger traffic which will be available in future years.

Mr. MCGREGOR: I think it would be a rapidly declining factor. And that is why the revenue from it is separated in the Atlantic report.

Mr. VIAU: Did you carry all these 6,000 people at the regular rate or a special rate?

Mr. MCGREGOR: They were on a charter rate, not the regular passenger rate.

Mr. VIAU: Would that be less as compared to the regular passenger rate? Could you give that to us separately? Could we have the operating cost?

Mr. MCGREGOR: I think it would be impossible to segregate the operating cost associated with any one particular flight as compared to another. The aircraft were the same type of aircraft flown by the same crew; whether that particular aircraft brought back a charter flight or a regular traffic load is immaterial in relation to cost.

Mr. JACKMAN: Do you receive the same amount approximately for this new Canadian type of passenger as you do for your regular passengers?

Mr. MCGREGOR: No, it is somewhat less.

Mr. JACKMAN: And do you have any difficulty making up loads for the charter flights?

Mr. MCGREGOR: We were not concerned with getting the load. That was the important feature in those special charter rates.

Mr. MAYBANK: You rented the ship?

Mr. MCGREGOR: Yes.

Mr. JACKMAN: Who paid those fares, how was the difference made up?

Mr. MCGREGOR: As I understand it, the arrangement was that the immigrant provided the money to pay for his transportation. In a good many cases the D.P.'s had the benefit of what was known as assisted transportation, but I believe in most cases the passengers paid their own fare.



Right Hon. Mr. HOWE: The International Relief Organization pays for a good many of these immigrants, you know.

Mr. MAYBANK: And does not I.R.O. pay it all in the case of D.P.'s?

Right Hon. Mr. HOWE: Yes.

Mr. MCGREGOR: I think it pays them entirely.

Mr. MAYBANK: I think it does in the case of D.P.'s.

Mr. MCGREGOR: There is no mixing of passengers on immigration charter flights with our regular passenger trade.

Mr. JACKMAN: I take it though that they were all fully paid passengers?

Mr. MCGREGOR: They were as far as the air line is concerned.

Right Hon. Mr. HOWE: There were a lot of people on this side who paid the fare for their relatives. It is possible for someone here to pay the fare, let us say for his mother. They make arrangements and pay for the passage with T.C.A. and T.C.A. brings them out.

Mr. JACKMAN: As far as the line is concerned they were all paying passengers?

Mr. MCGREGOR: Yes.

Mr. FULTON: I would like to draw your attention again to the difference between the domestic operation and the overseas operation. I see from your observation in the report here that you anticipate that deficits will continue for a time, that you may eventually pay the cost of operation and that ultimately there may be a profit in the business. Can you indicate to us what the extent of the continuing deficit would be?

Mr. MCGREGOR: That, obviously, would depend on the volume of traffic.

Right Hon. Mr. HOWE: May I say this, that the Transatlantic traffic is being built up in the same way as we have built up our domestic business. There is, of course, quite a difference between the volume of winter traffic and the volume of summer traffic. We are gradually building up our winter volume and establishing regularity of service, and it is in that direction that we see the possibility of making this operation profitable.

Mr. FULTON: I call your attention to the statement contained on page 3:

Traffic was the heaviest on record. Nevertheless, Trans-Canada Air Lines, domestic, and Trans-Canada Air Lines (Atlantic) both suffered substantial financial deficits as sharply rising costs offset the highest revenues in the air line's history. Added to the increased costs of labour and materials, there were the expenses incident to the introduction of a new four-engined fleet. The greater gross revenue in 1948 was due almost entirely to increase in passenger, mail and cargo traffic and, with the exception of Transatlantic passenger fares, not to higher transport charges.

And further down you say:

The company's financial position was, however, somewhat stronger than in 1947. The deficit from domestic services was reduced by a third, revenues being increased by 36 per cent, as compared with a 30 per cent rise in expenses. Domestic operating costs per available ton mile of transport fell by 10 per cent. Employees per 10,000 ton miles of saleable transportation on all services declined from 14 in December, 1947, to 9 in December, 1948. With energetic traffic promotion and cost control, it is hoped that these trends will continue. The same cannot be expected of the new overseas air operations.

And I suggest that we recognize there the fact that you have the opposite trend in your lines.



Mr. MCGREGOR: That was certainly not intended by the wording. The reference there was to the reduction of something like \$600,000 in the deficit that occurred between 1947 and 1948 on domestic operation. We are very doubtful if the improvement in the net financial picture of the overseas service will be as rapid as that, but we are very firmly convinced that the deficit will decrease for the very reasons which the Right Hon. Mr. Howe has mentioned. We now have services which have a traffic peak in opposite phase to the traffic peak, let us say, on the north Atlantic or Transatlantic operation. That is exactly what is needed to keep our equipment working as much as possible for twelve months of the year.

Mr. FULTON: But you go on to say that, "T.C.A. has been required to proceed in the face of expected operational losses." And when you couple that statement with the sentence which preceded it, and the last sentence, "However, the action taken is considered to be justified by the direct and indirect benefits that accrue to the nation as a whole through the existence of such important transport services—benefits that do not appear on the company's balance sheet," it seems to me that the implication is not borne out by the figures. This is not an operation which is carried on for purely economic reasons or with the expectation that it will show an operational profit.

Mr. MCGREGOR: It certainly is carried on with the expectation that it will show an operational profit, and it will do so in due course. It will not attain that position as quickly as the domestic.

Right Hon. Mr. HOWE: We have been maintaining a service by boat for either 20 or 25 years to Bermuda and the West Indies. It always operated as a loss except in war time. But it was a service we felt should be maintained. The West Indies have always been good customers, and they have relied on us for boat traffic. Since we had but three boats instead of five, we felt we ought either to furnish alternative transportation or buy some more boats. We are going to get a profit out of this Atlantic service at some time and I expect to be here.

Mr. FULTON: I understand that two million more revenue miles were flown and it appears that that increase was on the Atlantic service. But, as Mr. McGregor has stated, it was partly, if not largely, due to the immigrants carried and that will be a non-recurring traffic.

Mr. MCGREGOR: I would like to explain something about the trend between 1948 and 1947. For part of 1947, we were flying the Transatlantic service with six borrowed aircraft which were not a capital cost to the company, and did not bear interest charges. For the remainder of 1947 and for part of 1948 we had these six aircraft in our possession. But in 1948 we carried the full shot of, first, nine and then eleven North Star pressurized Mark 2 aircraft with their associated charges for depreciation and interest.

Mr. FULTON: Yes, but you also have the increase in revenue-earning facilities which they brought.

Mr. MCGREGOR: Yes, but that would be limited by the traffic offered.

Mr. MILLER: To what figure was your capital investment increased in 1948?

Mr. MCGREGOR: I think the figure for the year was \$14,000,000.

Mr. MILLER: That would be a considerable percentage of increase.

Mr. MCGREGOR: Yes, several hundred per cent.

Mr. FULTON: What have you to say as to the effect of competition by the new American air lines? But I suppose it will be better to leave that question until we come to the details of the Atlantic service.

Mr. MCGREGOR: With respect to our service providing transportation between the United Kingdom and Canada, we do not steal a great deal of United States traffic, and on the other hand neither do the United States lines steal a great deal of traffic from us.



Right Hon. Mr. HOWE: What proportion of the traffic between Canada and the United Kingdom do we carry?

Mr. McGREGOR: It is more than half; it is more in the order of three-quarters.

Mr. FULTON: How many air line companies serve Canada and the United Kingdom?

Mr. McGREGOR: Two, Mr. Fulton.

Mr. FULTON: BOAC and ourselves?

Mr. McGREGOR: Yes.

Mr. FULTON: And how many air lines serve Canada and Bermuda?

Mr. McGREGOR: One.

Mr. FULTON: Just ourselves?

Mr. McGREGOR: I beg your pardon. There is a service through the Colonial Air Lines which has a connecting service at New York, which can provide air carrier transportation between Ottawa, Montreal and Bermuda.

Mr. FULTON: And how many between Canada and the British West Indies?

Mr. McGREGOR: Just the one, T.C.A. It is possible to transfer by air over a combination of changes other than by T.C.A.

Mr. JACKMAN: Does the fact that you have a Bermuda-West Indies run mean that you can use on that run the planes which you ordinarily use in the summer time in connection with other services? Does it enable you to get more use of a plane per year because of that north-south route?

Mr. McGREGOR: That is true in so far as it relates to the flights beyond the basic minimum of the service on the two different routes, which are concerned.

Mr. JACKMAN: It occurred to me there might be some benefit obtained by the interchange of equipment, perhaps, with other lines. I do not know if it would be possible. I think it was pointed out that we had something in the way of a seasonal peak in Canada because of weather conditions. I wondered if it would be possible for us to lend some of our equipment, perhaps in the winter, and to borrow some equipment in the summer, just as they do in the case of rolling stock on the railways. Has such a thing ever been tried out, or thought about?

Mr. McGREGOR: Yes, it has been thought about a great deal and it has been tried, in reference to specific types of aircraft, between companies in the United States, to my knowledge, and perhaps elsewhere. But it is something which is fraught with difficulty, because it requires, first of all that the type of aircraft operated by the two companies be identical, even as to their instrument panels, so that the crew may have familiarity. We would have a problem and for that reason we are not susceptible to the idea, so far as American carriers are concerned who do not operate aircraft of a type identical to the North Star. It is conceivable, however, that such a thing might be worked out.

Mr. JACKMAN: Have you a chart showing seasonal fluctuations in your traffic?

Mr. McGREGOR: No, I have not. It would be a very interesting item. I could read you the figures by months if you care to hear them.

Mr. JACKMAN: There is a very big hump in the summer.

Mr. McGREGOR: Yes.

Mr. JACKMAN: And it represents a minimum greatly over 100.

Mr. McGREGOR: Yes.

Mr. JACKMAN: Might I ask what you call your figure for completed flights?



Mr. MCGREGOR: We have a percentage of flights completed. I believe it is in the statistical data; and we also maintain records which are not included in our annual report, of the percentage of total flights departed, classified as (a) on time; (b) within ten minutes of schedule; (c) within an hour; and similar figures for arrivals. Those percentage figures, which are the crux of air line service, are showing increasing improvement.

Mr. JACKMAN: You have them listed on page 22?

Right Hon. Mr. HOWE: I do not think you have them.

Mr. MCGREGOR: The figure for 1948 was 96·1 per cent of schedule mileage completed.

Mr. JACKMAN: Completed eventually, if not on time?

Mr. MCGREGOR: Perhaps.

Mr. JACKMAN: Does that only apply to domestic or to both?

Mr. MCGREGOR: That is the domestic figure, and 95·3 per cent is the figure for the overseas service.

Mr. JACKMAN: If you were held up for six hours at Goose Bay or Gander, or held at a London airport, that would still be a schedule flight completed?

Mr. MCGREGOR: Correct.

Mr. JACKMAN: Where is the figure showing the amount of delay in completion?

Mr. MCGREGOR: The only satisfactory way we could record that is in the manner which I described.

Mr. JACKMAN: The reason I asked is because—well, I may have suffered bad luck; I do not travel very much by air—but there always seems to be a delay particularly with respect to the Transatlantic service. On a trip which I made there was from four to six hours delay to Newfoundland. Then, while the weather was quite all right there, if we took off, we might not get back to Shannon or Prestwick, so we did not take off. And en route to Newfoundland we went to Greenland and we had something wrong with the door closing. So that took some hours of delay. There had been a head wind against us, a wind of 60 miles an hour, and it was decided to refuel. Then, at Sydney they had to obtain the services of a welder from the town in order to fix something on the exhaust. That meant a further delay. In fact, we were delayed at all stages of the route coming back and also going over. I did not save very much time by not going via a fast ship. My wife followed me a few days later and she was also delayed, but this time by snow. I cannot blame you for that. How regular are your flights? And can anything more be done about it which will not violate the cautious policy for which the line, quite justly, is famous? Are we bound to have delays all the time, or just particularly in October or November periods?

Mr. MCGREGOR: I think the description of your flight indicates that it was very much "hoodooed." Adherence to schedule on the Atlantic—and this is true of all the air lines operating over the Atlantic—is not nearly so good as compared to domestic services because of some of the facts you mentioned.

The aircraft are required to take off with full loads of fuel, and they must be very certain, as there is a point of no return referred to in all Transatlantic flights, that when they do take off they are able to get to either their destination or to a satisfactory alternative. The point of no return being in a flight is one of great interest to the airline, to its crew, and naturally to its passengers. The question of improvement of regularity—whether there is only a rift of sunlight in the clouds or not—is being looked at optimistically. Two things affect it, the influence of the weather being the first. Continued installation of more satisfactory equipment which permits landing in the lower limits of weather and visibility is going apace, and has already had an effect, particularly



on our own domestic and Transatlantic operations. The question of mechanical difficulty is one that is very rapidly decreasing in importance as many small mechanical sources of delay are located in a new type of aircraft and corrective action taken by design—but it is a surprisingly slow process.

Mr. JACKMAN: You have a very high record on both the domestic and overseas services as far as schedules completed is concerned, but could you say that 50 per cent of the overseas journeys are completed on time, or within perhaps an hour?

Mr. MCGREGOR: As I remember, the figure is something like 55 per cent within 30 minutes, but the figure varies widely with the season.

Mr. FULTON: Before we adjourn, may I ask whether Mr. McGregor or his officials could bring for the meeting tomorrow a breakdown of the figures for the overseas service as between U.K., Bermuda, and British West Indies service, with particular reference to revenue, operating expenses, and net deficits. I am speaking of figures for 1948.

Mr. MCGREGOR: I cannot say whether it would be possible but I would point out that all three services have operated for different periods in 1948 and I wonder whether the figures would mean anything. The Bermuda service began in the summer. The Caribbean service began only on December 1st, which would be only one month.

Mr. FULTON: Would you get figures on the Caribbean service up to the present, or as near to the present time as you can? Perhaps we could have a four-month period?

Mr. MCGREGOR: I do not think the March figures are compiled.

Mr. FULTON: Could you get figures for us for the duration of the Bermuda service and for the year on the U.K. service?

Mr. MCGREGOR: I will see what I can do.

The CHAIRMAN: Gentlemen, we will adjourn to meet again tomorrow.

The committee adjourned to meet Thursday, April 7, 1949, at 11 a.m.



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,  
April 7, 1949.

The Sessional Committee on Railways and Shipping met this day at 11.00 a.m. The Chairman, Mr. S. M. Clark, presided.

The CHAIRMAN: Gentlemen, we have a quorum.

At this point I might say that there is an odd member slipping away home and if we can clean this up today it will be helpful.

Mr. MAYBANK: To say that an odd one is slipping away is an understatement.

Mr. HLYNKA: I think, Mr. Chairman, we should make our recommendation now. I must leave at 12.15 today. I do not think the officials before us are going to change their minds nor do I think that we will change our minds. Why not vote on the matter, and make our recommendations? Then, we could discuss whatever other matters are left.

Mr. MILLER: You are speaking of the proposed move to Montreal?

Mr. HLYNKA: Yes.

The CHAIRMAN: I have not had too much experience with this job of mine, and I have just been talking to the clerk of the committee. I do not want to dodge anything in any way but this particular matter is not mentioned in the report. We have always had a meeting, when the proceedings are finished, for the purpose of making recommendations to the House. Now we are really taking evidence—you may check me if I am wrong—but we are really taking evidence from the witnesses, asking questions, and so on. When we prepare our report to the House we generally do so at a special meeting for the purpose. Is that not correct, gentlemen? We always have a meeting and our recommendations to the House, if any, are considered at that meeting.

Mr. MAYBANK: We generally have an executive session, is that what you mean?

The CHAIRMAN: Yes, before any report is sent to the House.

Mr. MAYBANK: I believe there have been some exceptions to the statement but they would be of this nature. There have been times both in the handling of the C.N.R. report and the T.C.A. report when, at the conclusion, the motion would be that we accept the report. That is about all there was to it and the chairman, thereupon, drew up a short report. I think those are the only exceptions. When there was anything of a debatable nature we have had these executive sessions and I know in one case we had two or three sessions in connection with the C.N.R. report. The main point which you are now making, Mr. Chairman, is that we generally have dealt with recommendations in an executive session.

The CHAIRMAN: Yes, that is it. The only reason I made my suggestion is that this controversy is not included in the report, and I wonder whether you would rather have that executive session now.

Mr. FULTON: Why do we not have our executive session now and decide on this particular matter? We could finish it and come back this afternoon to the report. Perhaps we could even proceed with the report during the balance of the morning, after the executive session.



The CHAIRMAN: That would be possible.

Mr. MAYBANK: You are not suggesting by the fact that the item is not mentioned in the report that it is outside of our terms of reference?

The CHAIRMAN: No.

Mr. MAYBANK: I did not think so.

The CHAIRMAN: It could be dealt with separately from the adoption of the report and the auditor's report. If we make any recommendations they will be included in the report which goes to the House.

You have heard the suggestion, and many of the members here have been connected with committees longer than I have.

Mr. MAYBANK: I think the position you have taken is quite correct. Mr. Fulton's suggestion is that we go into executive session and come back to the report later.

Mr. MUTCH: There might be some virtue in the suggestion in that the two matters keep crossing each other, and consideration of one delays the other. It might speed up the adoption of the report and the examination of the auditor's report if the other business was out of the way.

Mr. MAYBANK: In order to test the feeling of the committee perhaps it might be moved now that we go into executive session and deal with what report will be submitted on this one matter. I will so move.

Mr. MILLER: I second.

The CHAIRMAN: It is moved that we go into executive session and deal with the particular phase of our problem which has been mentioned.

Mr. NICHOLSON: Before the motion is put I would say that it seems to me of value to have the whole report discussed. We did not have a complete discussion yesterday. The officials are fairly busy people and I would not imagine that it is necessary to keep them waiting. We have heard the evidence of the Winnipeg delegation and we have had the company point of view, but this proposed discussion might take considerable time. It would hardly seem necessary to keep the officials of the company here while we debate the question and then have them come back so that we can discuss the report later.

The CHAIRMAN: I would say that phase of it has been pretty well covered but perhaps someone would have questions to ask.

Mr. MILLER: It would be likely to save time for the officials in the long run.

The CHAIRMAN: I believe it would. The matter has reached a point where we might as well decide it. Mr. Maybank moves that we deal with this one phase in executive session. Shall the motion carry?

*Carried.*

(The committee went into executive session.)

#### AFTERNOON SESSION

—The committee resumed at 4.00 p.m.

The CHAIRMAN: Gentlemen, we have a quorum. I wonder if we may go on with the report.

Mr. MOORE: Mr. Chairman, before proceeding this afternoon I would like to rise on a question of privilege.

At a meeting which was held this morning in this room we were told we were in camera—at least that was my understanding. However, just before I came to this meeting I was approached by a member of the press and asked questions pertaining to the proceedings which took place this morning. I



informed the gentleman that I was under the impression that it was a closed discussion and I did not feel that I could give him any information. He then went on to inform me that a press report had gone out from this meeting.

I would like to know if that was in order?

I might say, that before coming in, I went to see Dr. Beauchesne and asked him if it was in order for members to give press reports of a meeting held in camera. Dr. Beauchesne informed me it definitely was not in order.

I would like to know the idea behind the press report going out from a meeting, which to most of us, was in camera.

I might add that I have no objection to the reports, on my own behalf, but I do object to meetings being termed in camera and then reports being made. If that kind of thing is done it is obviously impossible, in the House of Commons, to hold meetings in camera, and it might possibly be that information of a much more serious nature than that discussed this morning could be disclosed to the great danger of the country as a whole.

Mr. MAYBANK: I think I can cast some light upon the matter of complaint.

It should not be thought—or at least I do not think it should be thought—that any member of the staff of the House of Commons gave out such a statement, although I believe that he would have been quite justified in doing so. The clerk has kept a record and that record is for the benefit of the public and will be printed in due course.

However, the facts respecting the giving out of information, as far as I know them, are as follows. The press came into this room immediately we had risen and they asked what had taken place. I think they were addressing the clerk or partly him, partly me, partly Mr. Mutch, and partly two or three other people.

I stated to the press, because I was the one who could give the information best at the time—the motion which I had made. I stated to the press, likewise, either the exact words or as nearly as I could the motion made by Mr. Nicholson. I told the press that the motion was put first—Mr. Nicholson's motion—had been defeated. I do not think I told the press, but rather somebody else told them, how various people voted in Mr. Nicholson's motion.

A little later I was asked if I could state how people voted on my motion and I said yes I could, and thereupon I did so.

That clears up the factual matter lying behind the report.

The next comment I would make with reference to Mr. Moore's question of privilege is that there is no question of privilege involved. A meeting in camera is not a secret meeting but it is a meeting held in that way for convenience. Had that idea been made perfectly clear in the beginning—that we desired to meet and discuss our positions in secret—there would have been objection lodged from several members immediately, and I would have been one of them. As far as I am concerned, when I meet in any meeting of that sort, any person who reports accurately facts respecting me is quite within his rights. Furthermore any person who reports accurately anything which is done is quite within his rights. There is no rule, either in Beauchesne or in any other place, which can impose secrecy upon the elected members of parliament with reference to the discharge of their duties, with but a very few exceptions. One outstanding exception is the secret session of the House of Commons when it is held in wartime. Another occasion is the secret session of committees such as the committee on Defence of Canada regulations. The distinction is drawn in those cases that the meetings are secret, necessarily so by reason of the things discussed.

The facts which I disclosed to the press, I had a perfect right to disclose. As I have said I informed them of the terms of my motion and that it was defeated six to five. I stated those who voted against it—I stated that Mr. Moore voted against it, that Mr. Nicholson voted against it, and I stated



which others voted against it. I have no apologies to offer. I was quite within my rights and I accord to any person else the same rights to describe any action of mine as long, of course, as he is accurate, as I was accurate in my description of Mr. Moore and what he had done in this committee.

Mr. MOORE: Mr. Chairman, that is not the point I raised. I would like to know whether members of these committees which hold secret sessions, individually as members, are permitted to make statements to the press. If that is so it is quite all right but I want to claim that privilege and I do not want to deny a member of the press a statement from myself if it is in order.

Mr. MAYBANK: It is not a privilege, it is a right.

Mr. FULTON: I think a distinction should be drawn—and I am expressing my own impression here—that it was an executive meeting in camera and distinctly not a secret meeting.

Mr. MAYBANK: If that had been the intention what do you suppose the people around the table here would have said?

Mr. FULTON: I think what I have stated is the fact.

Mr. NICHOLSON: I have no objection to telling the world how I voted but I cannot see merit in the suggestion that members of the press should be excluded when we confine the discussion to members of the committee. As I feared this morning's business was being turned into a political manouvre to hurt T.C.A., and the discussion this afternoon confirms my suspicion, in that Mr. Moore and I are being represented to the people of Winnipeg as the members who have killed the motion for delaying the move for a year. I think it is most unfortunate that we met this morning and had the discussion. I felt that with five Manitoba members here out of the eight, that we should delay until we had a larger group present. My motion was voted down, and the motion moved by Mr. Maybank was quite unsatisfactory to the people of Winnipeg and to everyone else, but he gave a press statement after we had adjourned for the obvious reason of embarrassing Mr. Moore and myself.

Mr. MAYBANK: No obvious reason at all, except the reason of truth.

The CHAIRMAN: Gentlemen, have we a book of rules here? I think, when the witnesses have been cleared from the room, we have had executive meetings before. I think the clerk kept a record and at some point that record would become—

Mr. MAYBANK: It is public property.

The CHAIRMAN: Yes. I may be wrong, but it was my idea that when we had cleared from the room the non-participants, the members of T.C.A., it would give a free discussion; we could tear down our hair and really go to town.

Mr. NICHOLSON: Why did you ask the press to retire?

The CHAIRMAN: I do not think I did.

Mr. MUTCH: I have no recollection of that.

Mr. LOCKHART: They were all asked to retire.

Mr. NICHOLSON: The room was cleared.

The CHAIRMAN: Has anyone a rule book?

Mr. MAYBANK: I recall this to you. Many executive sessions of the Prices Committee were held last year and almost immediately what was said in a session was made a matter of public controversy in the House. Mr. Fleming, for example, said with reference to something discussed when drafting the report, that Mr. Maybank at a certain executive session said so and so, came in with such and such a motion, and generally discussed my action. I had no complaint unless he had been inaccurate and in the particular matter I have in mind he was accurate. That procedure has been followed to a considerable extent as



well in the Radio Committee. As soon as the Radio Committee had an executive session the information was in the press. Why should it not be in the press?

The only responsibility upon anybody who knows the facts is to be accurate, and nothing else.

Mr. MOORE: Was there a record kept of the proceedings that took place in camera?

Mr. MAYBANK: There will be, regarding motions.

Mr. MOORE: If there was a record kept I have no objections.

Mr. MAYBANK: Since the record happens to be under discussion, when I was giving the statement to the press of which I have just informed the committee, and by the way I was not alone—

Mr. MUTCH: No, I was present and I took no exception. I have just come into the room now.

Mr. MAYBANK: I did not mention your name because it is not necessary to scatter responsibility, and certainly it is not very serious responsibility. At any rate, while I was present the newspaperman turned to the clerk, asking about the record and he was informed by the clerk that a record had been kept. As a matter of fact, you can look up the reports of any committee and you will find all motions that are made. What in heaven's name would the use be of making any decision and recording it if it does not find its way into the public record. There would be dispute as to what had been decided.

Mr. MUTCH: It is a universal practice for the secretary to record not conversation but decisions of the committee. His record is incorporated in the report of the committee.

I have just now caught up with what is going on here and I would say that I added my quota of information to anything that might have been forgotten. There was nothing unusual, as a matter of fact I still do not see anything unusual about it, and, if I look penitent, it is because I have a sore face.

The CHAIRMAN: Beauchesne's parliamentary rules and forms, item 640 says "Any member of a select committee has a right to have the room cleared if he wishes to take the opinion of the committee upon any matter arising".

The clerk informs me that a record has been kept and that it is printed with the rest of the evidence.

Mr. NICHOLSON: Does that include the names of people voting?

The CLERK: Yes, if it is a recorded vote.

Mr. NICHOLSON: Was this a recorded vote?

Mr. MAYBANK: No, it was not a recorded vote. I recorded the vote afterwards and if any person thinks I was inaccurate he may say so, but I say that I was not inaccurate.

The CHAIRMAN: I am sorry this discussion has come up.

Mr. LOCKHART: The whole thing is a fiasco and it does not do credit to the great work being done by Trans-Canada Air Lines.

Mr. MAYBANK: I do not think that Trans-Canada Air Lines is involved in this.

Mr. MOORE: Since I raised the point I recommend that it be dropped. I just wanted to be sure of the information.

The CHAIRMAN: I appreciate that, Mr. Moore.

If I made any mistake, I am sorry. I did not give any information but that is not the point. This is just a discussion over a certain rule and what takes place or does not take place. I might just pass it over to you, Mr. Moore. I am not an expert on rules but the clerk has handed me that information.



Mr. MAYBANK: Whether I am agreeable to it being dropped or not dropped is one thing, but I wish to remark that I am completely unrepentant.

The CHAIRMAN: Gentlemen, let us take up the report where we left off. We had dealt with page 3. Let us deal with pages 4 and 5. When we adjourned Mr. Fulton suggested that he had certain questions.

Mr. FULTON: I ended by asking for certain figures on the overseas service which I have now, thanks to the company's officers. I think my further questions can be better related to the detail of the domestic and overseas operations. I have no questions for the moment.

The CHAIRMAN: Are there any other questions on pages 4 or 5? What about page 6, sources of T.C.A. revenue, service development, nature of T.C.A. expenditures?

Mr. FULTON: I was going to ask about some of these services. I see they are referred to on page 8. Perhaps I had better wait till we reach page 8 before I bring that up for discussion.

The CHAIRMAN: What about passenger traffic, page 7?

Mr. HLYNKA: I was going to ask you, Mr. Chairman, if there is a special rate in connection with those 6,000 D.P.'s which were brought over by T.C.A.?

Mr. MCGREGOR: The 6,000 to whom you refer were not regular passenger flights. They were passengers carried on special charter flights arranged with the department. I am not quite clear as to exactly what that arrangement is. I do know that we charge them a fee for the charter service.

Mr. HLYNKA: Then I would like to ask you this question about that: Would the T.C.A. be equipped to increase or speed up the immigration traffic from Europe to Canada? Would you have a sufficient number of planes to be able to increase your present volume of traffic of this kind?

Mr. MCGREGOR: The possibilities are very good, depending on the season. During the summer and autumn regular passenger traffic is quite heavy and we usually have capacity loads, but that is not so in the winter months and during the winter we might be able to increase the number of passengers of this type we carry.

Mr. HLYNKA: What number per month are you carrying at the present time?

Mr. MCGREGOR: I would hazard a guess that it would be at least 2,000.

Mr. HLYNKA: Has the Department of Immigration or the Department of Labour communicated with the T.C.A. to see if there is any opportunity of increasing the number of immigrants being carried on this type of service?

Mr. MCGREGOR: No, that arrangement is not one in which we are directly concerned. The arrangement is that we supply a specified number of flights per month with the privilege of extending the specified minimum number of flights. What the arrangements are with the department, other than that, I am not in a position to state.

Mr. HLYNKA: But they are not being used continuously at the moment?

Mr. MCGREGOR: No, they are only being used intermittently at the present time.

Right Hon. Mr. Howe: I think the situation there is that surface transportation has improved a great deal and using it for the purpose of immigration is being found more satisfactory.

Mr. MAYBANK: What was that?

Right Hon. Mr. Howe: Surface transportation—boats.

Mr. MAYBANK: I thought you said service.

Right Hon. Mr. Howe: No, surface transportation.



The CHAIRMAN: Are there any more questions on page 7?

Mr. FULTON: I was going to ask you what the difference is between revenue passenger miles and revenue miles?

Mr. MCGREGOR: Revenue miles refer to aircraft as a whole. Revenue passenger miles is the number of passengers actually travelling the air line.

Mr. LOCKHART: I want to ask you a question about air mail. I understand that there are two kinds of air mail, that there is that which is actually designated as air mail and which carries the 7-cent stamp, the regular air mail rate, and also that there are times when other first-class mail is carried across the ocean, regular mail. Is that correct?

Mr. MCGREGOR: You mean on the transocean flights?

Mr. LOCKHART: Yes.

Mr. MCGREGOR: I do not know of that being done, but we will carry at the fixed mail rate all mail that is turned over to us to carry. You see, when the mail comes to us it is bagged mail, we do not know what classes of mail are contained in the bags.

Mr. LOCKHART: Then you would not be in a position to say whether it is air mail or not?

Mr. MCGREGOR: No.

Mr. LOCKHART: I have been informed that there is a lot of mail on which the air mail rate has not been paid that is being flown air mail, and I wondered why that was being done.

Mr. MCGREGOR: I do not know personally about that, but I believe it is done.

Mr. FULTON: I understand that you are negotiating a new mail contract now?

Mr. MCGREGOR: Yes. I think there is some suggestion that a contract is not entirely necessary and that the arrangement might be covered by a special agreement between the post office and the company; that the now expired experimental basis of remuneration be continued.

Mr. FULTON: You say in your last paragraph under the heading mail traffic;

No new mail contract was negotiated in 1948, the post office paying T.C.A. at a fixed monthly rate of \$450,000 during the initial and experimental period of first class mail transport. This arrangement will continue until March 31, 1949 and provides, roughly, for a rate of \$2 per ton mile, a lower return that is received by airlines of comparable size in the United States.

Mr. MCGREGOR: Per unit of mail carried. There are three or four points in the present arrangement which favour it from the standpoint of the Post Office Department as well as from the standpoint of the company. It is a fixed revenue which does not fluctuate in relation to volume of traffic and that is a very satisfactory thing to have from the economic standpoint. It is a better arrangement.

Mr. MAYBANK: With reference to mail, is it a fact that letters carrying four cents are very often if not usually carried air mail just the same as letters which carry the 7-cent air mail stamp? That does not make any difference in the rate you receive? You do not know whether the mail you carry bears a 7-cent stamp or a 4-cent stamp, do you?

Mr. MCGREGOR: No.

Mr. MAYBANK: In other words if there is a loss on a 4-cent letter by sending it air mail it is the postmaster's loss?

Mr. MCGREGOR: That is correct. Our contract calls for us to carry all mail that they give us, providing it is first-class mail not over one ounce in weight.



Mr. MAYBANK: Yes, I see.

Mr. NICHOLSON: Have you any information as to the percentage of 4-cent rate mail that you are carrying?

Mr. MCGREGOR: No. The arrangement is that we carry all the mail for which we have cargo space available. We have had no substantial difficulty in doing that so far.

Mr. NICHOLSON: And what is the advantage of paying the 7-cent air mail rate instead of 4 cents?

Mr. MCGREGOR: None that I can see, but I do not know why it is still being done. I think when people put a 7-cent air mail stamp on a letter they expect that it will be carried air mail, they feel that they are sure that it will go air mail whereas if it only carries a 4-cent stamp the question of its going air mail is problematical. I would say, however, that we are getting a great deal of first-class mail.

Mr. NICHOLSON: Suppose you mail a letter at Ottawa to-day at the 4-cent rate, that it is addressed to Vancouver, would it go to Vancouver air mail regardless of the space available?

Mr. MCGREGOR: There are two points concerned there, the first stipulation is that each individual mail unit shall be only up to an ounce; the second stipulation under the post office agreement is that air mail shall be dispatched as expeditiously as possible.

Mr. NICHOLSON: Does all this mail go by plane?

Mr. MCGREGOR: Yes, essentially all of it. There may be occasions when there would be more mail than our flights could carry, and sometimes we are limited by weather conditions, low ceilings and that sort of thing. Let us say that we had more mail than we could carry out of Toronto on our night flights. Any left over, let us say it was going to Ottawa, would be sent forward by the night train to Ottawa as being the next most expeditious way of getting it there.

Mr. VIAU: Have you blind flying facilities at all your airports?

Mr. MCGREGOR: No, not at all of them.

Mr. VIAU: The reason I asked that is this, that I took a plane in Winnipeg on a Tuesday evening expecting to be here early Wednesday morning and I wound up by landing in Montreal. The next flight I got out of Montreal was supposed to bring me here and I landed up in Toronto. I then got on a plane in Toronto and found myself back in Montreal—

Mr. MCGREGOR: I remember, that case was a classic one. We heard a great deal about it.

Mr. VIAU: I know that I had to change in Toronto, and then I was back in Montreal, and then I was in Toronto again. Finally I had to use rail transportation to get here. I was wondering if your air mail is handled in that way too.

Mr. MCGREGOR: No. That was a most unusual experience you had. If we had more air mail in Toronto than we could handle it would be entrained and sent forward to its destination in that way as being the surest way of getting it through at night.

Mr. FULTON: Have you blind landing facilities at all your airports?

Mr. MCGREGOR: No, not yet.

Mr. FULTON: Can you land at all fields under all kinds of weather?

Mr. MCGREGOR: No, there are limits. We have not finished installing our blind landing equipment at all airports, but that is being proceeded with. As you appreciate, there are limits, safety limits, which must be strictly observed and we cannot bring an aircraft in to land when the limit of visibility or the



ceiling is below the safe limit. There are specific limits and those limits are determined by observation. If the ceiling is lower than the stated minimum the aircraft passes up that point and does not come in to land.

Mr. FULTON: On page 9 of your report you say, "The installation of instrument landing systems proceeded at major airports. This radio device, which provides precision landing guidance to aircraft when visibility is poor, promises new standards of schedule reliability to Canadian aviation. T.C.A. aircraft are equipped with the I.L.S. and its crews have been trained in its use. At the end of 1948, ground units were in operation at Montreal, Toronto, Winnipeg, Saskatoon, Lethbridge, Calgary and Vancouver". Why are not Malton, Moncton, Sydney and Windsor equipped in the same way?

Mr. MCGREGOR: I think that is a matter of time and money and getting around to the installation of the service. We are equipping the airports in the order of their importance from the standpoint of volume of traffic. I am speaking now of a matter which is entirely under the Department of Transport.

Right Hon. Mr. HOWE: In the case of Moncton they needed a new runway and that is now being installed.

Mr. EMMERSON: That is being installed now?

Right Hon. Mr. HOWE: Yes.

Mr. EMMERSON: Do you intend to install one at Sydney?

Right Hon. Mr. HOWE: Not yet, apparently.

Mr. FULTON: We read in the press reports that in connection with the Berlin airlift the pilots over there are bringing their planes in and landing successfully under the most adverse flying conditions. Is there anything being developed over there which we could apply to our service to advantage?

Right Hon. Mr. HOWE: Over there you see they are not carrying passengers and they can of course take more chances.

Mr. FULTON: I would like to ask you whether you think there are any technical developments there which are in advance of what we have?

Right Hon. Mr. HOWE: Do they not use the I.L.S. generally? Yes.

Mr. MCGREGOR: I understand they use both the G.C.A. and I.L.S. on the Berlin airlift; but they have not got the traffic liability and therefore they would do things which would not be done by passenger-carrying aircraft.

Right Hon. Mr. HOWE: I.L.S. will get you down 99½ times out of 100; but that is not good enough for a load of passengers.

Mr. MAYBANK: When I was over there in April, they had several crashes within a week, with some resulting deaths. I think that the English had more than the Americans.

Right Hon. Mr. HOWE: That is where the ½ of 1 per cent came in.

Mr. MAYBANK: That may well be. They could have several, and still have a low percentage.

Mr. NICHOLSON: On page 8 we have the routes listed. I understand there is a new service to go on shortly between Vancouver and Edmonton?

Mr. MCGREGOR: It is proposed, for the summer months, at least, beginning on May 1, to increase the trans-continental service to three, from the present two flights per day, and to divert the service between Winnipeg and Vancouver over Edmonton rather than over Calgary. That allows us to eliminate the existing DC-3 service by substituting a North Star service; and it provides for an additional passenger load over the foothill cities to the west coast.

It also increases the mileage to some extent, but it provides several things, all of which are desirable in the summer time, such as additional transcontinental capacity and faster service to and from Edmonton, both east and west.



Mr. FULTON: How will that flight go?

Mr. MCGREGOR: It will fly subject to the Department of Transport's approval, a suggested route which we have submitted. It would be Winnipeg, Saskatoon to Edmonton; and then Edmonton, Calgary, Kimberley to Vancouver.

Mr. FULTON: I am told by flying men that the airport at Kamloops, which is practically on the direct line from Vancouver to Edmonton, is suitable for a station such as you have had at Kimberley; and that the direct line route is as suitable, if not more so, than the route which would go over the Kimberley-Lethbridge run, and that it would result in a considerable saving in miles.

Mr. MCGREGOR: I understand it is the intention of the Department of Transport to investigate the possibilities of a direct airway this summer.

Mr. FULTON: What are the factors against it at the present time?

Mr. MCGREGOR: Against installing the airway?

Mr. FULTON: Against flying direct from Vancouver to Edmonton.

Mr. MCGREGOR: An airway consists of beacons and so on; and those do not exist. It is very difficult to install that type of equipment because it requires power, and it requires that the men have some connection with civilization, in some form or other. In addition, supplies must be brought in and out, and it must be located electronically, so that the beam is corrected over its entire range.

Mr. FULTON: How many of these would you need that way, between Vancouver and Edmonton?

Mr. MCGREGOR: I believe it would be three.

Mr. FULTON: The Kamloops airport would be very useful to you as an alternative field, would it not?

Mr. C. P. EDWARDS: We should have to have two new intermediate fields and about three ranges which are all very expensive items.

Mr. FULTON: You would need two intermediate fields, you say?

Mr. C. P. EDWARDS: Yes.

Mr. NICHOLSON: What do you estimate would be the cost for these intermediate fields?

Mr. C. P. EDWARDS: Roughly, I would say \$1,000,000.

Mr. NICHOLSON: Is it proposed to have the North Stars call at Saskatoon?

Mr. MCGREGOR: Yes.

Mr. NICHOLSON: At what time would this flight leave Vancouver?

Mr. MCGREGOR: I have no schedule here but I could get the times for you. I think they arrive at reasonably convenient times at Saskatoon although there are limitations on transcontinental flights which begin and end at Winnipeg and Vancouver.

Mr. FULTON: Would it then be possible to institute an inter-city flight between Vancouver, Kamloops and Edmonton, if you get that flight established?

Mr. MCGREGOR: Inter-city services are flown in our DC-3 aircraft. They are not adaptable to high altitude flying but they are very much easier to get in and out of fields. We do not consider it to be an entirely satisfactory operation, although that is a point which is open to contention. But to pilot DC-3's over the mountains on the basis of their one-engine performance at high peak summer loads—that is not what we like to see from the safety standpoint.

Mr. FULTON: You do not operate DC-3's between Vancouver and Lethbridge, and you have not done so.

Mr. MCGREGOR: No, never.



The CHAIRMAN: Are there any other questions on routes?

Mr. FULTON: We are on routes now.

The CHAIRMAN: Yes.

Mr. FULTON: I would like to ask the Department of Transport representatives if they can say how far they have got in their consideration of this matter which we are discussing and whether they can make any definite statement with regard to the airport at Kamloops?

Air Vice-Marshal A. T. COWLEY: The service under way will pass over Kamloops, where the airport is situated in a valley, which precludes safe operations under certain conditions. The weather must be fine in order to get in and out.

Mr. FULTON: Well, it generally is.

Air Vice-Marshal A. T. COWLEY: Yes.

Mr. FULTON: I would refer you to the airport at Castlegar. I have landed there myself and it is a very hazardous operation.

Air Vice-Marshal A. T. COWLEY: Castlegar is used by the Canadian Pacific Airlines, but they do not go in there if conditions are below their limits.

Mr. FULTON: It is a very difficult airport to use. The approach to the Kamloops airport is considerably better than the approach to Castlegar.

Air Vice-Marshal A. T. COWLEY: That is correct. You would have to break clouds at 6,000 feet in order to be safe at Kamloops. The weather usually permits it, but not always. It could be done, but not done regularly.

Mr. FULTON: Do I take it then that, at the moment, your intention is to use Princeton as an airport?

Air Vice-Marshal A. T. COWLEY: Princeton is where the new proposed route from Edmonton to Vancouver will join up to the old route which went through Lethbridge. That also comes through Princeton; that is where the two routes would join up again, not as a landing ground but at a point on the airway. It would not be a point of call.

Mr. FULTON: You would need some sort of installation at Princeton, would you not, for the purposes you have described?

Air Vice-Marshal A. T. COWLEY: No. It is already there; it is a range station.

Mr. FULTON: Is there an airport there?

Air Vice-Marshal A. T. COWLEY: There is an airport there.

Mr. FULTON: Of what size? Would it not be feasible to move the installation?

Right Hon. Mr. HOWE: I would be surprised if you ever got the T.C.A. to use anything but four-engine planes across the mountains.

Mr. FULTON: Even if T.C.A. did not stop there, they have a range station at Kamloops, and they could make that airport larger, more useful, and more valuable.

Air Vice-Marshal A. T. COWLEY: The runways at Princeton are 5,600 feet by 800 feet and they are turf; it is not a hard surfaced airport.

Mr. FULTON: But the runways at Kamloops are hard surfaced, although they may not be as long.

Air Vice-Marshal A. T. COWLEY: The runways at Kamloops are 5,290 feet by 200 feet.



Mr. FULTON: You will agree with me that Kamloops is not very far out; and the route from Vancouver to Edmonton via Kamloops is more direct than the route via Princeton.

Air Vice-Marshal A. T. COWLEY: There would not be very much difference in the way of miles.

Mr. FULTON: Not very much, no, but some. You have a range station at Ashcroft?

Air Vice-Marshal A. T. COWLEY: Yes.

Mr. FULTON: And that would be on the same route?

Air Vice-Marshal A. T. COWLEY: That could be used, yes.

Mr. FULTON: What would be the expense of installing a range station at Kamloops?

Air Vice-Marshal A. T. COWLEY: The expense of installing a range station at Kamloops, referring to the estimates, would be \$150,000.

Right Hon. Mr. HOWE: And you would have the running expenses on top of that.

Mr. C. P. EDWARDS: Yes, that would probably amount to \$15,000 per year.

Mr. FULTON: Consideration is being given by a private air line to installing a service there, I believe. Take from Vancouver to Kamloops, for example, would it assist them if there was a range station there?

Air Vice-Marshal A. T. COWLEY: Not particularly. They would have to go in under official flight rules any way; and you must have air which is clear as to visibility. Range stations are used when you are flying over a place, going somewhere else, not so much for landing purposes.

Mr. FULTON: You have adequate air service around North Bay, Porquis Junction and Kapuskasing. I cannot find the population figures for those places, but I believe that Kamloops is considerably larger than either Porquis Junction or Kapuskasing. I wonder if Mr. McGregor could say why that service is provided, when, apparently, no adequate consideration is being given to assist a service between Vancouver, Kamloops and Edmonton.

Mr. MCGREGOR: Yes, I think I could. The statement which says we have doubled our service to Kapuskasing is unfortunate, because it is not very descriptive of what happened. We were actually flying four times a week to Kapuskasing. So the doubling of the traffic consists of increasing it to a daily service. That was done for two reasons; not because of the volume of traffic involved therein, but because it is our experience that anything less than daily service is a strong limiting factor on the amount of traffic. In addition, if you have the equipment and the crews established to fly a service four times a week, then to fly seven times a week costs you very little more than the cost of the fuel involved, and it has an advantage in so far as the traffic is concerned.

Right Hon. Mr. HOWE: The reason why we fly it is that we had a service into Kapuskasing and North Bay and when we moved the air line across the lake it left those places without a service, which they formerly had. That is the reason. In fact, I do not think they would have got it otherwise.

Mr. NICHOLSON: It was at one time the headquarters for T.C.A. in northern Ontario.

Right Hon. Mr. HOWE: Yes.

Mr. NICHOLSON: Now that Newfoundland has come into the union, could Mr. McGregor state what changes there will be in respect to Newfoundland so far as it affects T.C.A.?

Mr. MCGREGOR: The advent of Newfoundland into Confederation does not make a great deal of difference to T.C.A. except in so far as customs regulations are concerned. Of course, we always flew into Newfoundland both at Gander



and Torbay. In addition to that, we have our Transatlantic service calling at Goose Bay. So the effect of the official change in nationality of the country has its greatest influence, so far as the air line is concerned, on our immigration and customs regulations.

Before Newfoundland became a province of Canada we did not clear customs in Newfoundland on our incoming Transatlantic flights, but now we will do so on those flights which touch down there, in so far as baggage and passengers are concerned. Through baggage will come straight through in sealed compartments to its destination which is normally Montreal.

Mr. NICHOLSON: Previously, I think, Newfoundland was regarded as a different country from the T.C.A.'s point of view. I was over there in December and I was stalled at Sydney, and I stayed there at my own expense. Normally, when you travel in Canada you stay at T.C.A. expense if you are delayed on account of weather. I might mention in this connection that when we left Halifax, it was a lovely afternoon. There had been a bad storm a day or so previously, but they told us the plane would be going through to St. John's that night and when we got to Sydney, we were told we had to stay there at our own expense.

We stayed at Sydney at our expense, and then we were delayed at Gander for about twenty-four hours the following day. I imagine you should clear with your weather bureau there, the fact that there had been a storm in St. John's and they should have known it would have taken several days to get the snow cleared, rather than have the passengers delayed at Sydney and Gander.

Now, what I want to ask is this. Will you have a better system for predicting weather in the future, and also what about the passengers staying at their own expense at Sydney on their route to Newfoundland?

Mr. MCGREGOR: I do not know the exact circumstances of the flight you refer to, but if a passenger is ticketed through on a flight and the flight is held at an intermediate point due to any circumstances, I do not know why you are required to bear your own cost, unless it was that you had a split ticket.

Mr. NICHOLSON: No, I had through transportation to St. John's, Newfoundland. At Sydney, I was notified the flight was not going through on account of weather conditions in Newfoundland, and the passengers stayed at Sydney at their own expense.

Mr. MCGREGOR: I see. Well, that was a matter of notification. We advance a flight as far along its scheduled route as it is possible to do. For instance, getting back to the case referred to before, if there is what we call doubt about the ability to land a Toronto-Montreal flight at Ottawa, we would advise the Ottawa passengers that there was a doubt they would reach their destination. If they take a chance, they are on their own, and if they find themselves at Montreal, and we cannot go through to Ottawa, then the Ottawa passengers must stay in Montreal at their own expense. The same applies to any flight. Apparently, it was a fault in not having cleared that advice to all the passengers.

Mr. NICHOLSON: Apparently, that had been the rule that passengers who stay at Sydney do so at their own expense, that you did not treat the leg from Sydney to St. John's in the same way that you treated the rest of your system. If you are delayed at Winnipeg, you stay there at T.C.A. expense, is that not right?

Mr. MCGREGOR: Only if there has not been a previous advice that there was a question in the minds of T.C.A. whether they would be able to get into Winnipeg, and the passengers tell us, that they are willing to overfly the point if



necessary. No, it was not any question of the nationality of Newfoundland that created the case you mentioned, it was simply an oversight that you were not told that the flight might be held up at Sydney.

Mr. NICHOLSON: There were several passengers checking at Halifax because the weather had been bad in Newfoundland. It was not till we got to Sydney we were told we would be there overnight. And there was a further delay at Gander, and we stayed at Gander at T.C.A. expense, but not at Sydney.

Mr. MCGREGOR: That was an error on our part in not seeing that you were notified of the doubt.

Mr. EMMERSON: There is one route shown on your time-table,—Sydney to Saint John. Why is it not called Sydney-Pennfield?

Mr. MCGREGOR: Everywhere we have room on our time-tables, we show it that way. I think on the time-table it is shown Saint John-Pennfield. This is a congested time-table, and that is the reason we do not show it; but Pennfield is still the official airport for Saint John.

Mr. CHAIRMAN: Any more questions on routes?

Mr. FULTON: Would it not be a great deal more suitable to have as an intermediate field, where you are using North Stars, one with an asphalt runway rather than a turf runway?

Mr. MCGREGOR: I think the turf runway would have to be very exceptional to allow us to land a North Star on, although we did so for a time at Toronto.

Right Hon. Mr. HOWE: With a four-engine plane you do not worry usually about intermediate airports. We have to fly across the Atlantic where there are not any.

Mr. NICHOLSON: On page 10, mention is made of the British West Indies service, where you have a competitor. In view of the fact that this is a luxury class of travel could the fares not be upped?

Mr. MCGREGOR: As between Canada and those points by the direct service we have no competition, but those fares are classed as international and subject to direction by the International Air Transport Association. Secondly, I do not think that run can be referred to particularly as a one hundred per cent luxury route. A great deal of that traffic is far from that. It is composed of small business people and a great deal of it is medical traffic. Surgery and normal hospitalization in places like Jamaica and Nassau do not exist, and we find we fly a considerable number of potential patients up to Canadian hospitals. I would like to see the rates upped a little on that service.

Mr. NICHOLSON: What is your deficit on that service?

Mr. MCGREGOR: We have only the figures for one month, and the deficit for that month is \$79,489, but I do not consider that in any way as portraying the true situation on the route because it is the first month, and the first month in any of these foreign services is usually the worst. People do not know it exists, and it has not been publicized over a period of months, and there have not been the passengers flown who would be talking among their friends and so on.

Mr. NICHOLSON: How do the T.C.A. rates compare with the ocean rates?

Mr. MCGREGOR: The rate per passenger mile is almost the same.

Mr. FULTON: I want to ask a question about the deficit, and to refer to a statement on pages 9 and 10. I asked you before whether you could not take it is an established fact that deficits on domestic services are decreasing, while those on foreign services are increasing. What I want to refer to starts at the bottom of page 9, and it reads:

In spite of the most vigorous efforts by those associated with the overseas services, there was a deficit of \$1,750,218, after depreciation and interest. This result, however, can be expected of Canada's overseas air operations at the present time.



Now, that, to my mind, establishes in your own annual report that you recognize the fact that there has been opposite tendencies between the returns on the two services, domestic and overseas.

Mr. MCGREGOR: Mr. Fulton, again, as yesterday, I disagree, both as to the interpretation of the wording and what I believe to be the trend. It says "at the present time,"—referring to the 1948 conditions, and the 1948 report,—and this certainly was the case, but I can very definitely assure you that our financial returns on our overseas operations for 1949 show improvement, and that the months that have already gone by would indicate that these estimates are very close to accurate.

Mr. FULTON: Your next sentence seems to indicate—to me, unless it is not actually a reflection of your thought—the next sentence indicates that we are flying the overseas services not for financial returns but for something else. Here is what your report says on page 10:

Their existence is based not upon promise of direct financial return, but upon benefits of improved trade, social intercourse and international understanding that cannot be calculated.

Well, not taking issue at the moment with that statement, it does seem to me you say their existence is based not on promise of direct financial return, and that is borne out in the figures?

Mr. MCGREGOR: That is the condition at the moment, and there certainly is no denying it on the basis of the figures. I think your contention was that the trend was for financial losses on those services of equal magnitude to those in 1948, or were still increasing, and that is what I contend is not correct.

Mr. FULTON: My contention was that the trend is for domestic deficits to become smaller, whereas overseas will possibly become larger, or I think very likely will become larger or continue at the same level, and that there is an opposite trend in the domestic service, in other words, one is becoming less profitable and the other is becoming more profitable.

Mr. MCGREGOR: And again I take issue. I say that the financial loss in our overseas services in 1949 will be less than it was in 1948.

Mr. FULTON: Well, in the figures which you furnished me with this morning, taking the Bermuda run,—that is based on eight months. It had a heavier deficit than the whole year's deficits for the transatlantic run?

Mr. MCGREGOR: Oh, no.

Mr. FULTON: A heavier operation deficit? Let us say your deficit, before taking into account depreciation, that is to say, you lost more money on your actual operations on your Bermuda run than you did on your transatlantic?

Mr. MCGREGOR: That is correct, but that is for eight months on the Bermuda run, and those were the worst months in the whole year. It omitted the winter months. However the run must be maintained in order to maintain the licence.

Mr. FULTON: Why should Canada open and maintain what is certainly a luxury trade?

Mr. MCGREGOR: Bermuda, you mean?

Mr. FULTON: Yes.

Mr. MCGREGOR: Well, to cast a little bit into the future, Bermuda will probably be an on-route point on a service extending, we hope, given the traffic routes we do not now possess, to Barbados and probably to Trinidad.

Mr. FULTON: Well, you already operate a service to Trinidad?

Mr. MCGREGOR: That will be discontinued and Bermuda would then be an on-route point, and then down to Trinidad.

Mr. FULTON: Would you go from Bermuda to Jamaica?



Mr. MCGREGOR: No, via Barbados.

Mr. FULTON: And then you discontinue the British West Indies service, you just cut out the Kingston-Trinidad leg?

Mr. MCGREGOR: Just the Kingston-Trinidad leg.

Mr. FULTON: Then you can have two very long services instead of one comparatively short and the other one long?

Mr. MCGREGOR: No, we would still have one short and one long. It is very little longer than Bermuda.

Mr. FULTON: Well, no. Look at the map. You say it is almost twice as long to—

Mr. MCGREGOR: It is about two and a half hours longer in flight time.

Mr. FULTON: Half as long again?

Mr. MCGREGOR: Yes.

Mr. FULTON: We are getting into details there, but it seems to me the money you are losing on the Bermuda run and that you are liable to lose for some time on the West Indies run, could be more profitably used in improvement of the domestic service. I will give you just one example. You lost \$142,000 on operations alone in the first eight months of the Bermuda run, which money could have been used to install a radio range at the airport at Kamloops, an airport which I have particularly in mind. That could be said to be a selfish point of view but there it is. After all it is the taxpayers of Canada who are paying the shot so that people taking holidays in Bermuda can go there by air.

Mr. MCGREGOR: Our ultimate aim is that money should not be lost either at Kamloops or on the Bermuda service.

Mr. FULTON: I do not know any of the factors which would lead to that belief.

Mr. MCGREGOR: In connection with the Bermuda service I have explained a plan which we are hopeful will work out and it will have the effect of improving our net dollar position in reference to that route. I again draw your attention to the fact that you could not pick any consecutive eight months in any year which would reflect as bad a position for the Bermuda service, because virtually all the traffic on that route occurs during the remaining four months of the year, from January until spring.

Mr. FULTON: That may be so, but will you not have considerable competition on your route from Bermuda to the Barbados? Is not Pan-American Airways operating there?

Mr. MCGREGOR: Pan-American operates a line but not between Bermuda and the Barbados.

Mr. FULTON: Do you think there will be enough traffic on the route from Bermuda to Barbados?

Mr. MCGREGOR: No, but I think there will be a great deal between Canada and Barbados.

Right Hon. Mr. HOWE: On the Kingston run, which we started in September, how many extra sections did we run?

Mr. MCGREGOR: It averaged about 3 or 4 extra sections.

Right Hon. Mr. HOWE: That is you have full loads and you run those planes plus extra planes to carry the traffic. We have been doing pretty well with that. We are really just starting to develop, as Mr. McGregor has said, and study has been given to rerouting so that we can get better use out of planes and so that fewer planes can handle the traffic.



Mr. NICHOLSON: Could Mr. McGregor give us the percentage of business between the United Kingdom and Canada handled by BOAC as compared with T.C.A.?

Mr. MCGREGOR: 75 per cent T.C.A. and 25 per cent B.O.A.C.

Mr. NICHOLSON: What about from Canada?

Mr. MCGREGOR: The service by B.O.A.C. is primarily a New York service with some flights directed to Montreal but of a more or less incidental nature. I think their greatest frequency last year was three flights a week as against our fourteen a week.

Mr. NICHOLSON: Are they flying at reduced fares during the wintertime?

Mr. MCGREGOR: Yes, all trans-Atlantic carriers are doing that.

Mr. NICHOLSON: How much increased traffic has there been?

Mr. MCGREGOR: It is difficult to say. A number of people took advantage of the rates but whether they would have travelled at other than reduced fares is difficult to say.

Mr. MILLER: How do you figure on picking up 20 per cent of the trans-Atlantic operating revenue when you lose the immigrants, from whom you received \$2,000,000, 19 per cent of your total?

Mr. MCGREGOR: There would be a change both ways. There will be some reduction in total revenue and there will also be a very firm reduction in expense due to the fact that we will provide fewer flights. I think the total number of charter flights last summer was ninety-five, and I would not think it would be over seventy this summer. The equipment not used would go to providing such things as the third trans-continental which I mentioned. While the revenue will be reduced the operating cost will go down very considerably as well.

Mr. FULTON: What is the time of flight of a stratosphere cruiser from New York to the United Kingdom?

Mr. MCGREGOR: The claimed average speed is 60 knots faster than the North Star. Originally they were touted as being non-stop to London, but as is often the case you find the capabilities of the aircraft less than forecast and the planes will have to land at Gander on all flights.

Mr. FULTON: On all flights?

Mr. MCGREGOR: With the exceptions made possible by favourable wind conditions.

Mr. FULTON: What would you expect the time of flight would be from New York to London?

Mr. MCGREGOR: I would not think less than 11 hours.

Mr. FULTON: That compares with your time of what?

Mr. MCGREGOR: 12½ hours, I believe, but I can get the figure.

Mr. FULTON: I had in mind there a comparison, but I understood they were going to fly in about 8 hours and that people might go to New York and leave by those planes rather than proceeding from Montreal.

Mr. MCGREGOR: If that were true I would think it would be a hazard but like many other aeroplanes the actual observed performance is not as good as the very early forecast of performance would indicate.

Mr. FULTON: What about comfort and accommodation? Are they much superior to the North Star.

Mr. MCGREGOR: It depends upon one's morals. They have a bar, and the whole lower deck is sort of a lounge. People can wander down a spiral stairway and find themselves in what might be called nightclub conditions, which may be an advantage.



Mr. MILLER: In connection with the sales of aircraft mentioned on page 8, I suppose the money would be credited to the capital structure of the company?

Mr. MCGREGOR: That is right.

Mr. MILLER: Would it amount to much?

Mr. MCGREGOR: Yes, I have the details here. The DC3's were sold, I think, for \$40,000 a piece. The Lodestars sold for an average of about \$20,000.

Right Hon. Mr. HOWE: They had been fully depreciated in the service.

Mr. MCGREGOR: Yes.

Mr. MILLER: And in a case like that I suppose the money is eventually a refund to the government.

Mr. MCGREGOR: No, the refund is to the capital account of T.C.A.

The CHAIRMAN: Are there any other questions, gentlemen?

Mr. MILLER: Why is so little mail being flown to the British Isles?

Mr. MCGREGOR: I might enlarge on that. The usual agreement, for carrying mail between two countries, is for the national carriers of each country to be given half of the originating mail at both ends. After some discussion between the post offices concerned it was agreed to depart from that arrangement in so far as the north Atlantic service was concerned and to give all the westbound originating traffic to BOAC. The Canadian government would give all the eastbound originating traffic to T.C.A. Actually the two volumes are not identical and more mail originates in the United Kingdom, but we are very happy about the situation because westbound flight is more strenuous than eastbound flight due to the prevailing winds.

The CHAIRMAN: Are there any other questions on page 14?

Mr. FULTON: What would you say about the North Star? Have any types, apart from the strato-cruiser which is supposed to make it obsolete or obsolescent, given you cause or concern for the fact that your North Stars will become any less attractive?

Mr. MCGREGOR: No, the DC6 is a very comfortable aircraft which has come out since the North Star, but it lacks one of the primary features of the North Star, and one about which we are most enthusiastic, that is the ceiling at which it operates. The North Star by virtue of the two-stage supercharger and the Merlin engine is a very satisfactory aircraft for high altitude flight by propeller driven machines. I am speaking of heights of 22,000 feet. It has more satisfactory operation at that height than the Pratt and Whitney with the single stage blower.

Right Hon. Mr. HOWE: The last big purchase of aircraft was North Stars, and that was a pretty good indication.

Mr. FULTON: I think it is something we can be well satisfied with, but I was wondering about the future and as a matter of information, whether, any further developments had taken place.

Right Hon. Mr. HOWE: I do not think so. They are studying the North Star with a more powerful engine which might be developed to give more speed. We think that a package of 40 passengers is big enough.

Mr. FULTON: What about the noise aspect? Has much progress been made in that direction?

Right Hon. Mr. HOWE: We are still fighting it and perhaps Mr. McGregor can answer.

Mr. MCGREGOR: A good deal of progress has already been made but the problem is not licked. We cannot be sure it is actually licked at present until the exhaust manifolds which have been built in Winnipeg have completed a very exhaustive series of tests. Those exhaust manifolds have been very long in development due to the heat problem involved, and the fact that you must not do anything with the exhaust to create back pressure on the engine. This



reduces its power. There is undergoing test a cross-board system of exhaust. The whole of the exhaust will be drawn from the inboard cylinder blocks of the four engines and conducted in an arch shaped duct over the engine and expelled on the outboard side.

Mr. FULTON: You cannot say that you expect to have the problem licked by such and such a date?

Mr. MCGREGOR: It is one of those problems which are licked only when you are sure they are licked.

The CHAIRMAN: Is there anything else on pages 14 or 15? You have now the statistics, the balance sheet, and income accounts. Do you wish the auditor to say something about them?

Mr. FULTON: I think somebody mentioned depreciation and I think we should have the auditor discuss that.

The CHAIRMAN: If that is agreeable we will call Mr. Bennett.

Mr. NICHOLSON: Should we not first adopt this report? I will move that we adopt the report.

Mr. EMMERSON: I second.

The CHAIRMAN: Moved that we adopt the report?

Carried.

Now we may take up the auditor's report and he can refer to the balance sheet as he goes along, if it is agreeable.

Mr. P. W. BENNETT (George A. Touche & Company): Do you wish to have the report read, sir; or, taken as read?

The CHAIRMAN: Gentlemen, do you want to have the auditor's report read, or shall we take it as read?

Mr. MILLER: We think we may as well take it as read and let everybody look at it and ask what questions they want to.

The CHAIRMAN: Is that agreed, gentlemen?

Some Hon. MEMBERS: Agreed.

10th March, 1949.

### TRANS-CANADA AIR LINES

THE RIGHT HONOURABLE THE MINISTER OF TRADE AND COMMERCE,  
OTTAWA, CANADA.

Sir: We have audited the accounts of the Trans-Canada Air Lines and its Subsidiary Company for the year ended 31st December, 1948, under authority of The Trans-Canada Air Lines Act, 1937 as amended and we now report, through you, to Parliament.

#### GENERAL SCOPE OF AUDIT

In brief, our audit of the Air Lines' accounts for 1948 included:

- (a) Examination of major expenditure authorities in conjunction with the recorded Resolutions of the Directors, which in turn were related to Corporate By-Laws, Orders-in-Council and Acts of Parliament;
- (b) Audit tests in the offices of the Air Lines, limited to a cross-section of the major expenditures so authorized;
- (c) Examination into the adequacy of the internal audit control in general as exercised by the accounting department of the Air Lines. In this connection we worked in collaboration with the executive accounting officers having as a common objective the securing of maximum internal protection to the Air Lines in the control of Cash Receipts and Expen-



ditures, Securities Held, Material Stores and Accounts Receivable of all types. The Air Lines are further protected by Fidelity Bond Insurance with outside Underwriters;

- (d) Audit of the Income Accounts and the Consolidated Balance Sheet and certification thereof.

#### INCOME ACCOUNTS

##### *Depreciation and Maintenance*

Provision for depreciation on Capital Assets was made during the year on the following bases:

- (a) Flight Equipment in service—  
 North Star M2—7 year estimated life from date of being put into service.  
 DC3 —4 year estimated life from date of being put into service.
- (b) Ground facilities—estimated life, the period depending upon the type of asset.

Throughout the period of the year that the six North Star M1 aircraft, loaned by the Government, were used by the Overseas Services a monthly charge per aircraft was made to Flight Equipment Depreciation and credited to the Reserve for Overhaul.

We have received certificates from a responsible officer to the effect that all Flight Equipment and Ground Facilities have been maintained in a proper state of repair and in an efficient operating condition during the year, that such physical retirements as should have been made during the year, as a result of wear and tear and obsolescence have been made, and that notification of all such retirements has been given to the Accounting Department.

##### *Interest on Capital Invested*

The total charge for interest on Capital Stock (Capital Stock and Capital Advances) amounted to \$666,000 during the year. The normal interest rate on monies advanced by the Canadian National Railway Company out of its own funds was 3 per cent. On monies advanced by the Government to the Railway Company and subsequently paid over to the Air Lines the rate of interest was the same as that charged by the Government.

##### *Miscellaneous Income—Net*

Included are the amounts of \$25,000 charged to the North American Services and \$12,000 charged to the Overseas Services covering interest up to the 29th July, 1948, on advances for deficits made by the Canadian National Railway Company. By the 30th July, 1948, the Air Lines had repaid the deficit advances upon receipt of the money from the Government as provided for by the Canadian National Railways Financing and Guarantee Act, 1948.

#### CONSOLIDATED BALANCE SHEET

##### *Assets*

Accounts Receivable and Payable of all classifications have been tested by us with the subsidiary and controlling records, cash and other transactions subsequent to the year end, departmental files and general supporting information but such Accounts have not been verified by direct communication with the individual Debtors and Creditors.

A physical inventory covering the major portion of Material and Supplies was taken under the direction of the Management late in 1948. We have received a certificate from the responsible officers to the effect:

- (a) That the quantities were determined by actual count, weight or measurement or by conservative estimate where such actual basis was impracticable, and
- (b) That the inventory pricing was based on latest invoice price for new materials, and that proper allowance for condition has been made in pricing usable second-hand, obsolete and scrap materials.



Ledger values were brought into agreement with the physical inventory through a charge to Operating Expenses of \$33,000.

Material and Supplies does not include Capitalized Spare Parts which are carried under Property and Equipment. The figure in the Balance Sheet is net after applying reserve of \$100,000 carried against possible loss on material stocks in excess of normal requirements.

Other Current Assets consist of \$16,000 expended on Work Orders, pending completion, chargeable to Stock Accounts and Salvage Suspense of \$299,000.

The Insurance Fund investments consist of securities of the Government of Canada and the Canadian National Railway System (Guaranteed by the Government of Canada) together with cash and sundry current assets. The year-end market value of the securities was \$51,000 less than the book figure based on cost.

Capital Assets are carried on the basis of cost.

### *Reserves*

The Insurance Reserve amounts to \$2,746,000 excluding the estimated amount of \$368,000 set aside to meet the larger unadjusted loss claims.

The Reserve for Overhaul relates to the North Star M1 aircraft. The credits arose from the aggregate monthly charges to Operating Expenses to which reference has already been made and from the salvage value realized from one of the aircraft damaged beyond economical repair. The charges to the reserve were in connection with transferable spare parts and overhaul and reconversion costs incurred up to the date of the Balance Sheet under the agreement to turn over to the Government the five remaining aircraft and related spare parts. We have been furnished with a certificate to the effect that the balance of the reserve as at the 31st. December, 1948 will be sufficient to cover all future costs in connection with this agreement.

Further credits applied against Research and Development Expense have converted the deferred charge, as shown in last year's Balance Sheet, into a credit balance.

Where foreign currencies are involved, the Balance Sheet accounts of the Air Lines are converted generally as follows:

(a) United States Currency—at the dollar par of exchange.

(b) Sterling Currency—at the rate of \$4.04 to the pound.

Dollar amounts stated in this Report are to the nearest thousand.

Yours faithfully,

GEORGE A. TOUCHE & CO.

Right Hon. Mr. HOWE: There is a paragraph there under income accounts dealing with depreciation and maintenance; is that what you were referring to?

Mr. BENNETT: That is set out on page 1 of our report, depreciation and maintenance.

Mr. LOCKHART: Is there much difference between the DC 3's and the others?

Mr. MCGREGOR: Yes, the DC 3 is an aeroplane which has been in service for over 10 years.

Mr. LOCKHART: I see it is almost double in the others.

Mr. MCGREGOR: Yes. The 4-year life began at the time when they were put into the service on an overhaul basis.

Mr. FULTON: What comes under the heading there of investments in joint associations?

Mr. BENNETT: That is in connection with the air lines at Goose Bay where they have hotel facilities, and the rest of it is small investments in traffic associations and so on.



Mr. FULTON: The Minister of National Defence referred in the House the other day to the loan of aircraft either to the R.C.A.F., or from the R.C.A.F. to the T.C.A., or it may have been both.

Right Hon. Mr. HOWE: There were 6 aircraft built for the R.C.A.F. They were not pressurized and they came out before the T.C.A. aircraft. They were loaned to the T.C.A. and were to replace the Lancasters which were becoming obsolete.

Mr. FULTON: Was any charge made for these aircraft on loan?

Right Hon. Mr. HOWE: We set a monthly rate, I am not sure just what it was.

Mr. MCGREGOR: It was \$8,000 a month to cover the amount of modification that was required by the T.C.A. before they would be returned to the R.C.A.F.

Right Hon. Mr. HOWE: The reason was that they were to install new engines and give the planes a complete overhaul to R.C.A.F. standards before we turned them back.

Mr. FULTON: What I mean is that there was no regular charge for the use of those planes?

Right Hon. Mr. HOWE: No, no regular charge was made.

Mr. MCGREGOR: I think Mr. Fulton probably refers, sir, to the fact that two of them went to the R.C.A.F. and the others went to the T.C.A., and later on that proportion was reversed.

Mr. FULTON: If there had been any such charge the balance on the books, at least your balance sheet for 1948 on the revenue side would have shown a different picture, would it not? Would that not have affected the statement now before us?

Right Hon. Mr. HOWE: Yes, but they were only used about five months in this year. Do you know when they were taken out of the service, Mr. McGregor?

Mr. MCGREGOR: They were taken out of the service in March or April.

Right Hon. Mr. HOWE: They were only used about two or three months this year.

Mr. NICHOLSON: When did the North Stars enter the service?

Mr. MCGREGOR: In May of 1947.

Mr. NICHOLSON: How many of them were put in service?

Mr. MCGREGOR: Those six aircraft to which Mr. Howe referred were used on the Atlantic run.

Mr. MILLER: How do you work that depreciation out?

Mr. MCGREGOR: It depends on operation. Each aircraft takes the same depreciation. They are all on a 7-year straight line basis from the time the aircraft are assigned to the service. At the moment, as the report mentioned, there are eleven in the overseas service and nine in the domestic. That will change shortly to ten and ten and should be reversed to nine to eleven during the summer.

Mr. MUTCH: You use a straight line depreciation based on seven years?

Mr. MCGREGOR: Not in all cases. At the present time the North Stars are on a 7-year basis.

Mr. MUTCH: But you use straight line depreciation?

Mr. MCGREGOR: Yes.

The CHAIRMAN: Any other questions, gentlemen?

Mr. FULTON: Where do you credit the sale of the Lodestars?

Mr. BENNETT: They are presently being held in suspense in the special account.



Mr. FULTON: Is that a special account?

Mr. BENNETT: Yes.

Mr. FULTON: Are they shown on the balance sheet at all?

Mr. BENNETT: Under current assets there is the item salvage—suspense \$299,000.

Mr. MILLER: What page is that on?

Mr. BENNETT: That is in page 2 of our report. That is the net figure.

Mr. FULTON: Would that be offset against your accrued depreciation eventually?

Mr. BENNETT: No, they have been taken out of the capital account, the original investment has been taken out with depreciation accrued on it; and also carried into salvage suspense as a credit resulting from the profit on sales which have already been made. When the whole transaction has been completed and the balance from the sale of the Lockheed, the DC 3's, the Pratt-Whitney parts and engines have all been disposed of it will be taken into the operating account. I think it is anticipated there will be a slight profit on them.

Mr. MAY: No, we have estimated a loss of \$32,000. The results of the sales have been taken into the account, and the \$299,000 will be converted into cash; the net loss of \$32,000 has been taken up in the 1948 accounts.

Mr. FULTON: But it will be shown in the current assets?

Mr. MAY: I may say that we retired aircraft having a value of \$3,401,000, working stocks in an amount of \$381,000, or a total of \$3,783,000. We had available from depreciation reserve \$3,295,000 net salvage, including the amount of \$299,000, amounting to \$456,000 which would leave us with a loss of \$32,000. We wrote off the \$32,000 to clear the account.

Mr. MILLER: You take what you have depreciated and you put the two things together and that is what it comes out to?

Mr. MAY: Yes, and we feel that our depreciation accounting is fairly accurate when out of a total of nearly \$4,000,000 it comes out to within \$32,000.

Mr. FULTON: And it is shown as an asset on the balance sheet?

Mr. MAY: Yes, it will become a cash asset instead of being held where it is now.

Mr. MILLER: Where do you show it now?

Mr. BENNETT: It is under current assets, other current assets, page 16 of the report.

Mr. FULTON: Did you depreciate engines and aircraft in different yearly rates?

Mr. MCGREGOR: Not the engines operated on specific aircraft. The Merlin engines are depreciated at the 7-year rate while others are depreciated at faster rates, depending on the type of equipment and its use.

Mr. FULTON: The reason I asked that is because on page 22 you show flight equipment depreciation; aircraft, aircraft engines, aircraft spare parts and aircraft—other equipment.

Mr. MCGREGOR: They are capitalized separately, and propellers are also.

Mr. FULTON: But they are all depreciated together?

Mr. MCGREGOR: That is right, they are all depreciated at the same rate.

Mr. FULTON: And why do you have that separation?

Mr. MCGREGOR: Frankly, I do not know.

Mr. MAY: I do not think it is really necessary to treat them separately. The modern trend is to give the same life to all elements or parts of the aircraft. It was usual in the past to depreciate engines on the number of hours they operate, but that trend is passing. The modern trend is now to depreciate engines, propellers and parts at the same rate as the aircraft itself.



Mr. FULTON: Would it save you time and money if you were to lump them together?

Mr. MAY: It would be immaterial.

Mr. FULTON: It would make no economy in your bookkeeping costs?

Mr. MAY: Oh, no.

Mr. MILLER: What about installing a new engine in one of your planes?

Mr. MCGREGOR: When we buy a group of aircraft we buy at the same time the total number of engines that are required to maintain those aircraft in service, and the engines then come in for standard overhaul and part replacements, so that group of engines will last the life-span of the aircraft. For instance, for the planes we now have in service, the twenty new ones, we carry 153 engines.

Mr. MILLER: Would a new engine be an operating cost?

Mr. MCGREGOR: No, it would be a capital cost. In actual practice we provide about six engines for each aircraft.

Mr. MOORE: Have your technicians any preference as between the old Rolls Royce and the new Pratt-Whitney?

Mr. MCGREGOR: You mean that they are using?

Mr. MOORE: Yes.

Mr. MCGREGOR: It is a little bit like apples and oranges, they are different engines using different parts and doing different jobs. I might say that we never use the Pratt-Whitney engine in a DC 3 aircraft, and they are about two-thirds the power of the Rolls Royce engine we are now using in the North Star aircraft.

The CHAIRMAN: Are there any other questions?

Shall the report be adopted?

Carried.

Gentlemen, on behalf of the committee I would like to thank Mr. McGregor and his staff for having stayed with us during the two or three days they have been answering questions.

I might also say this. I notice in the press that there might be an election some time—it didn't say exactly when. But we have had some experience this year in committee work. Different problems have come up. So those who are back after the election, if as and when it comes, will I hope when the committee meets again give the chairman of that committee the benefit of some of the difficulties we have had this year, because we have run into some difficulties. And if I have made any bad decisions I have not done so intentionally; and I just leave that with you in case you are all back and I am not.

Mr. FULTON: Is that your valedictory, Mr. Chairman?

Mr. MAYBANK: Mr. Chairman, before you go I would like to express on behalf of Mr. Mutch, Mr. Viau and I am quite sure on behalf of Mr. Fulton and Mr. Miller—I am quite sure of that although I did not happen to speak to them about it—appreciation of the manner in which the T.C.A. officials, particularly Mr. McGregor, have presented all their business here to us; and the manner in which the controversy was carried on by them despite the fact of I myself having been considerably critical or controversial in this one respect. I wish to say that I have the greatest respect for the T.C.A. organization; for the officials individually and collectively; and I am quite confident that what I have said in that respect can be taken as from those others whom I mentioned. I have no doubt that it applies even further, but I do not wish to speak for any person else, I singled out rather those who have all been in one camp in voting. I would just like to leave this meeting with a word of appreciation, as wiping out any feeling of lack of harmony which may have prevailed. It is for that reason that I make these remarks.

The committee adjourned sine die.



SESSION 1949  
HOUSE OF COMMONS

**SESSIONAL COMMITTEE**

ON

**RAILWAYS AND SHIPPING**

Owned, Operated and Controlled by the Government

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

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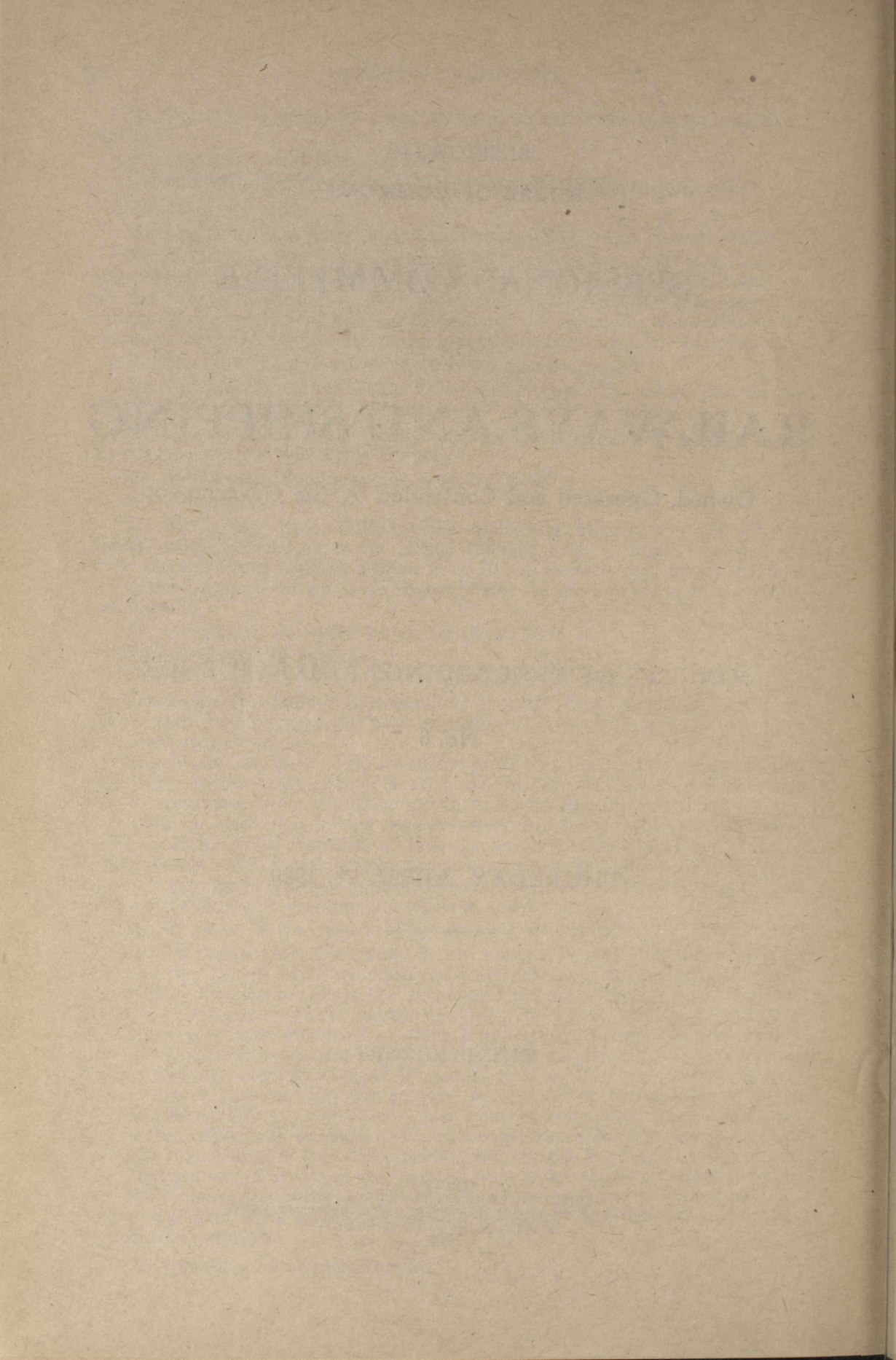
THURSDAY, APRIL 28, 1949

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THIRD REPORT

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







## MINUTES OF PROCEEDINGS

Room 430, House of Commons,

THURSDAY, April 28, 1949.

The Sessional Committee on Railways and Shipping owned, operated and controlled by the Government met, in camera, at 4.00 o'clock p.m. Mr. S. M. Clark, Chairman, presided.

*Members present:* Messrs. Bourget, Clark, Emmerson, Hazen, LaCroix, Lockhart, Maybank, McCulloch (*Pictou*), Mutch, Nicholson, Reid, Viau.

The Committee considered the draft of a report to the House.

On motion of Mr. McCulloch (*Pictou*), the draft report with certain modifications was adopted as a Third Report and ordered to be presented to the House.

The Chairman thanked the members for their attendance throughout the session.

On motion of Mr. Reid, the Committee adjourned sine die.

ANTOINE CHASSÉ,  
*Clerk of the Committee.*



SESSIONAL COMMITTEE ON RAILWAYS AND SHIPPING  
OWNED, OPERATED AND CONTROLLED  
BY THE GOVERNMENT—1949

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*Question by H. R. Jackman*

Do you know how many university men you have employed in 1948; how many of these particularly technical men were Science or Engineering graduates?

*Answer*

During 1948 the Canadian National took on 46 university men in permanent positions, 32 of whom were Science or Engineering graduates.



## REPORT TO THE HOUSE

FRIDAY, April 29, 1949.

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

### THIRD REPORT

Pursuant to the Order of Reference of the House of 22nd March, 1949, your Committee had before it for consideration the following:

1. The Annual Reports for 1948 of the Canadian National Railway System, the Canadian National (West Indies) Steamships Limited, and the Auditors' Report to Parliament in respect of the Canadian National Railway System and the Canadian National (West Indies) Steamships Limited.

2. The Annual Report of the Trans-Canada Air Lines for the year ended December 31, 1948, and the Auditors' Report to Parliament for the year ended December 31, 1948, in respect of Trans-Canada Air Lines.

3. The Annual Report of the Canadian National Railways Securities Trust for 1948.

4. The Budget of the Canadian National Railways and the Canadian National (West Indies) Steamships, Limited, for the calendar year 1949.

Your Committee held thirteen meetings, during eleven of which the above named matters were considered and evidence adduced thereon.

The Annual Report of the Canadian National Railways for 1948, discloses an operating income of \$11,297,109.39. However, interest on the Funded Debt, due the public, amounted to \$23,202,817.69 and interest on Government Loans, \$21,627,032.82, bringing about a deficit of \$33,532,731.12. The Annual Report was unanimously adopted.

The Annual Report of The Canadian National (West Indies) Steamships, Limited, for the calendar year 1948, shows an operating profit of \$644,105.53, to which is added from the Vessel Replacement Fund Earnings the sum of \$85,733.06. Deducting therefrom interest on bonds held by public (\$470,000.00) and interest on Government Advances (\$93,794.16) there remains a surplus of \$166,044.43. The said Annual Report was unanimously adopted.

The Annual Report of Trans-Canada Air Lines for 1948, shows a net deficit of \$1,183,022.00 for the North American Services, and a deficit of \$1,750,218.00 for Trans-Canada Air Lines (Atlantic) Limited. The Report was unanimously adopted.

The Auditor's Reports to Parliament with respect to The Canadian National Railway System, The Canadian National (West Indies) Steamships Limited, and Trans-Canada Air Lines, also the Annual Report of the Canadian National Railways Securities Trust for the calendar year 1948, were severally examined and unanimously adopted.

The Financial Budgets of the Canadian National Railways and the Canadian National (West Indies) Steamships, Limited, for the calendar year 1949, after careful examination, were unanimously adopted.



Your Committee notes that the Operating Budget of Canadian National Railways for 1949 shows estimated gross system operating revenues of \$520,900,000 a substantial increase over the actual revenues for 1948 and more than twice the amount of what was considered normal revenues of the railway prior to the war. It is pointed out, however, that no provision is made in the estimated budget for 1949 for additional revenue which may result from the hearings now going on before the Board of Transport Commissioners with respect to increased freight rates. Operating expenses are estimated at \$494,300,000 which leaves a net operating revenue of \$26,600,000. The net income charges, excluding interest, are estimated at \$18,290,000; Interest on Funded Debt due the Public, \$22,833,000 and Interest on Government Loans, \$23,277,000, leaving an estimated net deficit of \$37,800,000.

9 The Capital Budget of the Railway System for 1949 includes the following: Additions and Betterments, \$24,500,000; New Equipment, \$8,700,000; Barraute Branch Line, \$612,890; Acquisition of Securities and Retirement of Capital Obligations, \$1,692,000; a total of \$35,504,890. Against the latter amount there is available from Reserves for Depreciation and Debt Discount Amortization, a sum of \$15,738,000 leaving the estimated net Capital Requirements at \$19,766,890.

The Net Operating Deficit of Canadian National (West Indies) Steamships for the calendar year 1949, is estimated at \$360,000.

Your Committee has also examined the Consolidated Income Account of Hudson Bay Railway for the Fiscal Years 1948-49 and 1947-48.

The task of your Committee was greatly facilitated by the valuable assistance of Mr. R. C. Vaughan, C.M.G., Chairman of the Board of Directors and President of The Canadian National Railways; Mr. N. W. Walton, C.B.E., and Mr. T. H. Cooper, Vice Presidents; also Mr. G. R. McGregor, President of Trans-Canada Air Lines.

A copy of the printed evidence taken is tabled herewith.

S. M. CLARK,  
Chairman.







