APPENDIX

TO THE

SIXTY-NINTH VOLUME

OF THE

JOURNALS OF THE HOUSE OF COMMONS

DOMINION OF CANADA

SESSION 1931

PRINTED BY ORDER OF PARLIAMENT

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

LIST OF APPENDICES—SESSION 1931

No. 1.—Special Committee on Bill No. 4, An Act to amend the Copyright Act. The Committee in its second report recommends the printing of the Order of Reference, its reports, proceedings and the evidence taken as an appendix to the Journals of the House; and also, in blue book form numbering 500 copies in English and 200 copies in French. *Printed.* *See* Journals at page 278.

No. 2.—Select Standing Committee on Privileges and Elections respecting Inquiry into the preparation of voters' lists for the municipality of Port McNicoll, in the constituency of Simcoe East. The Committee in its second and final report recommends the printing of its proceedings and the evidence taken as an appendix to the Journals of the House. *Printed.* *See* Journals at pages 547-8, 562.

No. 3.—Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, respecting consideration given to the estimates of the Canadian National Steamships and Maritime Freight Rates Act, the Canadian Government Merchant Marine, the Canadian National (West Indies) Services, and the Maritime Freight Rates Act requirements. The Committee in its third and final report recommends the printing of its proceedings and the evidence taken as an appendix to the Journals of the House. *Printed.* *See* Journals at pages 548-552, 598.

No. 4.—Select Standing Committee on Banking and Commerce respecting consideration given to the setting up of a system of intermediate credits for agriculture. The Committee in its tenth report recommends the printing of its proceedings and the evidence taken as an appendix to the Journals of the House. *Printed.* *See* Journals at pages 561-2, 587.

No. 5.—Special Committee appointed to investigate from its inception the Beauharnois project for the development of hydro-electric energy by the use of the waters of the St. Lawrence river, etc. The Committee in its fourth report, respecting consideration given to all matters referred as set out in the Order of Reference, recommends the printing of the Order of Reference, reports, minutes of proceedings, the evidence taken, and the exhibits filed, as an appendix to the Journals of the House. *Printed.* *See* Journals at pages 618-645, 667.

No. 6.—The Select Standing Committee on Agriculture and Colonization respecting consideration given to the marketing of Canadian farm products. The Committee in its fourth reports sets forth the various farm products to which consideration was given, and recommends that its minutes of proceedings and the evidence taken be printed as an appendix to the Journals of the House. *Not printed.* *See* Journals at pages 647-650.

PROCEEDINGS

OF THE

SELECT SPECIAL COMMITTEE

OF THE

HOUSE OF COMMONS

ON

BILL No. 4: AN ACT TO AMEND THE COPYRIGHT ACT

MAY 15, 1931, TO JUNE 2, 1931

SECOND SESSION OF THE SEVENTEENTH PARLIAMENT
OF CANADA

PRINTED BY ORDER OF PARLIAMENT

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

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ORDERS OF REFERENCE

HOUSE OF COMMONS,

OTTAWA, April 23, 1931.

Resolved,—That Bill No. 4, An Act to amend the Copyright Act, be referred to a Special Committee consisting of Messrs. Bury, Cahan, Chevrier, Cowan (Port Arthur-Thunder Bay), Ernst, Irvine and Rinfret, with power to send for persons, papers and records, and to report from time to time.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, May 15, 1931.

Ordered,—That the said Committee be granted leave to print 400 copies in English and 150 copies in French of the proceedings and of the evidence to be taken by them, together with such papers and documents as may be incorporated with such evidence, for the use of the Committee and for the use of the members of the House; and that Standing Order 64 be suspended in relation thereto.

And that the said Committee be granted leave to sit while the House is sitting.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MEMBERS OF THE COMMITTEE

Hon. C. H. CAHAN, K.C., *Chairman.*

Mr. A. U. G. Bury,	Mr. W. G. Ernst,
Mr. E. R. E. Chevrier,	Mr. W. Irvine,
Mr. D. J. Cowan,	Hon. Mr. F. Rinfret,

T. L. McEvoy, *Secretary.*

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REPORTS OF COMMITTEE TO THE HOUSE

FIRST REPORT

HOUSE OF COMMONS, CANADA,
FRIDAY, May 15, 1931.

The Select Special Committee appointed to consider and report upon Bill No. 4, An Act to amend the Copyright Act, R.S.C. 1927, c. 32, beg to present the following as a First Report:—

Your Committee recommend that they be granted leave to print 400 copies in English and 150 copies in French of their proceedings and of the evidence to be taken by them, together with such papers and documents as may be incorporated with such evidence, for the use of the Committee and for the use of the members of this House; and that Standing Order 64 be suspended in relation thereto.

Your Committee further recommend that they be given leave to sit while the House is sitting.

All of which is respectfully submitted.

C. H. CAHAN,
Chairman.

(For concurrence: See Journals, page 205, Friday, May 15, 1931.)

SECOND REPORT

HOUSE OF COMMONS, CANADA,
TUESDAY, June 2, 1931.

The Select Special Committee appointed to consider and report upon Bill No. 4, An Act to amend the Copyright Act, R.S.C. 1927, c. 32, beg to present the following as a Second Report:—

Your Committee have duly considered Bill No. 4, An Act to amend the Copyright Act, R.S.C. 1927, c. 32, and have agreed to report said Bill with amendments.

For the convenience of Parliament, the Committee have agreed to reprint the Bill in its amended form. A copy of the Bill reprinted as amended is herewith submitted, as is a printed copy of the Minutes of Proceedings and Evidence.

Your Committee recommend that the Orders of Reference, Reports, Proceedings and Evidence taken, be printed both as an appendix to the Journals of the House and in separate blue book form, 500 copies of the latter form to be printed in the English language and 200 copies in the French language; and that Standing Order 64 in relation thereto be suspended.

All of which is respectfully submitted.

C. H. CAHAN,
Chairman.

(For concurrence: See Journals, page 278, Tuesday, June 2, 1931.)

LIST OF WITNESSES

Mr. H. T. Jamieson, Toronto, President, Canadian Performing Right Society, Toronto.

Mr. Gene Buck, New York, American Society of Composers, Authors and Publishers.

Mr. Nathan Burkan, New York, General Counsel, American Society of Composers, Authors and Publishers.

Mr. Ralph Hawkes, London, England, Director, Canadian Performing Right Society, representing British Performing Right Society.

Mr. Gitz Rice, Composer, Montreal and New York.

Mr. John A. Cooper, Toronto, President, Motion Picture Exhibitors and Distributors Association of Canada.

Mr. Gordon V. Thompson, Toronto, Authors' and Composers' Association, Canada.

Mr. E. Blake Robertson, Ottawa, Representative of Fair and Exhibition Associations of Canada and various Agricultural Societies.

Mr. Howard Angus Kennedy, Montreal, National Secretary, Canadian Authors' Association.

Mr. Bernard K. Sandwell, Montreal, Chairman, Copyright Committee, Canadian Authors' Association.

Miss Luise Sillcox, New York, Secretary, Authors' League of America.

Col. A. T. Thompson, K.C., Ottawa, Parliamentary Counsel for Canadian Pacific Railway Company.

Mr. Louvigny de Montigny, Ottawa, Canadian Correspondent, Bureau of International Copyright Union, Berne, Switzerland.

Mr. R. H. Lee Martin, Managing Director, The Musical Protective Society of Canada; and on behalf of Canadian National Railways System.

DOCUMENTS TABLED

A. Brief, produced by Mr. A. J. Thomson, K.C., on behalf of Canadian Daily Newspapers' Association.

B. Statement regarding the constitution, methods, etc., of Canadian Performing Right Society (read into evidence, see pages 4-8 of Minutes of Evidence), Exhibit B.

B1. Statement in opposition to certain provisions of Bill No. 4, by Canadian Performing Right Society.

C. Tariffs of Canadian Performing Right Society.

D. Excerpts from List of Members of The American Society of Composers, Authors, and Publishers and of The Performing Right Society, London, England and Foreign Affiliated Societies.

E. Memorandum of American Society of Composers, Authors and Publishers against Bill No. 4.

F. Copy of agreement between European Societies and The Performing Right Society, London, England.

G. Proclamation *re* Canada, 1923, information circular No. 63, Copyright Office, Library of Congress, Washington, D.C., U.S.A.

H. Agreement between "Owner" of right and American Society of Composers, Authors and Publishers.

I. Schedule of Rates of American Society of Composers, Authors and Publishers.

J. Articles of Association of American Society of Composers, Authors and Publishers.

K. Decision of Goff, J. (Supreme Court, New York County) in 174th St. and St. Nicholas Avenue Amusement Co. v. George Maxwell as President of the American Society of Composers, Authors and Publishers.

K1. Transcript of Record (Appeal from District Court to United States Circuit Court of Appeals) in the Matter of Waterson, Berlin and Snyder, Bankrupt.

L. Telegram from N. L. Nathanson to Col. John A. Cooper (read into evidence, see page 90, Minutes of Evidence), Exhibit "L".

M. Telegram from William Yates, Independent Theatre Owners of Ontario, to Col. Cooper (read into evidence, see page 91 of Minutes of Evidence), Exhibit "M".

N. Resolution from Motion Picture Association of Manitoba, dated 8th May, 1931 (read into evidence, see page 91, Minutes of Evidence), Exhibit "N".

O. Copy of letter from John A. Cooper to Mr. H. T. Jamieson, dated October 10, 1930; and copy of H. T. Jamieson's reply thereto, dated October 14, 1930 (read into evidence, see page 96, Minutes of Evidence), Exhibit "O".

P. Fees charged Cinematograph Exhibitors' Association (England) by Performing Right Society (England).

Q. List of Canadian composers not members of Canadian Performing Right Society.

R. List of Executive Officers of Authors' and Composers' Association of Canada.

S. Memorandum from Authors' and Composers' Association of Canada dealing with Bill No. 4.

T. Report of Committee of Canadian Authors' Association, on Canadian Musical Compositions.

U. Copy of letter sent by National Secretary, Canadian Authors' Association, to various "religious, educational and fraternal leaders throughout Canada," dated May 1, 1931, and 58 post card replies thereto.

V. Special Report, British Parliamentary Committee on Musical Copyright Bill, July 3, 1930.

W. Memorandum of Canadian Authors' Association on Bill No. 4.

X. Observations *re* Bill No. 4, submitted by Publishers' Section, Board of Trade, Toronto.

Y. Copy of Letters Patent incorporating The Musical Protective Society of Canada.

Z. Booklet outlining aims and objects of The Musical Protective Society of Canada.

Z1. Copy of letter to Chairman of Special Committee on Bill No. 4, from Parliamentary Counsel for C.P.R. (read into evidence, see page 154, Minutes of Evidence), Exhibit "Z1".

AA. Copy of Congressional Report No. 1732 (H.R. 12549). In the Senate of the United States, January 21, 1931. An Act to amend and consolidate the Acts respecting copyright and to permit the United States to enter the Convention of Berne for the Protection of Literary and Artistic Works.

AA1. Assignment, dated 15th February, 1926, from Performing Right Society (London, England) to Canadian Performing Right Society, Exhibit "AA1".

AA2. Exclusive License, dated 21st May, 1930, from American Society of Composers, Authors and Publishers to Canadian Performing Right Society, Exhibit "AA2".

AA3. Exclusive License, dated 24th July, 1930, from Performing Right Society (London, England), to Canadian Performing Right Society, Exhibit "AA3".

AA4. Form "B": Assignment of individual rights by British or American Society to Canadian Performing Right Society, Exhibit "AA4".

AA5. Form "A": Assignment of individual rights by author or composer to British or American Society, Exhibit "AA5" (five last-mentioned documents have been printed as Appendix 8, see pages 185-192).

MINUTES OF PROCEEDINGS

SPECIAL COMMITTEE APPOINTED BY THE HOUSE OF COMMONS, CANADA, TO CONSIDER AND REPORT UPON BILL No. 4, AN ACT TO AMEND THE COPYRIGHT ACT, R.S.C. 1927, c. 32.

COMMITTEE ROOM 268,

FRIDAY, May 15, 1931.

Pursuant to notice, the Committee convened at 10 o'clock, a.m.

Members present: Messrs. Bury, Cahan, Chevrier, Ernst, Irvine and Rinfret—6.

On motion of Mr. Bury, seconded by Hon. Mr. Rinfret, Mr. Cahan was chosen to act as Chairman.

The Chairman read the Order of Reference and explained generally the principle of the Bill which had been referred to the Committee and made short statements with reference to each section of the Bill.

The Chairman then outlined the scope of the enquiry entrusted to the Committee. It is not proposed that the Committee should consider amendments to the Copyright Act generally, but will confine themselves strictly within the ambit of the Bill referred.

Discussion followed.

The Chairman intimated that he proposed to amend that section of the Bill which deals with the powers of the Registrar of Copyright.

As no witnesses were ready to be heard to-day, the Chairman intimated that interested parties should be prepared to be heard at the next meeting.

On motion of Mr. Ernst, it was resolved that the Committee report and obtain leave from the House to print 400 copies in English and 150 copies in French of the proceedings and evidence to be taken together with such papers and documents as may be incorporated with such evidence, for the use of the Committee and for the use of the members of this House; and that Standing Order 64 be suspended in relation thereto; and also that the Committee be given leave by the House to sit while the House is sitting.

The above report was presented to the House on Friday, May 15 and motion for concurrence therein was agreed to on that date. (See Journals, p.—, Friday, May 15, 1931.)

The Committee adjourned until Monday, May 18, at 10 o'clock.

T. L. McEVOY,
Clerk of the Committee.

ROOM 268, HOUSE OF COMMONS,

FRIDAY, May 15, 1931.

The Select Standing Committee on Bill No. 4, An Act to amend the Copyright Act, met at 10 o'clock, a.m.

Mr. BURY: Gentleman, I beg to move that Mr. Cahan be elected Chairman of the Committee.

Hon. Mr. RINFRET: I second the motion.

Carried.

The CHAIRMAN: The order of reference is as follows: The House of Commons, on April 23rd, 1931, resolved that Bill No. 4, an Act to amend the Copyright Act, be referred to a special committee consisting of Messrs. Bury, Cahan, Chevrier, Cowan (Port Arthur-Thunder Bay), Ernst, Irvine and Rinfret, with power to send for persons, papers and records, and to report from time to time. It is attested by Arthur Beauchesne, Clerk of the House.

Bill No. 4, an Act to amend the Copyright Act, deals with three or four phases of Copyright. The second section is an extension of the definition contained in the Act, so as to make the scope of the Act adequate for the enforcement of the Rome Copyright Convention, in case that Convention is ratified by Canada.

The third section is to conform to the Rome Copyright Convention, with regard to reproduction by cinematograph. According to the English decisions, that provision is already covered by the present Act; but the Rome Convention specifically covers it, and it seems expedient to make our Act conform in express terms.

The fourth section, I do not think, should cause us any difficulty. It was an error in our original Copyright Act to make, in the case of joint authorship, the term to expire fifty years from the death of the author who dies first; whereas, in our treaty obligations, we assented to the term expiring fifty years from the death of the author who died last.

Then, to conform with the Rome Convention, section five is suggested. It gives the author the right to restrain acts which are prejudicial to his honour or reputation, even although he may have assigned the copyright in his work.

Section 6 is in conformity, I think, with the common law of England. In fact it is suggested in order to bring, so far as this Bill is concerned, the civil law into conformity with the common law, with respect to the assessment of damages.

Section 7 makes it clear that an author, or an owner of a copyright, may grant separate and distinct rights in copyright and that these may be enforced separately by the assignee.

Section 7 (5) provides for the concurrent jurisdiction of the Exchequer Court, and may be open to some argument and discussion.

Section 8 provides an amendment to the present Act, in view of the fact that the Commissioner of Patents is Registrar of Copyright, which amends the powers of the Commissioner of Patents under the Copyright Act to conform to the express terms of the Patent Act, so that his powers and authorities under each Act are the same.

Section 9 deals with the question of registration of assignments and grants. That section of the Act, as it now stands, requires the registration of assignments or grants to be executed in duplicate, and one duplicate copy to be registered and deposited with the Copyright Office. We have had protests, as my predecessor in office will concur, against our present section; and this

amendment is to provide that such registration is not compulsory, but, in the case in which there are adverse assignments, the one who does register, until that registration is removed, shall exercise the right of assignee. The provision with regard to the modes of attesting the execution of these instruments is enlarged somewhat.

Section 10 deals with performing right societies and is, I presume, the clause which will receive most discussion.

Then, section 11 deals with the performance of musical works by churches, colleges, schools, or by philanthropic, charitable or fraternal organizations, provided the performance is given for religious, educational, benevolent or charitable purposes. Section 11 has involved a great deal of discussion, as well as protests, which I have received from one end of the country to the other. I have received protests from a large number of agricultural societies in the central provinces, and many from the east and west as well. The contention is that agricultural exhibitions and fairs should be allowed to perform musical works without buying a licence or being charged a royalty in respect thereof, on the ground that they are not institutions organized and performing for profit.

Section 12 brings our Act into conformity with the English Act and the American Act. It states that at least two copies of each edition of a work published in Canada, and for which a copyright is granted, shall be filed with the Librarian of Parliament.

Section 14 deals with the adherence of Canada to the Rome Convention. It authorizes the Governor in Council to secure adherence of Canada to the revised Convention for the protection of artistic and literary works, which was signed at Rome the 2nd day of June, 1928, as set out in schedule A to this Act.

I think, with the consent of the Committee, we will ask those who are opposed to any clause in this Act to appear and give such evidence as they may deem advisable or expedient in opposition to the enactment of this Bill in the form in which it now subsists. I may say that under the Rules of the House the evidence to be given must be restricted to those special clauses of the Bill. It is not a general revision of the Copyright Act, which may be expedient at some time in the future. This Bill proposes certain changes in our present Act which would enable us to carry out the terms of the Rome Convention; and in addition, it attempts to deal with the grounds of objection, which are widespread, with respect to regulations of societies and companies which make a business of acquiring and granting of performing rights to musical and dramatic works.

Hon. Mr. RINFRET: Do I understand the Chairman to mean by that that it would not be in order to submit any amendment to the Copyright Act which is not directly connected with the sections of this Bill?

The CHAIRMAN: That is so, as I understand it.

Hon. Mr. RINFRET: Except, I suppose, some amendments that would be necessary to bring the Act in conformity with the Convention of Rome which have not been provided for in this Bill. That would be in order?

The CHAIRMAN: I should think so, because the Convention of Rome is attached, and that may be deemed one of the clauses of the Bill.

Hon. Mr. RINFRET: I suppose we can also conclude, from the words of the Chairman, that if there are clauses in this Bill which are not necessary to bring our Act into conformity with the Convention of Rome, these should be deleted?

The CHAIRMAN: No, I think not. I think we may deal with every substantial clause here in the Bill.

Mr. CHEVRIER: Provided it does not interfere with the terms of the Convention?

Hon. Mr. RINFRET: That is a fair scope for evidence and argument, as to whether these clauses here do or do not.

Mr. CHEVRIER: Quite so; but if they do not—

The CHAIRMAN: Then you have a perfect right to move an amendment.

Hon. Mr. RINFRET: I will go farther than that. The Chairman takes the stand that no new matter should be introduced in this Bill, except as regards bringing the Act in conformity with the Convention of Rome.

The CHAIRMAN: I am not taking that stand.

Hon. Mr. RINFRET: That is what you have suggested.

The CHAIRMAN: No, I do not think so. I do not intend to suggest that. There are certain clauses in this Bill which are for the purpose of authorizing ratification of the Convention of Rome, and, secondly, bringing our Act within the scope of its definition so as to cover certain provisions of the Rome Convention; but there are here certain independent sections which may, or may not, be in conformity with the Rome Convention which are proposed for consideration and amendment, if necessary.

Hon. Mr. RINFRET: I agree with that, but I was just going to suggest further that if, in the course of the discussion, we should strike other matters which have not been studied in Rome at all, but which, we think, would improve the Act and that it would be quite proper to bring down amendments—

The CHAIRMAN: Mr. Rinfret, that is against the rules of the House. The discussion must be on the terms of the Bill, and if you wish to get outside that, you must go to the House for an instruction.

Hon. Mr. RINFRET: Then it comes back to an interpretation of the remarks of the Chairman. I understand that the Chairman suggests that we should confine ourselves to such clauses as are in this Bill, and which are intended to bring our Act in conformity with the Convention of Rome.

The CHAIRMAN: And others as well.

Hon. Mr. RINFRET: That are already in the Bill.

The CHAIRMAN: Quite so.

Mr. HACKETT: May I ask a question?

The CHAIRMAN: Paragraph 792 of Beauchesne says: "A new clause will not be entertained if it is beyond the scope of a Bill, inconsistent with clauses agreed to by the Committee or substantially the same as a clause previously negatived." There is another rule which says that the discussion before a select committee must be confined to the terms of the Bill. I think we had better proceed and if you find some new provision that you wish to enact, and which requires an enlargement of the order of reference, you will have to go to the House.

Hon. Mr. RINFRET: I just want to make a reference here this morning, that is all. I have nothing special in mind, excepting to find out exactly what we are to do.

The CHAIRMAN: What I wish to say is simply this, that we are not here for a general revision and amendment of the Copyright Act, that is not the intention of the Bill.

Hon. Mr. RINFRET: We are to deal with this Bill?

The CHAIRMAN: We are here to deal with this Bill. If any matter arises out of this Bill, I do not propose to raise any technical objections, but I hope the discussion will be restricted.

Mr. CHEVRIER: As I understand it, the intent is to bring us within the term of the Rome Convention. If anything turns up during the investigation that would point towards some discrepancy, or some objection to our adhering fully to the Convention of Rome, something else than what is in the Bill is brought in, then we can consider it?

The CHAIRMAN: Quite so. Take paragraph 781 of Beauchesne—"An amendment must be relevant both to the subject matter of the Bill and the clause to which it relates; it must not be inconsistent with any previous decision of the Committee; it must not be such as to make the clause which it proposes to amend unintelligible, or ungrammatical. It must not be based on schedules or other provisions the terms of which have not been placed before the Committee; it must not be beyond the scope of the Bill—"

Hon. Mr. RINFRET: Yes.

The CHAIRMAN: It must not be beyond the scope of the Bill, but you may make an amendment within that limitation.

Mr. CHEVRIER: If we strike anything that has not been mentioned in this Bill, and that is necessary to be put in so that we shall adhere to the Convention, then we will deal with it either by asking the House to enlarge the scope of the reference in order to allow us to deal with that, or—

The CHAIRMAN: That will be the only way. It is not the intention, at the present time, to examine the Act clause by clause, the licensing clause and a number of others which are the subject of grave dissension.

Mr. HACKETT: There is also a question I should like to ask, if I may. I understood you to say, Mr. Chairman, that adhesion to and ratification of the Rome Convention was one of the purposes of the bill.

The CHAIRMAN: Yes.

Mr. HACKETT: Now, if after ratifying the Rome Convention, you were to find that a section which is not referred to in our Bill, but which is in our legislation, was not in agreement with the Rome Convention, would that come within the meaning of this discussion?

The CHAIRMAN: I should think, in general, it would.

Mr. CHEVRIER: That is what we have to watch. We have to adhere to the Conventions.

Mr. HACKETT: Just to get a definite statement, your idea is there is nothing in our legislation—

The CHAIRMAN: Nothing in our present legislation?

Mr. HACKETT: —which is repugnant to the Rome Convention which is the topic of discussion?

Mr. CHEVRIER: I would support that view, if there is nothing outside the Bill. Supposing we passed the Bill as it is—if we do not pass it, then we do not adhere to the Convention. If we pass the Bill as it is, with those clauses asking us to adhere to the Convention, and some of the sub-clauses of the Bill, which seem to us are incompatible with the Berne Convention, then we cannot adhere to the Convention, because there are certain things which are incompatible with the terms of the Convention, being outside of the Bill.

The CHAIRMAN: What I would like to suggest—

Mr. CHEVRIER: I think we can come to those as we go along.

The CHAIRMAN: We have adhered to the Berne Convention.

Mr. CHEVRIER: We have not adhered to it altogether.

The CHAIRMAN: We have adhered to the Berne Convention. Now, with respect to our present Act and our adherence to the Berne Convention, there has been no objection, so far as our present existing laws are concerned, by any of the parties to that Berne Convention, except in respect to registration?

Mr. CHEVRIER: Yes.

The CHAIRMAN: And with respect to the terms of the life of the joint authorship?

Hon. Mr. RINFRET: And the moral right. And then the question as to cinematograph.

Mr. CHEVRIER: And recourse by law.

The CHAIRMAN: I have looked through every file. I obtained a complete file from External Affairs, in regard to this matter, and I do not intend, so far as I am concerned, this session, to spend any time in hearing hypothetical arguments advanced by individuals as to their views as to whether a particular clause in the old Act is consistent with the old Convention. In so far as our Act deals with the Rome Convention, I think its terms are a proper subject for discussion.

Mr. BURY: I understood from you that the formal objections to existing legislation raised by the parties to the Berne Convention are dealt with in this amended Bill.

The CHAIRMAN: I believe so.

Mr. BURY: Covered by the amended Bill? Objections that have been made by parties to the convention in respect to existing laws; is that right?

The CHAIRMAN: That is my understanding.

Hon. Mr. RINFRET: That, of course, would be the view of the Minister, or his Department? And perhaps he is right, but if we submit that something has been omitted, surely it would be in order to discuss that omission?

Mr. CHEVRIER: I should think so.

The CHAIRMAN: What I want to do is to restrict this discussion as much as possible.

Hon. Mr. RINFRET: I understand that.

The CHAIRMAN: Why not wait until the matter arises and then discuss it?

Hon. Mr. RINFRET: If you take the view that Mr. Bury took, there will be nothing to discuss at all. We will take it for granted the Bill also covers intention or principle—

Mr. HACKETT: He said it referred to the topics discussed.

Hon. Mr. RINFRET: Even so, some other topics may have been missed.

Mr. CHEVRIER: Quite so.

The CHAIRMAN: I propose to deal with the objections that have been made to the Department, and that is all the Department proposes to deal with.

Mr. CHEVRIER: Then, it precludes the hearing of evidence.

The CHAIRMAN: If it precludes the hearing of evidence with regard to a great number of matters which are not dealt with in the Bill, I am not going to object. Here is the file dealing with this Bill alone, and I propose to submit the whole file.

Mr. CHEVRIER: By the time you have been in session a couple of times there will be about five times as much as that.

The CHAIRMAN: I think we can proceed.

Mr. BURY: I take it that if any member of the Committee thinks that any witness can throw light on any section of the Bill, he has the right to ask for that witness.

The CHAIRMAN: Surely.

Mr. IRVINE: That is the ordinary rule in connection with committees.

Mr. HACKETT: Does the application have to come from a member of the Committee?

The CHAIRMAN: People have been notified from the Atlantic to the Pacific. Official letters were sent to these people who have sent in these protests or recommendations with regard to the Bill. They were asked to attend here on the 15th, at 10 o'clock, and present their views. If they did not care to present their views personally, they may send in a brief, or statement, to be presented.

Hon. Mr. RINFRET: Then, I would suggest, Mr. Chairman, that we hear the evidence first; that we allocate a certain number of sittings, and then, after the close of hearing evidence, we get busy on the Bill. I do not think we should hear evidence right through, and study the clauses at the same time; but we should devote certain sittings to evidence and then close the taking of evidence. That is my proposal.

The CHAIRMAN: You and I have been on committees for the last six years. We know the ordinary procedure, and we are going to follow it in this case. There is no doubt about it.

Now, I will ask if there is anyone here who wishes to present evidence, or any objections to the Bill in its present state. I see that the Executive head of the Performing Right Society is present. They have a large interest in this Bill. Perhaps he is ready to proceed.

Mr. REDMOND CODE: I represent the Canadian Performing Right Society in a way. It is the intention of that Society to have their views presented through their counsel, Mr. Arthur Anglin, and I was wondering whether it would be possible to work out some sort of agenda.

The CHAIRMAN: I do not think that is possible, unless you are prepared to take oath and go on and give evidence. Their position must be given by evidence before this Committee. Subsequently, if counsel wish to argue some point, the opportunity will be given.

Mr. CODE: I want an opportunity of having Mr. Anglin here, and I would like to be able to suggest when he should be here. Therefore, I was wondering if it would be possible and practicable to work out some sort of agenda.

The CHAIRMAN: We are going ahead and will sit from hour to hour and day to day, because this matter must be closed up within a week or ten days.

Mr. A. J. THOMSON: I represent the distributors and producers of motion picture films. I was called here rather suddenly from Montreal. I have had little time for preparation. I thought to-day's meeting was a preliminary one to outline procedure. As far as my knowledge of the case extends at present, I fancy that what I would desire to present to the Committee is largely argument—very little, if anything, by way of evidence—but I would like to have an opportunity until Monday to prepare. It is an important matter to my clients.

Mr. CHEVRIER: Is it the intention to sit say every day in order to expedite this?

The CHAIRMAN: Yes, I think so.

Mr. CHEVRIER: I thought this was purely an organization meeting. Supposing we said we would sit on Monday, and sit right through? I am not opposing anybody who is ready to proceed this morning. We could hear him.

The CHAIRMAN: If there is nobody ready to proceed, we will adjourn until Monday. We have one case, the Performing Right Society, which will take two or three hours.

Mr. CODE: I think it would be safer, as far as Mr. Anglin is concerned, to make it Monday.

Mr. ERNST: I would, personally, prefer to see the sessions start on Monday.

The CHAIRMAN: I have drafted the following resolution: Resolved the Committee report and recommend that they be granted leave to print four hundred copies in English and one hundred and fifty copiees in French, of their proceedings, and of the evidence to be taken by them, together with such papers and documents as may be incorporated with such evidence, for the use of the

Committee and for the use of Members of this House; and that Standing Order 64 in relation thereto be suspended and also that the Committee be given leave to sit while the House is sitting.

Carried.

The Committee adjourned to meet Monday, May 18, at 10 o'clock, a.m.

COMMITTEE ROOM 268,

MONDAY, May 18, 1931.

Pursuant to notice, the Committee convened at 10 a.m.

Members present: Messrs. Cahan, Chevrier, Ernst and Irvine—4.

The minutes of proceedings of the meeting held on Friday, May 15, were read.

Objection by Mr. Chevrier to the minutes as read, on the ground that there had been deletions from the transcript of the discussion at the last meeting.

The Chairman read the ruling of the Board of Commissioners of Internal Economy concerning the reporting of discussion in committee.

On motion of Mr. Ernst, the minutes of proceedings as read were adopted.

Mr. Henry T. Jamieson, C.A., F.C.A., President, Canadian Performing Right Society, Toronto, was called, sworn and examined.

Documents tabled:

A. Brief, produced by Mr. A. J. Thomson, K.C., Toronto, on behalf of Canadian Daily Newspapers' Association;

B. Statement regarding the constitution, methods, etc., of Canadian Performing Right Society;

B-1. Statement of Canadian Performing Right Society in opposition to Bill No. 4;

C. Tariffs of Canadian Performing Right Society;

D. Excerpts from list of members of above Society.

Witness engaged to produce: (*a*) copies of agreement of constituent members of Canadian Performing Right Society; (*b*) copy of contract of affiliation between European Societies and British Performing Right Society.

Witness retired.

The Committee adjourned till 4 p.m. this day.

T. L. McEVOY,
Clerk of the Committee.

AFTERNOON SESSION

COMMITTEE ROOM 268,

MONDAY, May 18, 1931.

The Committee convened at 4 p.m.

Members present: Messrs. Cahan, Chevrier, Ernst and Irvine—4.

Mr. Gene Buck, Kensington, Great Neck, N.Y., President, American Society of Composers, Authors and Producers and Vice-President of Canadian Performing Right Society, was called, sworn and examined.

Document tabled:

G. Proclamation *re* Canada, 1923, information circular No. 63, Copyright Office, Library of Congress, Washington, D.C., U.S.A.

Witness retired.

Mr. Nathan Burkan, New York, General Counsel, American Society of Composers, Authors and Producers, was called, sworn and examined.

Witness engaged to produce: (*a*) form of contract between the Society he represents and the constituent members of that Society; (*b*) tariffs of American Society of Composers, Authors and Producers; (*c*) copy of articles of association of the Society of which he is General Counsel; (*d*) brief of American Society of Composers, etc. in case recently argued in New York courts.

Witness discharged.

The Committee adjourned till Tuesday, May 19, at 10.30 a.m.

T. L. McEVOY,
Clerk of the Committee.

COMMITTEE ROOM 268,

TUESDAY, May 19, 1931.

Pursuant to adjournment and notice, the Committee met at 10.30 a.m.

Members present: Messrs. Bury, Cahan, Chevrier, Ernst, Irvine and Rinfret —6.

Minutes of proceedings of meetings of committee held on Monday, May 18, read and adopted.

On motion of Mr. Chevrier:

Ordered that a summons do issue, through the Clerk of the Senate, to Mr. Louvigny de Montigny, Chief Translator (Laws), The Senate, Ottawa, Canada, to attend and give evidence before the Committee on Thursday, May 21, 1931.

Mr. Ralph Hawkes, London, England, Director, Canadian Performing Right Society; Director, Performing Right Society of England, was called, sworn and examined.

Witness retired.

Mr. Gitz Rice, Composer, Montreal and New York, was called, sworn and examined.

Witness discharged.

The Committee adjourned until 4 p.m. this day.

T. L. McEVOY,
Clerk of the Committee.

AFTERNOON SESSION

TUESDAY, May 19, 1931.

Pursuant to adjournment, the Committee met at 4 p.m.

Members present: Messrs. Bury, Cahan, Chevrier, Ernst, Irvine and Rinfret —6.

Mr. John A. Cooper, Toronto, President, Motion Picture Distributors and Exhibitors of Canada; and representative of The Province of Quebec Theatre Owners' Association; of the Independent Theatre Owners of Ontario; of the Motion Picture Association of Manitoba and of the Saskatchewan Theatre Owners' Association, was called, sworn and examined.

Witness read telegram from N. L. Nathanson, filed as Exhbit "L"; also, telegram from William Yates, Secretary-Treasurer, Independent Theatre Owners of Ontario, filed as Exhibit "M"; also, Resolution from Motion Picture Association of Manitoba, filed as Exhibit "N"; also, copy of leter to H. T. Jamieson, President, Canadian Performing Right Society and copy of reply thereto; filed as Exhibit "O".

Documents tabled:

P. Fees charged in England by Performing Right Society;

Q. List of Canadian composers not members of Canadian Performing Right Society;

Witness discharged.

Mr. GORDON V. THOMPSON, Toronto, Authors' and Composers' Association of Canada, was called, sworn and examined.

Documents tabled:

R. List of Executive Officers of Authors' and Composers' Association of Canada;

S. Memorandum of above Association dealing with Bill No. 4;

T. Report of Committee of Canadian Authors' Association on Canadian Musical Compositions.

Witness discharged.

Committee adjourned until Wednesday, May 20, at 10.30 a.m.

T. L. McEVOY,
Clerk of the Committee.

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COMMITTEE ROOM 268,

WEDNESDAY, May 20, 1931.

Pursuant to adjournment, and notice, the Committee convened at 10.30 a.m. this day.

Members present: Messrs. Bury, Cahan, Chevrier, Cowan, Ernst, Irvine and Rinfret.—7.

Mr. Bury in the Chair.

Minutes of proceedings of meeting held on Tuesday, May 19, read and adopted.

Mr. E. Blake Robertson, Ottawa, representing various Fair and Exhibition Associations and Agricultural Societies, was called, sworn and examined.

Witness discharged. Hon. Mr. Cahan resumed the Chair.

Mr. Howard Angus Kennedy, Montreal, National Secretary, Canadian Authors' Association, was called, sworn and examined.

Documents tabled:

U. Copy of letter sent by witness in official capacity to various "religious, educational and fraternal leaders throughout Canada," with 57 post cards in reply thereto.

Witness discharged.

Mr. Bernard K. Sandwell, Montreal, Chairman, Copyright Committee, Canadian Authors' Association, was called, sworn and examined.

Documents tabled:

V. Special Report, British Parliamentary Committee on Musical Copyright Bill, July 3, 1930.

W. Memorandum of Canadian Authors' Association re Bill No. 4.

X. Brief re Bill No. 4, submitted by Publishers' Section of Toronto Board of Trade.

Witness discharged.

Committee adjourned until 4 p.m. this day.

T. L. McEVOY,
Clerk of the Committee.

AFTERNOON SESSION

WEDNESDAY, May 20, 1931.

Pursuant to adjournment the Committee met at 4 p.m.

Members present: Messrs. Bury, Cahan, Chevrier, Cowan, Ernst, Irvine and Rinfret.—7.

Miss Luise Sillcox, New York, Secretary, Authors' League of America; Executive Secretary, Authors' Guild of America and Executive Secretary of the Dramatists' Guild of America, was called, sworn and examined.

Witness discharged.

Mr. R. H. Lee Martin, Winnipeg, Man., Managing Director and Secretary, the Musical Protective Society of Canada, was called, sworn and examined.

Documents tabled:

Y. Copy of Letters Patent incorporating "The Musical Protective Society of Canada."

Z. Booklet outlining objects and aims of The Musical Protective Society of Canada.

Witness discharged.

Col. Andrew T. Thompsosn, K.C., Parliamentary Counsel for the Canadian Pacific Railway, by leave of the Committee, read into the record a letter addressed by him to the Chairman of this Committee, which sets out the instructions to said Parliamentary Counsel of the General Solicitor of the Canadian Pacific Railway Co., with reference to Bill No. 4.

Mr. W. E. Guy, Ottawa, was called, sworn, but not examined.

Witness discharged.

Committee adjourned until Thursday, May 21, 1931, at 10.30.

T. L. McEVOY,
Clerk of the Committee.

COMMITTEE ROOM 268,

THURSDAY, May 21, 1931.

Pursuant to adjournment, and notice, the Committee convened at 10.30 a.m.

Members present: Messrs. Bury, Cahan, Chevrier, Cowan, Ernst, Irvine and Rinfret, 7.

Mr. Bury in the Chair.

Mr. Louvigny de Montigny, Chief Translator (Laws), the Senate, Ottawa, Canadian Correspondent of the Bureau of the International Copyright Union, Berne, Switzerland, who had been requested by the Committee to appear and give evidence, was called, sworn and examined.

Witness read a letter to give a concrete example of the abuse of the use of music "for religious or charitable purposes".

Witness discharged.

Hon. Mr. Cahan now resumed the Chair.

Mr. R. H. Lee Martin made a statement on behalf of the Canadian National Railways with reference to the Bill under consideration.

Mr. Henry T. Jamieson, President, Canadian Performing Right Society, recalled.

Witness files the following exhibits:—

AA1. Assignment, dated 15th February, 1926, from Performing Right Society (London, England) to Canadian Performing Right Society;

AA2. Exclusive Licence, dated 21st May, 1930, from American Society of Composers, Authors and Publishers to Canadian Performing Right Society;

AA3. Exclusive Licence, dated 24th July, 1930, from Performing Right Society (London, England) to Canadian Performing Right Society;

AA4. Form B. Assignment of individual rights by British or American Society to Canadian Performing Right Society;

AA5. Form A. Assignment of individual rights by authors or composers, members of British or American Societies, to such Societies.

Above are printed as an appendix to Minutes of Evidence.

Committee adjourned to 4 p.m. this day.

T. L. McEVOY,
Clerk of the Committee.

AFTERNOON SESSION

COMMITTEE ROOM 268,

THURSDAY, May 21, 1931.

Pursuant to adjournment, the Committee met at 4 p.m.

Members present: Messrs. Bury, Cahan, Chevrier, Cowan, Ernst, Irvine and Rinfret, 7.

Mr. Bury in the Chair.

Mr. Ralph Hawkes, Director, British Performing Right Society, recalled.

Hon. Mr. Cahan now took the Chair.

Mr. Arthur W. Anglin, K.C., Toronto, of Counsel for Canadian Performing Right Society, addressed the Committee.

The Committee adjourned at 6 p.m. until Friday, May 22, at 10.30 a.m.

T. L. McEVOY,
Clerk of the Committee.

COMMITTEE ROOM 268,

FRIDAY, May 22, 1931.

Pursuant to adjournment, and notice, the Committee met at 10.30 a.m.

Members present: Messrs. Bury, Cahan, Chevrier, Cowan and Irvine.—5.

Mr. Bury in the Chair.

Minutes of proceedings of meetings held on Thursday, May 21, were taken as read.

Hon. Mr. Cahan in the Chair.

Mr. Arthur W. Anglin, K.C., Toronto, of Counsel for Canadian Performing Right Society, resumed and concluded his address to the Committee.

The Committee adjourned until 4.00 p.m. this day.

T. L. McEVOY,
Clerk of the Committee.

AFTERNOON SESSION

COMMITTEE ROOM 268,

FRIDAY, May 22, 1931.

Pursuant to adjournment, the Committee convened at 4.00 p.m.

Members present: Messrs. Bury, Cahan, Chevrier, Cowan, and Irvine.—5.

Hon. Mr. Cahan in the Chair.

Mr. R. C. H. Cassells, K.C., Toronto, of counsel for Canadian Performing Right Society, submitted suggested amendments to subsections 2 and 3 of section 10 of Bill No. 4.

Mr. Arthur J. Thomson, K.C., Toronto, of counsel for Motion Picture Distributors' and Exhibitors' Association, addressed the Committee.

Mr. R. C. H. Cassells, K.C., was heard in reply.

The Committee adjourned until Tuesday, May 26, at 10.30 a.m.

T. L. McEVOY,
Clerk of the Committee.

COMMITTEE ROOM 268,

TUESDAY, May 26, 1931.

Pursuant to adjournment, and notice, the Committee met at 10.30 a.m.

Members present: Messrs, Bury, Cahan, Chevrier, Cowan, Irvine and Rinfret.—6.

Hon. Mr. Cahan in the Chair.

The minutes of proceedings of Friday, May 22, were taken as read.

The Chairman read a letter from Miss Luise Sillcox, secretary, The Authors' League of America, in which she makes certain observations with reference to the testimony she gave before the Committee on Wednesday, May 20.

Ordered that this letter be printed in the Appendix to the Minutes of Evidence and appear therein as Exhibit "AA6".

The Committee considered Bill No. 4 generally and discussed proposed amendments to the following sections of the Bill: sec. 2, ss. (1) (v); sec. 4 (2); sec. 5; sec. 6; sec. 7; sec. 8; sec. 9; sec. 10; sec. 11.

Progress reported.

Committee adjourned until Thursday, May 28, at 10.30 a.m.

T. L. McEVOY,
Clerk of the Committee.

COMMITTEE ROOM 268,

THURSDAY, May 28, 1931.

Pursuant to notice, and adjournment, the Committee met at 10.30 a.m. this day.

Members present: Messrs. Bury, Cahan, Chevrier, Cowan, Irvine and Rinfret.—6.

Hon. Mr. Cahan in the Chair.

Minutes of last meeting were taken as read.

The Committee resumed the discussion of proposed amendments to the sections under consideration at the last meeting. Sections 13, 14, in addition, were discussed.

In view of the evident need for reframing and recasting of Bill No. 4, consequent upon numerous proposed amendments on motion of Mr. Bury.

Ordered: That proofs of Bill No. 4 as revised and recast be printed and be available for distribution to the Committee not later than Saturday, May 30, 1931.

Progress reported.

The Committee adjourned to meet at the call of the Chair.

T. L. McEVOY,
Clerk of the Committee.

COMMITTEE ROOM 268,

MONDAY, June 1, 1931.

Pursuant to adjournment, and notice, the Committee met at 10.30 a.m. this day.

Members present: Messrs. Bury, Cahan, Chevrier, Cowan, Irvine and Rinfret.—6.

Hon. Mr. Cahan in the Chair.

Minutes of last meeting were taken as read.

The Committee then proceeded to the consideration of the Bill clause by clause.

Clause (1) adopted.

Clause (2):

Sub-clause (1); paragraph (*u*), on motion of Mr. Bury that the word "original" be inserted after the word "every" in line 11: carried. Clause as amended adopted.

Sub-clause (2): paragraph (*m*), on motion of Mr. Chevrier, adopted;

Sub-clause (3): paragraph (*q*), on motion of Hon. Mr. Rinfret, adopted.

Clause (3):

On motion of Mr. Bury, paragraph (*e*) adopted:

On motion of Mr. Chevrier, paragraph (*f*) adopted.

Clause (4):

On motion of Mr. Chevrier, sub-clause (1) adopted;

On motion of Mr. Rinfret, the word " two " in the third line of sub-clause (2) was struck out and the word "one" substituted therefor. Sub-clause, as amended, adopted.

Clause (5):

On motion of Mr. Bury, the words " the publication of " in the fourth and fifth lines of this Clause were struck out. The Clause, as thus amended, was adopted, on division.

Clause (6):

On motion of Mr. Bury, all the words after " The first subsection," on page 2 of the Bill, to and including the word "claims" in the 7th line on page 3 of the Bill, were struck out, and the following substituted therefor:

6. Subsection one of section seventeen of said Act is hereby amended by adding thereto the following clauses:

(vii) The performance of any musical work by any church, college or school, or by any religious, charitable or fraternal organization, provided such performance is given without private profit for religious, educational or charitable purposes;

(viii) The performance without private profit of any musical work at any agricultural exhibition or fair which is held under Dominion, Provincial or Municipal authority.

Clause (6); as thus amended, adopted, on division.

Clause (7):

On motion of Mr. Bury, the words "Section twenty" to and including the words "by this Act," at the end of subclause (5) were struck out and the following substituted therefor:

7. Subsection three of section twenty of said Act is hereby repealed and the following subsections substituted therefor:

Presumptions as to copyright and ownership.

3. In any action for infringement of copyright in any work, in which the defendant puts in issue either the existence of the copyright, or the title of the plaintiff thereto, then, in any such case.

(*a*) The work shall, unless the contrary is proved, be presumed to be a work in which copyright subsists; and

(*b*) The author of the work shall, unless the contrary is proved, be presumed to be the owner of the copyright;

Provided that where any such question is at issue, and no grant of the copyright or of an interest in the copyright, either by assignment or licence, has been registered under this Act, then, in any such case:—

(i) if a name purporting to be that of the author of the work is printed or otherwise indicated thereon in the usual manner, the person whose name is so printed or indicated shall, unless the contrary is proved, be presumed to be the author of the work;

(ii) if no name is so printed or indicated, or if the name so printed or indicated is not the author's true name or the name by which he is commonly known, and a name purporting to be that of the publisher or proprietor of the work is printed or

otherwise indicated thereon in the usual manner, the person whose name is so printed, or indicated shall, unless the contrary is proved, be presumed to be the owner of the copyright in the work for the purpose of proceedings in respect of the infringement of copyright therein.

Assessment of damages.

4. If any person shall infringe the copyright in any work which is protected under the provisions of this Act such person shall be liable to pay such damages to the owner of the right infringed as he may have suffered due to the infringement, and in addition thereto such part of the profits which the infringer shall have made from such infringement as the court may decide to be just and proper; and in proving profits the plaintiff shall be required to prove only receipts or revenues derived from the publication, sale or other disposition of an infringing work, or from any unauthorized performance of the work in which copyright subsists; and the defendant shall be required to prove every element of cost which he claims. (New.)

Protection of separate rights.

5. The author or other owner of any copyright or any person or persons deriving any right, title or interest by assignment or grant in writing from any author or other owner as aforesaid, may each, individually for himself, in his own name as party to a suit, action or proceeding, protect and enforce such rights as he may hold, and to the extent of his right, title, and interest is entitled to the remedies provided by this Act. (New.)

Concurrent jurisdiction of Exchequer Court.

6. The Exchequer Court of Canada shall have concurrent jurisdiction with provincial courts to hear and determine all civil actions, suits, or proceedings which may be instituted for violation of any of the provisions of this Act or to enforce the civil remedies provided by this Act. (New.)

Sub-clause (3) as amended, adopted;

Sub-clause (4) as amended, adopted, on division;

Sub-clause (5) as amended, adopted;

Sub-clause (6) as amended, adopted.

Clause 8:

On motion of Mr. Bury, clause (8) was adopted.

Clause 9:

On motion of Mr. Bury, all the words "Section forty" to and including the words "brought under this Act", on line 27, page 4 of the Bill, were struck out and the following substituted therefor:—

9. Section forty of said Act is hereby repealed and the following section is substituted therefor:—

Registration of a grant of interest in copyright.

40. Any grant of an interest in a copyright, either by assignment or licence, may be registered in the Registers of Copyright at the Copyright Office, upon production to the Copyright Office of the original instrument and a certified copy thereof, and payment of the prescribed fee.

2. The certified copy shall be retained at the Copyright Office and the original shall be returned to the person depositing it, with a certificate of its registration endorsed thereon or affixed thereto.

When grant is void.

3. Any grant of an interest in a copyright, either by assignment or licence, shall be adjudged void against any subsequent assignee or licensee for valuable consideration without actual notice, unless such prior assignment or licence is registered in the manner prescribed by this Act before the registering of the instrument under which such subsequent assignee or licensee claims.

Rectification of register by the Court.

4. The Exchequer Court of Canada or a judge thereof may, on application of the Registrar of Copyrights or of any person aggrieved, order the rectification of any register of Copyrights under this Act by

(*a*) the making of any entry wrongly omitted to be made in the register; or

(*b*) the expunging of any entry wrongly made in or remaining on the register; or

(*c*) the correction of any error or defect in the register; and any such rectification of the register shall be retroactive from such date as the court or judge thereof may order. (New.)

Execution of instruments in United Kingdom, Dominions, or in United States.

5. Any instruments referred to in this section may be executed, subscribed or acknowledged at any place in the United Kingdom or in any of His Majesty's dominions, colonies or possessions, or in the United States of America, by the assignor, grantor, licensor or mortgagor, before any notary public, commissioner or other official or the judge of any court, who is authorized by law to administer oaths or perform notarial acts in such place, and who also subscribes his signature and affixes thereto or impresses thereon his official seal or the seal of the court of which he is such judge. (New.)

Execution of instruments in foreign countries.

6. Any such instrument *executed in any other foreign country by the assignor, grantor, licensor or mortgagor may be acknowledged or subscribed by the parties thereto* before any notary public, commissioner, or other official or the judge of any court of such foreign country, who is authorized to administer oaths or perform notarial acts in such foreign country and whose authority shall be proved by the certificate of a diplomatic or consular officer of the United Kingdom or of Canada exercising his functions in such foreign country. (New.)

Seals to be *prima facie* evidence.

7. Such official seal or seal of the court or such certificate of a diplomatic or consular officer shall be *prima facie* evidence of the execution of the instrument; and the instrument with such seal or certificate affixed or attached thereto shall be admissible as evidence in any action or proceeding brought under this Act without further proof. (New.)

8. The provisions of subsections five and six of this Section shall be deemed to be permissive only, and the execution of any documents referred to in this Section may in any case be proved by oral testimony. (New.)

Sub-clauses one, two, three, four, five, seven and eight as amended adopted.

Sub-clause six, on motion of Mr. Bury, was further amended by striking out the words " executed " to and including the words " by the parties thereto " as italicised above and substituting therefor: " may be executed, subscribed or acknowledged by the assignor, grantor, licensor or mortgagor, in any other foreign country."

Sub-clause (6), as thus amended, adopted.

Clause 10:

On motion of Mr. Bury, all the words "Each and every" to and including the words "Governor in Council" in line 12, page 5 of the Bill, were struck out and the following substituted therefor:

Performing rights.

10. Each association, society or company which carries on in Canada the business of acquiring copyrights of dramatico-musical or musical works or of performing rights therein, and which deals with or in the issue or grant of licences for the performance in Canada of dramatico-musical or musical works in which copyright subsists, *under the provisions of the Copyright Act*, shall, from time to time, file with the Minister at the Copyright Office:—

Lists of works to be filed.

(a) Lists of all dramatico-musical and musical works, in respect of which such association, society or company claims authority to issue or grant performing licences or to collect fees, charges or royalties for or in respect of the performance of such works in Canada; and

Statement of fees, charges and royalties.

(b) Statements of all fees, charges or royalties which such society, association or company proposes from time to time or at any time to collect in compensation for the issue or grant of licences for or in respect of the performance of such works in Canada. (New.)

Revision of fees, charges and royalties by Governor in Council.

2. Whenever in the opinion of the Minister, after an investigation and report by a Commissioner appointed under the Inquiries Act, any such society, association or company exercises in Canada a substantial control of the performing rights in dramatico-musical or musical works in which copyright subsists under the provisions of the Copyright Act and which *thereby* constitutes a monoply which is *deemed prejudicial to the public interests*, then and in any such case, the Governor in Council on the recommendation of the Minister is authorized from time to time to revise, *reduce* or otherwise prescribe the fees, charges or royalties which any such society, association or company may lawfully sue for or collect in respect of the issue or grant by it of licences for the performance of all or of any such works in Canada. (New.)

No excess fees, charges or royalties permitted.

3. No such society, association or company shall be entitled to sue for or to collect any fees, charges or royalties for or in respect of licences for the performance of all or of any such works in Canada which are not specified in the lists from time to time filed by it at the Copyright Office as herein provided, nor to sue for or collect any fees, charges or royalties in excess of those specified in the statements so filed by it, nor of those otherwise prescribed by Order of the Governor in Council. (New.)

On motion of Mr. Bury, the word "thereby" in the 6th line of subclause 2 above was struck out; and the words "deemed prejudicial to the public interests" in 7th line above were struck out and the following substituted therefor: "so operated as to be detrimental to the interests of the public;"

On motion of Mr. Chevrier, the word "reduce" in the 9th line of subclause (2) above, was struck out.

Clause 10, as thus further amended, adopted, on division.

Clause 11:

On motion of Mr. Bury, this clause of the Bill was struck out.

Clause 12:

On motion of Mr. Chevrier this clause was adopted and now becomes clause 11 of the Bill.

Clause 13:

On motion of Hon. Mr. Rinfret, this clause of the Bill was struck out.

Clause 14:

On motion of Mr. Bury, this clause was amended by striking out the word " as " in the last line and substituting therefor the words " and which is."

The clause, as amended, was adopted and becomes Clause 12 of the Bill.

Progress reported.

The Committee adjourned until 9 p.m. this day.

T. L. McEVOY,
Clerk of the Committee.

EVENING SESSION

MONDAY, June 1, 1931.

Pursuant to adjournment, the Committee convened at 9 p.m.

Members Present: Messrs. Bury, Cahan, Chevrier, Cowan, Irvine and Rinfret.—6.

Hon. Mr. Cahan in the Chair.

Clause 10, as amended at this morning's session, was further considered.

On motion of Mr. Bury, the words " under the provisions of the Copyright Act " in line 6, subclause one, italicized above, were struck out. Carried.

On motion of Mr. Bury all the words in subclause two, commencing with the word "whenever," to and including the words " interests of the public," are struck out and the following substituted therefor:

2. Whenever in the opinion of the Minister, after an investigation and report by a Commissioner appointed under the *Inquiries Act*, any such society association or company which exercises in Canada a substantial control of the performing rights in dramatico-musical or musical works in which copyrights subsists, unduly witholds the issue or grant of licences for or in respect of the performance of such works in Canada, or proposes to collect excessive fees, charges or royalties in compensation for the issue or grant of such licences, or otherwise conducts its operations in Canada in a manner which is deemed detrimental to the interests of the public ". . . .

Subclause two, as thus amended, adopted, on division.

On motion of Mr. Bury the words " revised or " were inserted immediately after the word " those " in the second last line of subclause three. Carried.

On motion of Hon. Mr. Rinfret.

Ordered that the Committee do report the Bill with amendments.

On motion of Mr. Bury,

Ordered that the Committee report that they have agreed to reprint the Bill in its amended form and that a copy of the Bill, reprinted as amended, be submitted with the report, together with a printed copy of the Minutes of Proceedings and Evidence;

Ordered that the Committee report recommending that the Orders of Reference, Reports, Proceedings and Evidence taken, be printed both as an appendix to the Journals of the House and in separate blue book form, 500 copies of the latter form to be printed in the English language and 200 copies in the French language; and that Standing Order 64 in relation thereto be suspended.

The Committee adjourned sine die.

T. L. McEVOY,
Clerk of the Committee.

MINUTES OF EVIDENCE

ROOM 268,

HOUSE OF COMMONS,

MONDAY, MAY 18, 1931.

The Select Standing Committee on Bill No. 4, an Act to amend the Copyright Act, met at 10.00 o'clock a.m.

The CHAIRMAN: We will call the meeting to order.

Minutes of last meeting read.

The CHAIRMAN: Are the minutes as read approved?

Mr. CHEVRIER: No, I object, Mr. Chairman. In reading through the minutes of proceedings and evidence I find that a certain amount—at least two features anyway that were mentioned the other day are left out, and I want to know why the reporters did not put them in. I refer particularly to the features concerning the discussion that took place with reference to the admission of witnesses and with reference to the Commissioner of Copyrights. I made a number of remarks in that respect, and somebody took them out of the minutes. I certainly do not want to let anyone interfere with what I have said. Anything I say I want to be taken in the notes and produced in evidence, or in the minutes of proceedings. If there is anything to be said that is not to go in the minutes of proceedings and evidence, it had better not be said. I do not know why—

The CHAIRMAN: In the rule which governs the proceedings of these committees, in regard to discussion—and which should be observed—it is provided that "it must be therefore understood that beyond the mere noting of objections raised and the chairman's ruling thereon, which is necessary to render the record intelligible, discussions in committee are not to be taken down in shorthand and transcribed." That is a rule of the Internal Economy Commission of the House of Commons, and that rule I intend to see enforced as long as I remain as Chairman, unless the House of Commons directs otherwise.

Mr. CHEVRIER: I am satisfied if that rule is obeyed there will be no trouble. But there was something fundamentally important about the practice as to how witnesses were to be allowed to testify, and then there was an attack upon an officer who is not here. I haven't seen him. I haven't spoken to him in months. He had no opportunity to defend himself. But I made certain remarks and they are taken out. If there is to be an editor of this Committee—

The CHAIRMAN: I will follow the rule until I receive other instructions from the House of Commons.

Mr. CHEVRIER: I will protest that my remarks were taken out without my consent.

The CHAIRMAN: I beg your pardon.

Mr. CHEVRIER: I will make a protest to the House that my remarks were taken out without my consent.

The CHAIRMAN: Quite so. There was no reflection upon the Commissioner of Patents or any other official in the Patents Office or the Copyright Office by me or anybody else. The reporters who made the report in the newspapers to the contrary were entirely wrong.

Mr. CHEVRIER: That is something.

The CHAIRMAN: So far as the Commissioner of Patents is concerned, I have never had an unpleasant word with him in my life, and I do not expect to have.

Mr. CHEVRIER: I will have to take it up with the House, unless I get a formal promise that anything that I say—I take the responsibility for saying what I say, and I do not want anybody to interfere with what I have said—

The CHAIRMAN: Anything that is said here that is in the way of evidence, that deals directly with the terms of the Bill now before this Committee will be reported. Anything even that is helpful—

Mr. CHEVRIER: Who is to say that?

The CHAIRMAN: I believe the Chairman is to say it until there is some other authority to say it.

Mr. CHEVRIER: If the Chairman is going to be the editor of this Committee—

The CHAIRMAN: The Chairman will instruct the reporters not to publish anything that is not in accord with the rule I have just read. Now, Gentlemen—

Mr. CHEVRIER: These minutes can go through, but I dissent.

Mr. BURY: I move—I am not approving of the minutes of evidence; I am approving of the minutes of proceedings which were just read.

Mr. CHEVRIER: If this is taken as part of those minutes, then I dissent.

Mr. BURY: I move, seconded by Mr. Ernst, that they be approved.

Carried.

The CHAIRMAN: It was the understanding to-day that we were to have a statement, I understood, from some of the officials of the Performing Right Society.

Mr. THOMSON: Before you take that up, I am submitting a brief on behalf of Canadian Daily Newspapers Association. I do not propose to submit any argument. It deals with the right of reproduction by newspapers and periodicals of articles of other newspapers and periodicals, a subject which is covered by sections 9 and 10 of the Convention.

Mr. Partridge was not able to be here to-day and he asked me to submit it.

The CHAIRMAN: Do you intend to put this in circulation?

Mr. THOMSON: Not unless the Committee wishes it.

Mr. IRVINE: Will that appear in the minutes, Mr. Chairman?

The CHAIRMAN: I do not know. I am afraid we will have to have a committee to decide what shall appear in the minutes, otherwise we will not have the minutes of these proceedings published till long after the session is over.

Mr. THOMSON: I would like that to be incorporated in the proceedings.

The CHAIRMAN: Mr. Thomson, whether it appears in the blue book or not, will depend upon the decision of the Committee at the close of these proceedings. There has so much been submitted that is irrelevant.

Mr. ERNST: We might find it possible, merely as a record, to put it in as an appendix.

The CHAIRMAN: But we have hundreds of documents of the same purport.

Mr. ERNST: Those that are formally presented to the Committee. You and I both have received briefs galore.

Mr. CHEVRIER: In the meantime, it would be well to furnish the Committee with a copy of the brief.

Mr. THOMSON: I can do that.

Mr. ANGLIN: I am here, with Mr. Cassels, representing the Canadian Performing Right Society.

Might I say one word before passing on to the subject of the document Mr. Thomson has just handed to me. I gather that it deals with a subject of the Convention which does not form any part of the subject matter of the Bill which is before the Committee. It would seem, therefore, rather to fall within what I gather are recommendations or the determination of the Committee at its original meeting, at which I had not the good fortune to be present, that the proceedings before the Committee should be confined to the subject matter of the present proposed Bill, and should not extend generally to a consideration of other matters arising out of copyright and the general Act now in force. This, therefore, seems to fall without the limitation. I do not know whether, therefore, we need concern ourselves at all at the present with whatever may be in Mr. Thomson's memorandum. I have not seen it.

The CHAIRMAN: I have not had an opportunity of seeing it, but so far as my personal view goes, if it deals with other sections of the Act, which are not covered, and amended or modified by the present Bill, I for one do not intend to consider it.

Mr. THOMSON: Might I make the point; it does not deal with any section of the present Act. It deals with sections of the two Conventions which are not found in our legislation at all. I have regard, sir, to the express opinion of this Committee, as I understood it on Friday, I think you, sir, said in answer to the question of Mr. Chevrier, or Mr. Rinfret, that it was the avowed object of this Bill to bring the Canadian Act into conformity primarily with the Convention of Rome.

The CHAIRMAN: The present Copyright Act of England is sufficient in its scope for the enforcement of the provisions of the Berne Convention. I have not read the brief, but I understand your brief deals with certain sections of our Act.

Mr. THOMSON: No, sir, something not found in our Act.

The CHAIRMAN: Just a moment. Your contention is that certain sections of our Act are not sufficiently broad to carry out certain stipulations of the Berne Convention.

Mr. THOMSON: They are not covered at all.

The CHAIRMAN: The same sections of the British Act are quite sufficient. I am not going into an argument to-day on that question.

Mr. THOMSON: I was not instructed to make any argument, simply to present that brief.

Mr. ANGLIN: Then, Mr. Chairman, and gentlemen, as I say, I was not here the other day, but I heard the minutes read. I understand it is now the purpose of the Committee to hear evidence in whatever order the Committee may think best. Might I ask if it is intended that evidence should be presented as in court, by question of counsel and answer of witness, or would it be better, and shorter perhaps, if the witnesses were allowed to give their evidence, as it were, in narrative form, subject to questioning later?

The CHAIRMAN: We will hear what is usual, a statement from the witness. He may refer to his notes or manuscript as he sees fit in making that statement, but he must be subject to interrogation after he has made it.

Mr. ANGLIN: Quite so.

The CHAIRMAN: I understand there are representatives from the Author's Society of New York and the Performing Right Society of England. I think we will hear them in order. I see no objection to it.

Mr. ANGLIN: I think, also, sir, it might perhaps be well if we had an understanding on this point, that the witnesses had better confine themselves, as far as they can, to what one might call their case in chief, not anticipating or endeavouring to anticipate, what may be said by someone in opposition, but rather leaving that, in the ordinary way, for reply, if necessary.

The CHAIRMAN: We will follow that procedure.

HENRY T. JAMIESON, called and sworn.

By the Chairman:

Q. Will you state your official position and residence, Mr. Jamieson.— A. I am President of the Canadian Performing Right Society, residing in Toronto. The offices of the company are in Toronto. The society appreciates very much the opportunity granted us by this Committee fully to state our case against Bill No. 4 of the House of Commons, an Act to amend the Copyright Act.

Mr. Ralph Hawkes representing a director of the society, and representing the British Society, is here with me, as is also Mr. Gene Buck, also one of our directors, and who represents the American Society of Composers, Authors and Publishers. These gentlemen are prepared to answer any questions dealing with the operations of their companies in England and United States.

Our case is contained in certain memoranda which I will read.

Mr. CHEVRIER: Do I understand you to say you are not putting in "B."

The WITNESS: No.

(1) *Canadian Performing Right Society, Limited:*

The Canadian Performing Right Society, Limited, was duly incorporated in 1925, under the provisions of the first part of Chapter 79, of the Revised Statutes of Canada, 1906, known as "The Companies Act," and amending Acts.

The Society was formed as a branch of The Performing Right Society, Limited, of London, England, and, since 1930, has been jointly operated by that Society and the American Society of Composers, Authors and Publishers.

The British and American Societies are Associations of composers, authors, publishers and proprietors of copyright musical works, established to collect fees for the public performance of such works and to restrain unauthorized performances thereof. Through these Societies, the Canadian Society controls the Canadian performing rights in the works owned by the members of the British and American Societies and of the kindred Societies in France, Germany, Austria, Italy, Spain, Sweden, Roumania, Denmark, Hungary, Poland, Switzerland, Czechoslovakia, Portugal, Brazil, Norway and Finland, affiliated with the British Society.

The Canadian rights, owned by the members of all the Societies mentioned, are obtained under the Canadian Copyright Act, 1921. This follows the International Copyright Convention of Berne, as revised at Berlin in 1908, to which Canada adhered on 1st January, 1924. The Act provides that copyright shall subsist in Canada in every musical work, if the author is a British subject, or subject of a foreign country, which has adhered to the Convention and the additional protocol thereto set out in the second Schedule to the Act.

Reciprocally, Canadian authors enjoy, in all other countries of the Union, for their works, the rights which the respective laws of those countries do now, or may hereafter, grant to natives as well as the rights specially granted by the Convention.

It will be seen that affiliations between National Societies are necessary to provide, in each country, the machinery for the protection of their combined repertoire.

The Canadian Performing Right Society, Limited, is the organization formed for the purpose of collecting fees in this country for the public performance of Canadian, British or foreign musical works, in which copyright subsists under the Canadian Act.

(2) *Need of Association:*

The demand for popular music is world-wide. An individual author, composer or other proprietor of musical works cannot himself protect his interests, issue permits and collect fees throughout the whole world. A world-wide organization is a necessity. The author must associate with others.

It is necessary to emphasize that the preservation of the rights of the author is wholly dependent upon the regular and consistent restraint, by a Society, of unauthorized performances which are frequently taking place throughout the country without notice to the author, and with disregard for copyright.

(3) *Aims and objects of Canadian Society:*

Members, as distinct from licence holders, on election invest the Societies with sole authority to grant licences in the several countries mentioned, to collect fees in respect of public performances of their copyright musical works and, on their behalf, to exercise and enforce all rights and remedies relating thereto.

The Canadian Society represents 917 British authors and composers, 102 British publishers, 711 American authors and composers, 91 American publishers and 26,500 members of the affiliated foreign societies.

Both the controlling Societies are membership Societies. These Societies are directed by the members (authors, composers and publishers). No membership fees are paid. No dividends are paid.

The collection of fees for the public performance of musical works, of which the performing right is vested in the Society, is effected by the grant of licences to responsible proprietors of places of entertainment, or to the organizers of musical entertainments, in order to avoid placing a charge on musical directors, vocalists, musicians or other performers. These licences give a general permission for the public performance, not only of the copyright musical works of its members, but also those of members of the affiliated foreign Societies, as referred to above, comprising a repertoire of approximately three million musical works. Information as to the works contained in its repertoire is given by the Society by the extensive circulation of a list of music publishers and other members, and particulars of the Society's foreign affiliations, and this list enables anyone to ascertain what music may not be performed in public without the Society's licence. Many licences have been granted by the Society, and the fees payable are assessed at very moderate amounts, according to various tariffs applicable to different forms of entertainment. Information regarding the fees payable in any particular case is readily obtainable from the Society. It can be asserted confidently

that the scale of fees charged by the Society is lower than that of any of the foreign Societies. The Select Committee of the British House of Commons on the Musical Copyright Bill stated, in its Report, that the British Society's fees compared not unfavourably with those charged in other countries.

In addition to the tariffs, to which reference has been made, there are special scales of fees, contained in contracts made for a period of years with representative bodies.

(4) *Tariffs:*

The Society's tariffs are not haphazard, but are according to a definite basis or scale. Of our tariffs, (1) the broadcasting tariff, (2) the hotel tariff, (3) the steamship tariff and (4) the theatre tariff have been accepted by music users. Contracts have been written at these tariffs with (1) several broadcasting stations, including CKGW, Toronto; (2) Canadian Pacific Hotels; (3) Canadian Pacific Steamships, Limited, and Canada Steamships Lines, Limited; (4) Famous Players Canadian Corporation, Limited, and others.

It will be seen that this Society has proved, in negotiation, that it affords reasonable and fair terms. Its tariffs are extremely moderate, as will be seen from the following instances:—

One radio station pays the Society $5,000.00 per annum, i.e., a little over $1.00 per hour. The station charges advertisers $95.00 to $190.00 per hour for its musical programs.

The Society's tariff for the large hotels is less than $1.00 per day.

The Society's tariff for large theatres, the income of which ranges from $15,000 to $20,000 per week, is only $3.00 to $4.00 per week.

A dance hall spending over $13,000 per annum, on its orchestra, would pay the Society only $60.00 per annum for its licence.

(5) *Distribution of fees:*

All revenues, after the expenses of collection have been paid, are distributed to the members of the British, American and affiliated foreign Societies.

The method, followed by the British Society, ensures an equitable distribution of fees, obtained from its licensees (the proprietors of theatres, cinemas, hotels, etc.), among its members and the affiliated foreign societies. Programmes or returns of music performed at their respective premises, and the analysis of these programmes and returns form the basis of distribution. Each member of the Society is credited with the performances of his works recorded during the year, having due regard to the length and nature of each particular work; and the revenue available for distribution, after deduction of administration expenses, is then divided amongst the members, in proportion to the performances standing to the credit of each. The work is under the supervision of the Distribution Committee of Directors, consisting of composer, author and publisher members of the Society, and a statement showing the amount of fees, credited to each member, is submitted for members' inspection prior to the Annual General Meeting each year. In the case of broadcasting fees, these are divided according to the duration of performance of each work, as shown by the official programmes furnished to the Society by the British Broadcasting Corporation, and are distributed half-yearly, a detailed account being sent to each member showing how the amount paid to him is calculated.

The accounts of the British Society are audited quarterly by a firm of Chartered Accountants, and submitted to an Annual General Meeting

of the members. The ratio of administration expenses to its total income for the financial year, ended 5th January, 1930, was approximately 14½ per cent.

Of the total net revenues of the British Society, one-third is distributed amongst the authors as a class, one-third amongst the composers as a class, and one-third amongst the publishers as a class. The Canadian Society is being operated on the British system. Of the net revenues of the Canadian Society, 50 per cent are payable to the British Society and 50 per cent to the American Society. I might amplify that. We are operating on the program system and keeping a record of the performances and the work, and our fees will be divided up and distributed on the basis of the performance.

(6) *Society a Great Convenience to Music Users:*

The Authors' and Composers' Association is a great convenience to music users, who can obtain from it permission to perform any of the works in the joint repertoires, thus saving music users the trouble of obtaining permission from the individual author or publisher in respect of each work that he wishes to perform in public.

Also, the work of collection is facilitated and much more economical, making possible very low licence fees.

(7) *Attack on the Canadian Society:*

Mis-statements, circulated throughout Canada, have seriously obstructed this Society in its endeavour to collect the fees to which its members are entitled. The music users are not content with the vast amount of music in the public domain, and which is available to all, free of charge. They prefer modern popular copyright music, but do not wish to pay for their preference.

Music users have said that if Canada ratifies the Rome (1928) Copyright Convention, the Canadian Performing Right Society would take advantage of the terms of that Convention to make an arbitrary use of its right to collect royalties from all who play or sing, in public, music of which it holds the copyright. There is no justification whatsoever, for this fear.

It has been argued that in the public interest this Society's tariffs should be subject to Government regulation. Although such regulation would not in any way benefit the public, but only the music users, these demands have found expression in Bill No. 4, An Act to amend the Copyright Act, now before Parliament.

Government regulation of the Society's tariffs would be a gross violation of the authors' right to freedom of contract. Similar attacks have been made on the Performing Right Societies in many other countries, including Great Britain (the notorious "Tuppenny Bill" of 1929) and the United States of America. All of these attacks have completely failed.

In memorandum "C" herewith, the Society sets out its objections to the provisions of Bill No. 4.

Undoubtedly, Bill No. 4 is an attack on the authors' right to associate for the protection of their property. It is said that the proposed legislation is not intended to restrict the individual author but, as has been pointed out, the author cannot protect efficiently the copyright in his works except in association with other authors. Legislation to the prejudice of an author's assignee or duly appointed agent prejudices the author himself.

Royal Bank Building,
Toronto, 10th April, 1931.

The CHAIRMAN: I was wondering about memorandum "C" That is largely legal argument. It is not a matter of evidence. I think that can be filed as a brief for consideration when the legal question is taken up.

Mr. CHEVRIER: Yes, unless they have any new material that they would like to put forward.

The WITNESS: This is our case against the Bill.

The CHAIRMAN: It is your argument against the Bill.

The WITNESS: This statement "C" contains the various arguments, which, in our opinion, show the impracticability of certain of the proposed—

The CHAIRMAN: Quite so. I would file this as a brief. If your counsel later, at the conclusion of the taking of the evidence, wishes to present a short oral argument on the legal aspect of it, I think the Committee will hear him.

Mr. ANGLIN: May I venture a word, Mr. Chairman. I have read memorandum "C", as doubtless you have, sir. It is certainly a mixture of statements of fact and something in the way of argumentative discussion of those facts, which would certainly sooner or later come out, whether it happens now, or when the Committee do me the favour of hearing me.

The CHAIRMAN: I have read it through. I do not see a single statement of fact that the witness could give of his own personal information which is contained in this memorandum "C". It is a very proper argument for counsel to submit, as argument or brief of counsel, and I think it should be laid upon the table and subject to later comment when all the evidence is in.

Mr. ANGLIN: Then, I suppose, if that is the ruling, what Mr. Jamieson would have to do,—because he contemplated reading it and commenting on it as he went along—would be more or less to follow through this statement—

The CHAIRMAN: If there are any statements of facts contained in the Memorandum "C" to which the witness wishes to refer, all well and good, but I do not intend to hear argument from the witness at the present time.

By Mr. Irvine:

Q. May I ask one question at this point. In the last statement which you have just read, Memorandum "A", it is stated that the Bill restricts the right of associations. Is there any specific clause in the Bill to which you refer that does that.—A. Yes, section 10 of the Bill.

Q. That is, by implication you mean it does. It does not definitely restrict associations, it restricts what the association shall do.

By Mr. Ernst:

Q. You mean it would hamper you in your work to such an extent as to restrict your association.—A. Yes.

Q. Rather than in expressed terms.—A. Yes.

Mr. CHEVRIER: Supposing the witness takes the various sections, section by section, if he has anything to say on them.

The CHAIRMAN: I have no objection to that.

By Mr. Chevrier:

Q. Take the first section to which you are opposed, tell us what your objections are to that.—A. If I may just traverse this statement "C" sir, and state our objections, because they are here very much shorter than if we enter into a discussion on them.

The CHAIRMAN: Make a short statement of your objections, because we do not want to get into a lengthy discussion at the present time.

The WITNESS: As to section 5, that is, the section which deals with the author's right to restrain acts prejudicial to his honour or reputation, we feel that the word "publication," as defined by the Act, would not include mutilation by gramaphone records or other mechanical contrivances.

By Mr. Ernst:

Q. Will not include.—A. Yes.

By the CHAIRMAN: You would like the word "publication" left out, or you would like such words as provided restrictions of publication put in.—A. We feel that it should read, instead of "publication," "the right to restrain printing, publication, representation or reproduction".

Mr. ANGLIN: I would suggest a further word there "performance." If one is going to have a string of words, then we had better have them all.

Mr. ERNST: Take a gramaphone record, for instance. You want to control the production of that record in public and collect licence fees.—A. It is just as regards mutilation of the work—to be protected as against mutilation by publication, but not protected against mutilation by printing and reproduction.

By the Chairman:

Q. What you say is this: You wish the word "publication" struck out altogether; or if an attempt is made to define the use of such words as "the publication of," you wish some other words such as "production, reproduction, printing"?—A. Yes, we wish that word enlarged.

The CHAIRMAN: We understand that for the present.

By Mr. Chevrier:

Q. Your objection is to the word "publication"?—A. Publication.

Q. The word "publication" is too narrow and does not restrain the mutilation in any other respect, publication does not extend far enough?—A. That is so.

Q. Because it is defined by the Copyright Act now.—A. But if it brought it under any distortion—

By Mr. Irvine:

Q. It would be all right.—A. We want to be protected against distortion, mutilation or other modification. Publication, I believe, is defined as the issue of copies.

By Mr. Chevrier:

Q. Yes. In other words, your objection, as I have it, means subsection 2 of section 3 of the Copyright Act. "For the purposes of this Act, 'publication,' in relation to any work, means the issue of copies of the work to the public and it does not include the performance in public of a dramatic or musical work—" —A. Yes.

Q. Leaving the section as it is now, it does not apply to the performance in public of dramatic or musical works; that is what you mean?—A. That is so, yes.

Q. That is what you want to have remedied?—A. To have that remedied.

Q. Otherwise one can mutilate dramatic and musical works, or one can distort them?—A. Yes.

Q. If this section goes through as it is?—A. Yes. We wish to be protected against all mutilation.

By Mr. Ernst:

Q. Before a dramatic work may be performed, it would have to be published, would it not?—A. Not of necessity, no.

Q. If you had the right to it?

Mr. ROBERTSON: Many dramatic works are—

Mr. CAHAN: Now please, Mr. Robertson. You will have the opportunity to give evidence before this Committee. You are not a member of this Committee.

Mr. ERNST: I am looking for information myself.—A. Are you asking, whether, in order to perform a work, it would have to be published?

Q. Yes.—A. No.

Q. Would it not be "publication" if it were in printed form, and handed out, or in typwritten form, and handed out, but not printed, in the ordinary sense of being distributed to the public?—A. Well, publication is defined in the Act—I can refer to the Act—publication is defined by the Act, and it is not very broad.

By the Chairman:

Q. It is perfectly clear that, in regard to section 5, objection has been raised and the Committee will consider it, in so far as I am concerned, in view of the arguments that have been made. What is the next, Mr. Jamieson?—A. Shall I proceed?

Q. Yes.—A. In regard to section 9, this section deals with registration of assignments, grants and instruments. It replaces section 40 of the Act under which we have experienced considerable difficulty by reason of the requirement that in registering we must produce duplicate originals of our works and must register in order to maintain an action in court. We submit that while this section, that is, section 9, does make registration optional and, therefore, does not impose the formality upon the acquisition of the right, it deprives an unregistered assignee, grantee or licensee of all remedies where there has been a registered assignment taken in good faith. The grantee, or licensee, who is thus deprived of this remedy is, and remains, the owner of the right but is, in the circumstances contemplated, entirely without remedy. Once an assignment has been registered, even though it were made in fraud of the real assignee, he can no longer sue for infringement, any person—whether claiming under the registered assignment, or a complete stranger to it—

The CHAIRMAN: He can. He certainly can remove the particular record of registration by action in the court.

Mr. ERNST: If it is not made with notice?

The CHAIRMAN: By fraudulent means.—A. Because the infringer can put the real assignee's title in issue and defeat it by reference to the registered title.

The CHAIRMAN: I think you are speaking generally as to the working of the clause. That can be left until later when your counsel argues the case.

Mr. ERNST: The practical effect of the section is to compel the registration of the two instruments, is it not? You lose your rights if you don't.

Mr. CHAIRMAN: No.

Mr. ERNST: You can't collect fees?

The CHAIRMAN: Yes, you can. What that clause is intended to effect is this. I have ascertained, from matters brought to my knowledge in the State department, that many Canadian authors have made assignment of their rights to copyright to United States' publishers, and incorporated in those assignments, which were made in the United States, there is a provision, which is as wide as the continent, giving to the publisher in the United States, copyright over the territory from the Gulf of Mexico to the northern settled parts of Canada. Such authors, without knowledge that they had conceded their rights by such

assignment to publishers in the United States, and thinking that they only made in the United States assignments of copyright confined to the territorial boundaries of the United States, have, in Canada, subsequently, and sometimes previously, made assignments of their rights to copyright over the territory of Canada; and there are two conflicting assignments. Now, it is intended to provide that, where there are conflicting assignments such as those, the one who registers first, shall be deemed to be the lawful assignee, so far as the Canadian public are concerned. Of course, if any other assignee desires to contest that registration, he is in a position to do so.

Now, that clause was intended for that purpose and provided for that purpose.

Mr. CHEVRIER: There is this feature about it, which we can discuss later on. It would only apply to nationals; it cannot apply to unionist authors outside of Canada.

The CHAIRMAN: Perhaps not, but I think it can.

Mr. CHEVRIER: I don't think so. We cannot legislate with reference to unionist authors. If the Performing Right Society has unionist authors in its repertoire, it cannot apply to them. That is the difficulty.

Mr. CHAIRMAN: That may be an argument.

Mr. CHEVRIER: You can do what you like with your own nationals—we can come to that later—but you cannot apply the section to unionist authors, according to the terms of the Berne Convention.

The CHAIRMAN: I am not going to argue that now. I have submitted that clause to very competent authorities, and they inform me that it comes within the terms of the Berne Convention.

Mr. CHEVRIER: So far as nationals are concerned, we can use them in any way we like.

The CHAIRMAN: I think it goes further than that.

The WITNESS: We gathered sir, that was the intention of the clause, but we feel that the intention is perhaps doubtfully expressed.

By the Chairman:

Q. Quite possibly.—A. If the section defeats only the non-registered assignment, only as against those claiming or justifying under a registered assignment, there would be less objection to it.

By Mr. Chevrier:

Q. What did you say?—A. I say that the section would be far less subject to objection if it defeated the non-registered assignments only as against those claiming or justifying under an unregistered assignment.

By the Chairman:

Q. How much less?—A. Well, it seems that once an assignment has been registered, even though it were made in fraud of the real assignee, he can no longer sue, for infringement, any person—whether claiming under the registered assignment, or a complete stranger to it.

The CHAIRMAN: He can set aside registration in our courts.

By Mr. Ernst:

Q. The section is analogous to so many we have. For instance, the collection of fees is somewhat similar.

By the Chairman:

Q. Any fraudulent registration may be set aside; there is no doubt about that.—A. We feel there is a doubt, and there is the difficulty. We don't see that it is clear how we are to expunge that from the register.

The CHAIRMAN: I think we must leave that to Mr. Anglin to discuss.

By Mr. Ernst:

Q. Do I understand, Mr. Jamieson, that one of your chief objections is the indefiniteness of the registration?--A. No, it is—

Q. Not set out clearly, perhaps?—A. Not too clearly and authors and artists say, "notwithstanding our rights under the Act, we cannot enforce this right."

Q. You also stated the fact that it would entail a good deal of expense with your three millions works?—A. Yes.

Q. I notice a paragraph to that effect?—A. There is that aspect, of course; registration is expensive.

By the Chairman:

Q. Are there any other objections? I understand your objections to section 9, in a general way, and much remains for argument by counsel. I presume you object to section 10?—A. Yes, we object to 10. Section 10, we submit, is not only impractical, but would be contrary to our International Convention, inasmuch as it would be a " formality " within the meaning of the Convention. It appears that the compulsory filing of such lists is to be a condition precedent to (*a*) any legal proceedings to secure payment of licence fees, and also to (*b*) the collection of any such fees, apart from legal proceedings, to secure their payment. Assuming willingness for voluntary payment of fees, a Society or Association would be debarred legally from accepting or collecting them, unless all the works, performed by the licensee, were included in the lists filed at the Copyright Office. The position, in this respect, would therefore be similar to that at present obtaining under section 40 of the Act. The necessity for the repeal, or amendment, of section 40, in order to bring Canadian Law into conformity with the Convention, has already been emphasized, but the Canadian Government, in imposing such formalities, as are indicated in their present proposals, would still be legislating in a manner contrary to the Convention.

By the Chairman:

Q. That is a matter of opinion on your part, of course?—A. Yes. Even if the filing of such lists were voluntary and not compulsory, a Society or Association would still be placed in the position of being unable to sue for, or to collect, licence fees in respect to performance of any works which may not appear on the filed lists.

Q. That is argument.—A. Not all together, sir. The class of persons to whom this section applies is by no means confined to such entities as the Performing Right Society, but would embrace every firm or company of book, play, and music publishers, or literary agents, carrying on business in Canada. Their business is to acquire copyrights or separate interest therein or, in the case of literary agents, to grant licences to perform. It is submitted that in these days, when the filming of novels is perhaps the most valuable of all rights, no one within the class could afford to disregard this section. They would, therefore, have to furnish periodical lists of their publications and, with reference to section 1 (*b*), at the same time they would have to name the price of the licence, and to do so before they could possibly analyze the success of the work, or the other factors which should govern the price. And since the section—

Q. How do you require that?—A. Well,—

Q. That you have to state the price of the licence. That is clear, but to do so before you can possibly know the success of the work or other factors which should govern the price?—A. Yes. A popular work—

Q. Do you find anything in that section which prevents the society publishing from time to time the prices or from increasing or lowering them.—A. Well —but on work may be popular and another may not.

Q. Quite so, but we are dealing with a particular work.—A. But until you know what is the value of a work, whether it is a good work or bad or indifferent work, you cannot put a price upon it.

Q. You cannot put a price upon it?—A. Not very well.

Q. Are you dealing now with publishing?—A. I am not dealing with that question at present.

Q. Are you dealing with performing rights?—A. I was dealing with a case of the filming of novels, as within the class which contains our works.

Q. That is apart altogether from your sphere, is it not? Let us deal later with that. We have a publisher's, or a filming, agent here.

By Mr. Chevrier:

Q. How does this section interfere, if it does interfere, with your performing rights? As I understand it—you deal only or practically with music?—A. Yes.

Q. Musical rights?—A. Yes.

Q. How does this interfere?—A. Well—

Q. How does it interfere, if it does?

The CHAIRMAN: That is what we must know.—A. To file those lists— the problems encountered are very great. First of all there is the filing of lists, which would entail an enormous amount of labour—

By Mr. Chevrier:

Q. My question is, suppose I write a song and turn over my performing rights to you?—A. Yes.

Q. And then, according to the section above, you would have to register it, and somebody came along and wanted to play my song—it probably would be poor taste on their part—how would you go about it, in order to determine, at the moment of registration, the value of that song, when somebody came along and asked to play it?—A. How could we?

Q. I don't know.—A. We have to find out where, and how often, one is going to perform that song. One might want to perform the song to ten people or to a thousand people, or to tens of thousands of people. One may want to perform it once, and one may want to perform it a hundred times.

Q. As I understand it—I don't think you understood me—the impression I got from that is that you cannot determine the value of that song until it has been played some time; is that so?—A. You are asking how we determine the value, the price?

Q. I want to know how you proceed to put a value down in the filing book as to what my song would be worth, two dollars, fifty cents, or ten cents or what? —A. What I am saying is, it would be impossible to do that unless I was told how and where, how often, one was going to perform that song.

Q. This is my song. You are saying if somebody wanted to use my song. I am asking you how you are going to fix a price on my song and put it in the record book.—A. I have to get the music user to find out how and where and to whom he is going to perform that song. He might perform it to a small audience or he might be broadcasting your song to hundreds of thousands of people.

Q. Then, your difficulty is you cannot determine the value of my song when you register it in the lists?—A. The music dealer cannot tell what use he is going to make of it.

Q. That is my contention.

Mr. GUY: I wonder if I may be pardoned—

The CHAIRMAN: No. There will be ample opportunity for you.

Mr. GUY: I am very much interested in this examination.

The CHAIRMAN: I suppose you are, but there will be ample opportunity to express your views. This witness is giving evidence on oath.—A. Well, our

practice is to offer our licence to perform any or all of our songs or musical works in our repertoire at an annual licence fee; and, of course, it is in the protection of the music user. The music user himself does not know what music he is going to perform; he may be asked to play some encore, and he may be out somewhere in western Canada, and he cannot get in touch with us at a moment's notice in order to get permission to perform any particular work.

Mr. CHEVRIER: I gathered that. That is the point I got from the evidence. I don't know whether I am right or not. That is the objection I took.

Br. Mr. Ernst:

Q. I am not quite clear on it yet. You have, have you not, Mr. Jamieson, a schedule of fees, whether they are used for any particular performance or not?—A. Yes.

Q. You have that to-day?—A. We have to-day a tariff for the general licence, general right to use our works.

Q. According to the class of performance?—A. Class of performance.

Q. Granted accordingly as to whether you use all your songs or some particular ones?—A. All of the songs.

Q. Do you not grant licences for particular songs?—A. We do grant them that way. We always have been and are willing to license for a few songs.

Q. Let me carry you a step further. You fix a price according to the type and class of the entertainment, do you not?—A. Yes.

Q. I mean, whether it is for a single entertainment or for a number of entertainments?—A. Yes.

Q. Even if the single performance took place in some place like Albert Hall, England, or in a village school?—A. The size of the audience is a factor.

Q. You have a tariff of fees to-day?—A. Yes, we have a tariff of fees.

Q. Well then, what is the objection to filing those?—A. We will file our tariffs of general fees for the general licences, but we cannot file tariffs of the individual fees, for the reason that it would run into hundreds of millions of prices.

Q. In other words, every song has a different price on it?—A. Well, every song has a different price, according to where it is used.

Q. Do not the songs group themselves, naturally, into a number of groups which would have similar prices for similar performances?—A. Well, you have, we will say, seven different groups.

Q. Yes?—A. Radio and dance halls and exhibitions and fairs and so on. The practice in each group varies. You may want to perform it to ten people or a thousand people or more. So, you see the variation.

Q. You have groups and classes, such as radio, and so forth?—A. Different classes and different extent of use comes in each class.

Q. Fixed by the number of people who would be likely to be in attendance? —A. So for each song you would have to have fifty prices?

Q. Now, every individual song of your three millions does not have a different price, does it?—A. We have.

Q. Would you not have a fixed price?—A. No, we have not attempted to do that.

Q. Have not standardized them?—A. We have three million works to start with.

Q. Don't you standardize your groups?—A. For each song?

Q. No. If I came to you and took a particular song out of your list for a particular performance—A. Yes, if you came to us and said you wanted a particular song we would ask you how you proposed to perform it, are you going to perform it in small concert hall?

Q. I understand that.—A. We would charge you so much, probably a dollar.

Q. My point is this, would it not be the same no matter which song I took for that particular performance?—A. Generally speaking, yes, but there are of course different classes of fees, some are larger fees and some are smaller.

Q. How many different classes would you have?—A. Well, there are a great number of classes; I am afraid I cannot recite them to you.

Q. Do they run over the hundreds?—A. No—I am afraid I cannot answer that from my own knowledge.

Q. You have a hundred classes of those one hundred groups of songs?—A. Yes.

Q. And then you have fifty different prices, according to the classes?—A. For each different performance.

Q. For each song you have say 5,000 in your schedule of licence fees?—A. No. This section says we shall file for each work, the price for each work and we say that necessitates 50 times two million, therefore one hundred million prices.

By Mr. Irvine:

Q. Cannot you attach to a specific work the price class in which you put it? It seems to me you could say "class A, class B,"?—A. That may be done, but it would entail an enormous amount of labour in going over 3,000,000 works in order to classify them.

Q. I think you must do that to-day or you would not be able to fix the price.—A. No, we don't need that; we have a right to license the whole repertoire and the licence gives the general right to use the whole repertoire.

Q. I am asking you about the particular rates. You must have them. You don't arbitrarily fix the price for each individual case; you must have some definite system?—A. It is very seldom that we are requested to give any licence for an individual song, very seldom indeed.

Q. When you are requested you simply fix upon an arbitrary fee, do you? You have some definite system which applies to all songs, all groups, everything?—A. Well, we have to arrive at what we consider would be a fair—

Q. You do it by some system, surely, not purely arbitrarily?—A. Of course you have to take this into account. Up to date, the situation in Canada has been that lots of people have been playing, running around like little boys with their finger in the jam jar.

By the Chairman:

Q. You wish to get in the jam jar now?—A. We have been scolding them a little bit, and now they are rather angry with us because we have been doing so, but sooner or later I think perhaps they realize that we are quite willing to negotiate with them, and we will be able to reach terms in this matter. At present, I think, you can get more information from the British and American societies, because they have had more experience in this licensing matter than we have here in Canada. People have not been coming to us at all. They simply have been saying to us, "we are taking the right to put our finger in your jam jar and do what we like." They have done what they liked.

Q. If my interpretation, or construction, of this Bill is correct, your rights are thereby preserved to an extent that they have never been preserved before in Canada, and the sole object of this clause No. 10 is to determine to what extent you may be regulated in the use and exercise of your price fixing rights—

Mr. Ernst: Is it not a fact that in time you are going to have a practical monopoly of any work to be performed—any modern work?

Witness: No, I do not admit we have a monopoly.

By Mr. Ernst:

Q. You probably aim for it?—A. No, we do not aim for it at all. We simply take the works of such members as join us and we operate on those. We are not aiming for a monopoly.

Q. Let me put my question in a different form. I did not mean it in any nasty way. But the more profit you make for people who join, the more likely they are to join?—A. No, that is not right. I think you have the wrong idea. We are an association. We are a collection machine, if you like, and we are available to any author. He can come to us and simply say, protect my rights." A hundred may come or a thousand or ten thousand, but there is no invested capital or anything of that sort; it is simply an agency. There is no one who can benefit by saying, " let us get in everybody " rather than only—

Q. Only the members of your association, as such, individual members—

Mr. CHEVRIER: I would like to get your point—just what you object to. Subsection (*b*) of clause 10 "a statement of all fees, charges or royalties which such society, association or company proposes to collect in compensation for the issue or grant of licences in respect of the performance of each of such works in Canada," now, is that what you object to—the registration of each one of these. What do you suggest?

The CHAIRMAN: Supposing we change the word " each " to " all " or " any."

Mr. CHEVRIER: All such works with reference to which they want to claim royalties. Then the question is how will they anticipate what the public users want to ask of them. That is the objection that is put forward. They have a million works.

The CHAIRMAN: I think I could answer that: until the day that they wish to license the performing rights in this country at a certain price, their statutory rights, their property rights will not be interfered with. All this section says is that, from time to time, they shall file those for which they have fixed fees and propose to collect fees. The next day after that, or a week hence, they can file additional statements. If there is any doubt about that—

Mr. CHEVRIER: That places a different construction upon the meaning of the section. If that is the intent that is different. If that intent was made clear it would help a lot. However, it is their case.

WITNESS: In regard to that, Mr. Chairman—

The CHAIRMAN: That is why I dislike to go now into a legal argument as to verbiage. I would like to have the evidence, and we will discuss the form.

Mr. CHEVRIER: If they could give us the objection. How does it interfere with your objections?

WITNESS: We cannot tell in advance of the application what is to be the use of the work. It is impossible. We may have a number of radio broadcasts. It might be fifty-watt station or a fifty thousand-watt station, and they must apply and say what is to be the degree of use.

By the Chairman:

Q. What is to prevent you saying to a broadcasting station, we will charge so much if your station is fifty watts and an additional percentage for every excess of watts used? No monopoly can exist except it has some responsibilities with respect to the public imposed upon it. You must at least be in position to state the broad outlines of the charges which you wish to collect from the public?—A. We do know what charges we wish to collect from the musical users; that is, we have our general tariffs, but our experience has been, in countries where the performing rights societies are operating, that the musical users want the general licence and a simple way of working.

Q. Assuming that, what objection is there to filing those tariffs which you already have?—A. We can, Sir, and I shall file our tariffs.

Q. Will you file them before this Committee? Let us have that understood?

Mr. CHEVRIER: The witness will produce existing tariffs and file copies?

WITNESS: Yes, we have them here, but I say it is impossible to file a list of the prices that we would charge for individual works, or groups of work, ahead of time until we have the application for the particular use.

By the Chairman:

Q. Assuming that there is no such thing as filing ahead of time, assuming that you can change from day to day, by filing lists of additional works and also by filing the statements of fees or charges which you will collect in respect of the performing rights of these works?—A. Well, we see, Sir, the great difficulty in filing prices for individual works. The volume of work will be tremendous.

Q. Will you please proceed?—A. If I might just sum up by saying that in view of the fact that it is not the general practice of the Society to grant licences for the performance of special works, it is unnecessary to file a statement of fees for the performance of each work. Moreover, it is impracticable, at the time of publication of a work, to fix a performing right fee, which would be appropriate for every class and number of performances.

Q. That is not an objection under this Bill, because you are not required by this Bill to do that thing against which you raise objections?—A. I see.

By Mr. Ernst:

Q. Does that complete your objection to section 10? A. No, Sir, we have been dealing with section 10, 1 (*a*) and 1 (*b*). I am glancing at my notes. Sections 10 (2) and (3). Now, I see with regard to the so called monopoly charge—

The CHAIRMAN: There is no monopoly charge here is there? Let us deal with the sections of the bill. There is no monopoly charge.

WITNESS: There is an impression and there has been some talk of a monopoly.

Mr. ANGLIN: We might leave this question of monopoly for reply, if it is charged.

Mr. ERNST: I was asking for information whether it would tend towards that end.

Mr. ANGLIN: Until there is some evidence we should leave it for reply.

By Mr. Irvine:

Q. I think you have objection to section 10 (2) on the ground that the Governor in Council should not regulate fees charged. Have you any objection to that?—A. Yes, we take strong objection to that. We feel there is no reason why we should not fix our fees ourselves, and in every other country we have proved ourselves quite able to close reasonable contracts with all and sundry much better.

By the Chairman:

Q. But not without grave objection from the public?—A. I would not admit that, Sir.

Q. I said that—although I am not giving evidence—because nobody can read the proceedings before the Committee of the British House of Commons and the discussion in the House of Commons of recent date in England, without noting that there are very grave objections?—A. Mr. Hawkes will be able to speak with first hand knowledge of that.

Q. Let us deal with Canada?—A. It is my understanding that we have always been able to arrive—to negotiate contracts with the various parties who wish to use our material, and we feel we could do the same here, and, in fact, we have done so.

Q. When you have done with your objections, I would like to ask you some questions with regard to the general scope of these objections?—A. I was, Sir, passing on to section 11, that is, performances by churches and colleges. I say that it has been our policy always to extend sympathetic treatment to performances given for such purposes as are mentioned in this section; but we feel that it will be a violation of the rights—the author's exclusive right, and that the author should have, should continue to have the right to authorize the performance of his work under such circumstances. At the same time, free use of the Society's right is granted for charitable entertainments, provided that no payment is made to the performers. We are perfectly willing to take nothing, if everybody else is willing to take nothing, but the idea seems to be that the author and composer is to do all the giving, and everybody else can get the reward for their labours.

By the Chairman:

Q. Now, let us deal with that objection. We have to understand the objection because it is very pertinent. You said you have no objection to the free exercise of performing rights in a musical work for charitable purposes so long as the performer—the one who sings or plays—does not receive compensation for the performance. Is that so?—A. There might be a charity concert organized and they might have to pay the artists, or somebody who is organizing the charity concert, and we say if everybody is giving his services to charity, then it has always been our practice to do likewise and to grant free use of our repertoire.

Q. Everybody is a wide term. You have to pay the newspapers for advertising and the printers who print the hand-bills and the attendants who arrange the seats?—A. Yes, they use this to discriminate against the authors as a class. If other people who are contributing to a certain charitable or benevolent concert are giving their services free, we can do likewise, and we have done it.

Q. Where do you draw the line? You say everybody. Does that include the charwoman who dusts the seats and who scrubs out the building? Where is the line there?

Mr. ERNST: Is not the real point here: if the performers give their services voluntarily, you really would have no reasonable objection to not being compensated for your music under the circumstances. If the performers are paid for performing that music, then the author ought to be entitled to something. That seems to be your point.

Mr. IRVINE: The institution in connection with which the performance is put on might be making profits both out of the gifts of the performers and of the author. You have to go further than the performer. So far as the present performance is concerned, you might organize a big performance and get all the performers to donate their services, and the authors to donate their songs, and then make money.

Mr. CHEVRIER: That is what happens often.

The CHAIRMAN: The popular objection indicated to me in regard to this matter is this: in the country district where I was born there were times, in the early days, when we were out of communication with the outside, and in the winter we had very little communication by sea in stormy weather. We used to have community centres. We would have a village band, or town band, or a village choir. These were for our own amusement and entertainment, during the winter season, when we were practically cut off from communication with the rest of the world. We would have musical entertainments. The children would pay fifteen, or twenty-five, cents and the adults would pay twenty-five, or fifty, cents, and the proceeds went to sustain either the village church, the com-

munity hall or some other community interest. Now, in respect of such an entertainment, where an entrance fee is charged, you would, according to your definition, insist upon payment for the performing rights of any work in your repertoire.

WITNESS: Well, sir, I am not going to hold on to the case of the charwoman. We do say that if the promoters are not receiving remuneration and if the performers are not receiving remuneration, that it is our practice always to grant the right—we grant the right freely to use our repertoire; but we wish to have the right to grant that right. We do not see why it should be necessary to take away that right from us. We have never charged churches. There have been a lot of misstatements—

By the Chairman:

Q. Unfortunately, under existing conditions you cannot charge anyone very much?—A. Quite so. I am speaking now—and Mr. Hawkes and Mr. Buck can speak and tell you of our practice—because their policy largely governs and will govern the administration of this society in Canada, because they are the property owners. They own the Canadian performing rights. But I simply say that it never has been the practice to charge charities or churches, although there have been lots of grave misstatements made here and there throughout the country that we do this sort of thing. But we do not; it has never been the practice; and we do not charge His Majesty's Forces for service performances.

By Mr. Ernst:

Q. Nearly every city choir has paid artists?—A. If a great band from London comes to an exhibition and is paid some thousands of pounds to come out here to the Canadian National Exhibition, deriving huge payments from the public, and if they say "we are not going to pay you a fee" which in that case would amount to something less than one thousand dollars for the whole period of the exhibition—

By the Chairman:

Q. Do you include church choirs? In the cities most of our modern church choirs are paid annually? Would you insist upon charging the churches?—A. Oh, no, Sir.

Q. For the use of copyright music?—A. No, we have never insisted.

Q. Simply because the performers were paid?—A. No. It is very difficult to draw the line that you ask; but we do the thing in general; and if we find that those who are able to give their services freely are not so doing, that they are profiting out of the thing, then we ask that our licence fee be paid. But take charwomen and choristers, they are not able to give their services freely.

Q. Some of the artists who sing in our choirs are very well paid?—A. I think perhaps the answer is that we wish to control the giving of our own charities.

Q. I think that is a fair answer. You wish to have it entirely in your own control without any interference on the part of parliaments and governments? —A. Yes, we do not see why we should be forced to give—

Q. Quite so?—A. And if we are to be forced to give, why, everybody else should be.

Q. I think that is fair.

By Mr. Chevrier:

Q. Supposing that Creatore plays at the Central Canada Exhibition in Ottawa, will you charge anything for the use of that music?—A. Our practice is to charge the Exhibition.

Q. Under this Act here, what would be your situation if this goes through? —A. Well, we would still charge the Exhibition.

Q. But, under this act, that may be a question of interpretation?—A. Yes, a question of interpretation.

Q. And from that you gather that that would prevent you from charging fees on the music that Creatore might use in Ottawa or in Toronto at the Exhibition?—A. I did not say that.

Q. What is your understanding?—A. My understanding——

Q. If one fair has the privilege of using it. That is what I want to get at. I want the purport of this?—A. It is a question of what is educational.

Q. What is educational? If the fair in Ottawa or Toronto has a certain number of educational features in it, though it is largely advertising, then this defeats the purpose—you cannot collect royalties?

The CHAIRMAN: I am afraid that is coming, because an amendment will necessarily be proposed, either in this Committee or in the House, with regard to fairs and exhibitions. I do not think there is a Fair Committee throughout Canada that has not entered some objection.

Mr. CHEVRIER: I have had the same deluge of circulars. "Provided the performance is given for religious, educational, benevolent or charitable purposes." That is why those fairs are all claiming exemption and free music.

Mr. ERNST: They are all asking for an amendment?

Mr. CHEVRIER: Some of them have written to kill the Bill in order to get free music. If you kill the Bill you cannot get this.

The CHAIRMAN: Could we not argue that when we come to re-draft it?

Mr. CHEVRIER: If it is going to be re-drafted. Now, dealing with the term "religious." A man writes a new mass for religious service, and the Church may use that without any fee at all. I do not think it is fair to the man who goes out and spends a lot of time and energy in studying ritual and liturgy, that the Church should be able to use his sacred music without paying for it. He has got to make a living whether it be from hymnal or church music.

The CHAIRMAN: Don't you think that is an argument that goes to the bottom of the whole thing, and should be reserved?

Mr. IRVINE: I think we can argue that when we come to the clause.

Mr. CHEVRIER: I want to get the information.

The CHAIRMAN: It is not a question of information you are getting from the witness, it is information you are supplying to the audience.

Mr. CHEVRIER: If that is one way to get it on the record, I am quite willing to do it.

The CHAIRMAN: We will have no difficulty in getting information on the record. You are a member of the Committee and of the House of Commons. The House of Commons is established for the purpose of discussion, and this Committee is established for the purpose of obtaining evidence to form a foundation therefor. We are going to the extreme in the matter of allowing these objections to be stated in this form by a witness who is giving evidence on oath.

The WITNESS: I propose to file, Sir, a copy of a pamphlet widely circulated by us, which gives excerpts from our membership and shows the extent of the repertoire. It indicates the extent of the repertoire.

By the Chairman:

Q. Have you a printed copy?—A. Yes, I have it here. I will file it.

Q. Let me see it. I don't know whether I want to file it. Printing is expensive. We will accept this, and if the Committee decides that it should

subsequently form part of our printed record, well and good. It will be here for the examination of the Committee, but we must shorten the record somewhat.—A. That list, Sir, is what we use to indicate the extent of our repertoire, and we feel it is all that is necessary and obvious——

Q. I will examine you later. What else do you want to volunteer?—A. I will file these particulars of our tariffs now in existence.

Q. Is this the same tariff that you gave me a copy of, or is it a new tariff? —A. No, Sir, if I gave you a copy it is the same.

Q. Have you changed them recently?—A. No.

The CHAIRMAN: We will file the list of the tariffs.

The WITNESS: In filing this, I may state that this tariff will have to be revised. In the event that the Society was put to the expense and trouble that would be caused by the proposals of the amending Bill as to filing lists, tariffs and so on, the expense would be very great.

The CHAIRMAN: There is nothing in the Bill to prevent you revising your tariff from time to time subject to certain supervision.

(List of Tariffs filed, marked Exhibit "C").

The WITNESS: Just in regard to contracts. The Society has always offered licences per work performed where such licences are desired, and we call those contracts "Unit Charge Contracts", and at different times throughout the past few years, where a music user has objected to taking the general licence and has said that he wishes to pay only for what music he is using, we have offered him what we call a Unit Charge Contract, that is, a charge per work, and it depends, of course, upon the size of the work and the length of time taken as to what the charge will be.

Q. Let me ask you a question. Your company, the Canadian Performing Right Society Limited, as you stated, is organized by Letters Patent issued under the Companies' Act of Canada.—A. Yes, sir.

Q. Its capital consists, if I remember correctly, of 6,000 shares no par value.—A. Ten thousand shares of no par value.

Q. Ten thousand shares?—A. Yes. That is the authorized capital.

Q. Well, how much has been issued?—A. We have issued 2,000 shares.

Q. Two thousand shares?—A. Yes.

Q. And of those 2,000 shares actually issued, I understand that 1,000 shares are owned by the Performing Right Society Limited, of London, England, and the other 1,000 are owned by some American society.—A. Yes, the American Society of Composers, Authors and Publishers. Each has one-half of the issue of stock.

Q. Each has one-half of the issue of stock?—A. Yes.

Q. So that none of those shares are owned by any Canadian company.—A. No, sir.

Q. In the collecting of tariffs and charges, up to date, you have been very much restricted, I understand, by the application of the present section 40 of the Copyright Act.—A. Very much.

Q. That necessitated, as a condition for registration, the execution of assignments in duplicate, and you found it absolutely impossible to conform to that requirement.—A. We did, yes.

Q. You carried an appeal from the Ontario courts to the Privy Council and the Privy Council decided that section 40, as it at present exists, was binding upon your Society.—A. Yes.

Q. And your Society is very desirous of having some amendment made to that section 40, so that you can comply with it with reasonable expense?—A. Yes.

Q. Now you object to any degree of governmental regulation in respect to the tariffs which you fix, impose or collect.—A. We do.

Q. You do not find anything in this Act which prevents the individual author from collecting by himself or agent, any tariff or fees that he might seek to impose.—A. No, sir, but the individual author may be in Czecho Slovakia, or Austria, or France, or Britain, or Germany, and he cannot come here and collect himself.

Q. Quite so, but there is nothing in this Act that prevents them collecting, as they have done in times past, their fees and charges by an agent through our courts.—A. Authors—

Q. Will you please answer that question?—A. No, there is nothing.

Q. That is what I want, not an explanation?—A. Except that it is impossible for him to do it.

Q. I do not know what you may argue, but I don't know that you are in a position to give evidence as to it.—A. If I may make a suggestion there, sir, if you take an author in France, he would then have to appoint agents in every part of the country, and he could not afford to do that sort of thing.

Q. Perhaps not, but I know that in my practice, as a member of the late firm to which I belonged, we were agents for collecting for many authors, and we had a young man in the firm who looked after that and made the collection. —A. We are agents for all of them.

Q. I grant that. Now, you have submitted a list of all of the members of the so-called Canadian Performing Right Society Limited. Now, will you tell me by what form of instrument there is vested in the Canadian Performing Right Society the legal right to licence performers, that is, to grant a performing right, and the legal right to collect, on behalf of the individual author, the fees and charges which are demanded for the performing rights in this country; have you such instruments that you can now produce?—A. We have them in the office. I can file copies of them.

Q. Are they all the same form?—A. The two societies have executed agreements with us under which they give us the exclusive right to licence the works of their members, to license here in Canada the works of their members.

Q. Will you file copies of those agrements?—A. Yes, sir.

Q. Then the validity of these instruments will depend upon whether the authors have vested their rights in these societies whom you represent by granting from time to time rights in respect of their separate works?—A. Well, what the authors and composers have vested in us, assigned to the societies we get—

Q. Under those instruments.—A. Under those instruments.

Q. Yes, but I would like to know the ordinary process which you follow for proving title. A foreign society has copyright in some musical work, well, any one of these German publishers, and supposing you sue in our courts, how do you prove that you are entitled to collect in respect of that German work.—A. We produce the assignment from the author or composer to the publisher, and from the publisher to the British or American Society, and then the document under which we obtained the general right to license, exclusive right to license this and other works.

Q. Yes. Then am I right in suggesting that under the statute enacted in this country, known as the Copyright Act, the author has a monopoly in respect of his work; he has the sole right to deal in that work or grant performing or publishing or other rights with respect to it. Now, we will start from him. Does he assign in Germany to some German company.—A. I have no knowledge of what he does in Germany, sir.

Q. I am dealing with the derivation of your title. Does that come through an assignment from the German author to some German society, say an assignment by the German author with respect to Canada to the English society or to the American society.—A. I can speak as to what the British—

Q. I am dealing with Canada. You say that you control some two and a half to three million works. I wish to know how you obtain title to them.—A. I beg your pardon, I did not understand for a moment. The German rights are conveyed to the British society.

Q. Direct.—A. No, an affiliation agreement between the German and the British society.

Q. Wait a moment. Is that a German society that does that? Is it done through the instrument of a German society, or by the individual German author?—A. It is done by the German society.

Q. First then we have the German author, then we have the German society.—A. Yes.

Q. To whom the German author has assigned all performing rights.—A. Yes.

Q. And then we have an English society to which the German society assigns all its interests in the performing rights?—A. Has given the right to licence.

Q. Given the right to licence, is that all?—A. It is a contract of affiliation between the two societies, by which the British society is given the right to collect in respect of the rights.

Q. Can you file a copy of one of those agreements so that we may see the derivation, whether it is by an instrument authorizing collection, or whether it vests the English society with rights other than collection?—A. I will have to get that from London. I shall obtain it.

Q. Then will you undertake to file with the Committee copies appertaining to your derivation of title, so that we can appreciate just how that title is derived? First, take the German national, he assigns to some German society. The German society either assigns those same rights to the British, or else authorizes the British, as its attorney and agent, to collect and then the British sub-attorns to the Canadian society. Do I understand that is the general way in which the right is derived?—A. Yes.

Q. And then in the same way the French national,—there is a French national society?—A. Right.

Q. And it makes certain assignments of certain rights. And then the British society again authorizes your society as its sub-agent or sub-attorney?—A. We are, in a word, a collecting agency.

Q. You are more than a collecting agency, are you not? Let us follow that out a moment. I simply want to find the facts. Are not you more than a collecting agency, because you have authority to grant, either by licence or otherwise, the right to exercise performing rights with respect to each one of these copyrighted works? You not only collect but you have the right to grant the right for which you collect a fee or compensation.—A. That is a question upon which I would have to consult Mr. Anglin or Mr. Cassels. But I do say we have the right to grant—we have an exclusive right of licensing.

Q. Therefore, you are not merely a collecting agency, you are something more. You grant substantial rights with respect to which you do collect?—A. We say we can give the right to perform those works on payment of a certain fee.

By Mr. Ernst:

Q. Which you fix?—A. We are more than a collecting agency. We are formed to collect and protect.

By the Chairman:

Q. Now, let us follow this out. Every monopoly or combine naturally objects to regulation. We find it so in this country. The modern method of those who produce commodities or control the sale of commodities is to combine

in order that they may fix a price which they deem adequate, fair or equitable. But does your objection with respect to the regulation of your charges and fees extend beyond the mere objection which all those in a combine take?

Mr. ANGLIN: You mean from the practical standpoint, because if it is on the legal position—

The CHAIRMAN: I am dealing with it from the practical standpoint.

The WITNESS: Well, we object, if I may use the word, to interference with our right of contract, freedom of contract.

By the Chairman:

Q. Well, quite so. So do I object with all sorts of police interference. If I walk from here to the hotel, I am governed by a dozen laws which may tend to cripple my activities and liberties.—A. We say this, that we do not quite appreciate why we should be singled out, when there are so many others that are not singled out.

Q. Such as? You might give us some pointers.—A. Perhaps we could, sir. The fact is that the public would not be benefited one jot.

Q. Well, now, we have to judge that. Does it not go down the whole line.—A. No, sir. I do wish to say this, sir, that there are combines in which there is the element of monopoly such as the radio concerns, the motion picture associations and even, perhaps, the newspaper associations.

Q. And perhaps the broadcasting concerns might be too.—A. But those concerns are very anxious that we should be regulated, and we say that this regulation of our fees would simply fatten their pockets.

Q. I grant that. I grant that is a contention.—A. It would not help the public at all.

Q. I don't know that, but it is a contention which should have weight. Your performing right does not exist apart from a legal right.—A. Mr. Anglin can answer that question.

Q. Well, assuming that your performing right does not exist apart from statute and international convention of recent date, then your German authors vests the right title and interests in their copyright—

By Mr. Chevrier:

Q. Which is it, the copyright or the performing right.—A. The performing right.

Mr. CHEVRIER: They retain the copyright.

By the Chairman:

Q. I may be wrong, but my suggestion is that the German society, and the French society—the German anyway, I am so informed, was vested with the entire copyright, and that when it assigned again—A. It is not so, sir. It is the performing right.

Q. It is only the performing right.—A. Yes.

By Mr. Chevrier:

Q. They retain the copyright.—A. Yes.

Mr. CHEVRIER: That is as I understand it.

The CHAIRMAN: Let us get beyond that. I should not like to accept that. I am dealing with the German. Is not the German society formed, not of authors, but largely of publishers in whom the entire copyright is vested with all the incidents of publication rights, performing rights, and of other rights.—A. I have no knowledge of that, sir. Mr. Hawkes has.

Q. All right, we will hear him later. In any case, even supposing my assumption is wrong, the performing right is a right in itself which appertains to the general law of copyright.—A. So I understand.

Q. Now, therefore, you have one combination of holders of performing rights, in Germany, which grants the licensing rights with respect to certain works to another society, in England, which also receives similar grants from societies in France, in Italy, in America.—A. Yes.

Q. And then your English society, has gathered in through these various sources, the right to license the performance of these works, and in Canada this company has 2,500,000 of those works with respect to which it has complete direction and control.—A. Yes, substantially yes. But to put it somewhat different, the national of each of those countries, under the Berne Convention, had, in England, British copyright—

Mr. ERNST: As the result of a British statute.

By the Chairman:

Q. They have under a British statute.—A. Well, under a British statute, yes.

Q. That is, I understand the Berne Convention has never been ratified by statute in England.

Mr. CHEVRIER: It gives them the copyright protection.

The CHAIRMAN: The Berne Convention is not applied by the English courts—

The WITNESS: I do wish to make this point, that the national in France, the individual author in France, the individual author in Germany has, in England, a certain British performing right, and he has in Canada—

Mr. ERNST: As the result of British statute.

Mr. CHEVRIER: It gives to the unionist in that country—

Mr. ERNST: By act of Parliament.

The CHAIRMAN: The Berne Convention is not applied by the English court—

The WITNESS: My point is simply this, that he has, in England, a British copyright. He has, in Canada, a Canadian performing right. Now, how he gets it does not matter for the moment, but he says, through his French society, to the British society "will you protect my right in Britain and collect the fees to which I am entitled for the performance of my work in Britain," and through the British society, he says to us "will you protect my Canadian performing right and collect for me the fees to which I am entitled in respect to the performance of my work throughout every town, village and city in Canada."

By the Chairman:

Q. I am not going to discuss with you the colouring of things you say, but I wish to ask, do you see any strong reason, or ground, why when through the means which you have suggested at least 20,000,—I suppose there must be more than that, there must be 50,000 authors, whose works are controlled by you in Canada at the present time.—A. Getting near 30,000.

Q. Well, will you tell me the ground of your opinion when you object, on moral grounds, to any regulation as to the prices which 30,000 authors in the combine exact from the exercise of performing rights for their works? Are not they in the same position as any other combine which must necessarily be regulated in the interests of the public.—A. Well, we are not a combine, because there are a great many—

Q. Call it a combination, then, of 30,000 authors whose works in Canada are practically placed in the control and direction of Mr. Jamieson as executive head of this society.—A. Yes, sir, that is so, but I simply make the point that there are other works—

Q. Oh, I grant that, but here are two and a half to three million of them at least. Now, we are dealing with those and they are a substantial number.—A. Well, the authors maintain that they have the sole right in their property, and they need the services of an association such as this, in order to collect their fees, and they object to any interference with their rights of fixing their own fees.

Q. All right, I do not wish to pursue that matter further.—A. And they maintain it is against and contrary to the Convention.

Q. Oh, well, that is another phase of it.

By Mr. Ernst:

Q. Mr. Jamieson, the position of advantage which you hold is the result of the Act of this Parliament, is it not? You incorporate under a statute of this Parliament, the Companies' Act, to start with, do you not? Is that correct? You incorporate under a statute of this Parliament.—A. Our Society?

Q. Yes.—A. Yes.

Q. And the rights which you have in this society are the result of the Copyright Act of this Parliament.—A. I understand so, yes.

Q. Now then, as the result of this statute, your methods of collection are going to be made more efficient than they have in times past, that is, you will be in a better position to collect license fees, leaving out the question of regulation for the moment.—A. Would there be any fee?

Q. Leaving out the question of regulation for the moment. Let us assume the fee is a reasonable one. You are in a better position to collect than you were hitherto. Would you be in a better position to collect whatever fees is prescribed.

The CHAIRMAN: I think there is no doubt about that.

The WITNESS: I think possibly we would. I have not examined that.

By Mr. Ernst:

Q. In other words, this Parliament, by its action, would be putting you in a position where you could, if you so desired, exploit the public with reference to the works which you hold.—A. So far as the fixed fees—

Q. Leave out the question of the fixing of fees.

The CHAIRMAN: Meet the issue squarely.

By Mr. Ernst:

Q. Let us leave out the question of the regulation of fees for the moment. If you are given the right of what you call completing the contract with respect to works which you have, the performing rights, you would be in a position if you so desired—I am not suggesting you would—to exploit the public; you would have that power, would you not.

The CHAIRMAN: They would have the right to fix their fees at anything they saw fit.

The WITNESS: Just by demand and supply negotiation.

By Mr. Ernst:

Q. Well, when you control the supply it is a different proposition. Where is your objection.—A. The history of our negotiations can be given you by Mr. Hawkes, and you will find that these associations in those other countries have not been able to exploit and to dictate their fees. They have had to sit down and negotiate them.

Q. I do not know what the fees are, but it seems to me, in theory at least, that we are putting you in a very strong position, which I am not suggesting you will abuse; but can you tell me any reason why this Parliament, in granting you people statutory rights, should not, at the same time, protect the public, the duty of this Parliament is to the public.—A. Why protect the public before the need for protection appears.

Q. We are giving you potential powers, so why should we not protect the public where our duty lies?—A. You are protecting the public.

Q. With reference to the great mass, we are certainly giving a great measure of potential protection to the public.

By the Chairman:

Q. I am not asserting that you have exercised your powers unreasonably. I am not suggesting by my enquiry that you are fixing prices unduly high, but certainly, if certain clauses of this Bill pass, unless there is some restraining regulation, you can put them sky high, and there may be executives of your company who have not the same equitable mind and fairmindedness which you have.—A. I know there is the impression that we could put our price sky high. But, in fact, we cannot put our price sky high. We have to sit down and negotiate. For instance, when we sit down, as the British Society do, to negotiate with various associations or individuals, or with the British Broadcasting Commission, the history of all those negotiations, as Mr. Hawkes will be able to show, has been that we asked a price, which may be X. The music users suggest a price Z, and in the end there is a price Y, somewhere in between. These prices have always been reached by negotiation.

Q. Quite so. And in the absence of the telephone rates fixed by the railway commission, and the railway rates fixed by the railway commission, and other rates, which are fixed by public utility bodies, everything would be by negotiation and by agreement. But human nature is such that you must have some regulatory power in order to satisfy public opinion. That is our difficulty. I am not against Mr. Jamieson, not a bit. I have no predelictions against your Society. I am just trying to see how he can come to a satisfactory solution of the difficulties.—A. Well sir, I can suggest this, that there seems to be a very wrong idea of the application of this thing. It is not the public interest that is in danger; it is simply the powerful body of music users on the one hand and the various classes of individual authors and composers on the other hand.

Q. That is so.—A. If we concede it is the right of the music user to move and use his influence to cut down our tariffs to the absolute minimum. starvation minimum—

Q. You see the same human instinct of acquisition——A. I say—

Q. —on the one side, which I suggest is represented by you, is met by other forces on the other side.—A. That was not what I was saying; I simply mentioned the point that this is not—the public is not in danger.

Q. Well?—A. There is between us and the public this body of music users.

Q. Let me put the case again, if I may. You are wholesale dispensers of performing rights?—A. We are.

Q. And there are, as you say, your natural enemies the broadcasters and other enterprises of the country?—A. And—

Q. Just wait a moment. Then there are the hotels of the country that now find it necessary, or convenient, to supply music to their guests every evening?—A. Yes.

Q. At dinner? Then there are certain picture houses, theatres and all the rest, who have need of performing rights, in order to assist with their varied forms of entertainment. Beside that, of course, there are the bands which play concerts in the public parks, and play in the streets, and all that sort of thing. In other words, there are various organizations which require licences for performing rights from you, in order to carry out their undertakings. Now, naturally, when you say that you charge what price you like for that privilege, it does concern the public. Does it only concern them, that is the point?—A. Well sir, I don't understand what you mean by their "undertakings". They are under no contract—

Q. I mean to say undertakings—I am using it in the legal sense as an enterprise that they are carrying out.—A. They are in business for profit.

Q. Certainly.—A. And they are large and important bodies, and they make contracts with us; and in fact, about 75 or 80 per cent of our fees are derived from those large users.

Q. Yes.—A. And those combinations of users, and therefore they are well able, I assure you sir, to take care of themselves.

Q. That may be. Is not this the existing state of affairs; that this Bill deals with the instruments which they seek for their protection——A. No. sir.

Q. Wait a moment. They seek for their protection against your supreme monopoly the intervention of Parliament and such regulatory measures with respect to prices as Parliament may impose. Are we not bound to take cognizance of their complaints?—A. No. Is not the government bound to ask them how much profit they wish to make?

Q. No, not necessarily.

By Mr. Ernst:

Q. It comes down to this: you really distrust the Governor in Council. As being unreasonable men, you think they won't give you large enough profits? —A. We don't know that the Governor in Council will be fully competent to enter into all our affairs and different—

The CHAIRMAN: Can you suggest any other competent body?

By Mr. Irvine:

Q. May I put it to you this way.—A. If I may first answer this other question. The music user is making a profit.

By the Chairman:

Q. Quite so.—A. And if—

Q. Certain classes of music users are making profits, and no doubt, large profits.—A. And if you regulate our fees and rates, then he makes a greater profit, the public does not pay a lesser price for getting into the theatre.

Q. Is not that a *non sequitur*?—A. It may be, but the fact remains that they are making a greater profit.

By Mr. Irvine:

Q. Suppose you assume for a moment that your Society, without any restrictions, provided under the statute, did charge too much. Suppose you charge the broadcasting company an enormous fee for their licence, and suppose that company paid that charge, but charged this fee to the price of goods they are advertising, does not the public come in there?

By Mr. Ernst:

Q. Of course there is the bottom of the ladder every time. There must be.— A. I think you have got to examine it a little more closely. The broadcaster is doing business with commercial concerns in the country. They are advertising their goods, and if the broadcaster charges more than they can afford, there would be no broadcasting. In other words it would—

By the Chairman:

Q. That is so.—A. In the final analysis in the case of a dealer who must dispose of his tea or his coal, he must sell those commodities at a price which will satisfy the public.

By Mr. Irvine:

Q. The same thing that you are giving there will be true of everything and consequently there could be no monopoly. We can argue the same thing about the greatest monopoly in Canada, if you charge beyond a certain price the public will not buy.—A. That is what I say. If you charge too much the song is not used.

The CHAIRMAN: You may charge all the pockets will bear. There may be a difference between what the pockets will bear and what is fair.

By Mr. Chevrier:

Q. There is another factor. If they don't use your music, cannot they use what is in the public domain?—A. That is what I am trying to say.

The CHAIRMAN: I might explain to the Committee, my friend is an expert in the law. The public domain includes the best songs which have been composed over fifty years ago.

Mr. CHEVRIER: Those concerts we hear on Saturday night are all taken from the music in the public domain.

By Mr. Irvine:

Q. Suppose you raise your prices so high that the music publisher must go back a thousand years to get a song, the public is affected?—A. May I make this statement? In fact what this Society does have in its repertoire is about 90 per cent of the modern popular music and a great deal of which we don't use. Then, in addition, there is all that classical and ancient music which is in the public domain.

Q. And which is not very popular to-day.—A. I say this, if any association, any combine, of music users feels aggrieved by the tariffs we charge, which are only a few dollars a week, a dollar a day or something of that sort, then it has a perfect opportunity to go into the market and get some music user, composer and—

Q. Compose new music?—A. Compose its own song.

Q. Of course, that is obvious.—A. There is no monopoly. It is only—

By the Chairman:

Q. Don't argue. Leave something to your counsel. What I would like to ask you is this: suppose Parliament deems some regulatory measures necessary, and that somebody be constituted to hear complaints with regard to your tariffs, have you any other body to suggest? Is there any other body to whom you would prefer that this matter should be submitted?—A. We have no suggestion on that at all, sir; we have not considered the matter.

Q. I understood you to suggest that the Governor in Council, being a political body, might not be fair. Would you rather have it submitted to a court, or judge, or some independent tribunal—a new Tariff Board?—A. No; I think they are all equally bad, sir, from our point of view.

By Mr. Chevrier:

Q. For some time in broadcasting, and it has been more pronounced recently, a large number of American broadcasting stations announce, "by consent" or "with the consent of the copyright owners." Has that interfered in any way with the licensing that you have been doing?—A. No, I do not think that has any effect on us.

Q. Then they pay no royalties?—A. Oh—

Q. They get the right from the author to do that? And they do not pay any royalties?—A. Mr. Buck can answer that.

By the Chairman:

Q. You suggested that you had furnished here in this slip, exhibit D, a list of publishers. Now, are you able to guarantee that all music which is issued from time to time by these publishers is copyright music?—A. Mr. Buck and Mr. Hawkes will be able to answer that question; they have knowledge of what they get.

Q. Your suggestion was—let me see if I understand you—the user who wished to ascertain whether music was copyrighted or not could look upon the music sheet as published and seeing the name of one of those publishers would be assured that that music was copyrighted, and that copyright is existing at present.

Mr. CHEVRIER: Depending upon the country from which he came.

The CHAIRMAN: He is giving a list here.

WITNESS: What we do say, Sir, is that he knows that the copyright is in the right of the author for fifty years. He is well able to presume, at least, that copyright exists. He can look at a sheet of music, and he can see the publisher on the sheet of music.

By the Chairman:

Q. And he can write to the publisher?—A. Yes.

Mr. CHEVRIER: You do not know apparently. I am asking you.

By the Chairman:

Q. I will take one of these publishers here— —A. I will say this that we have substantially all the works that are owned by those—

Q. Quite so; but how am I to determine from this sheet which you wish to file with the Secretary of State as indicating the publishers, what music is in your control in which copyright subsists?—A. Well, first of all you can look at the sheet of music, Sir, and you find a certain publisher is on that list, and if he is in that booklet, then you can come to us for permission for that work.

Q. But are you not by that method forcing the user to come to you and depend upon you as to whether copyright subsists in that work, and whether that copyright which subsists in that work is in your direction or control?—A. No, Sir, we are not forcing anybody to come to us.

Q. That is, of course, so; but you might as well say that you own all the lakes about here from which one can get a drink of water and that you are not forcing us to go to you to get a drink?—A. That is quite incorrect.

Q. You say that you have ninety per cent of the modern music in your control?—A. With all due respect, Sir, I say that it does not quite work out that way. The music user desires to know who owns the work.

Q. And whether the copyright subsists or not?—A. He says that lists of our works are not available to him. We have, therefore, issued this pamphlet so that he will be helped, and will be able to come to us in respect of at least ninety per cent of the modern popular works, and we feel that this is a plank, an aid, a convenience to him, and we are issuing it broadcast throughout the country at our own expense—the expense of the author, without forcing him to come, and we are enabling him to come—

Q. I agree with all that entirely. I was assuming that as a matter of regulation, we wished your company to file at some public depository, such as that of the Copyright Office, information which will enable the user of copyright music to ascertain those works which you claim to control. You say, "I simply file a list of publishers to whom we write." I will go further and ask you how can that user determine from a list of publishers filed as to whether all the works published by that publisher are copyrighted?—A. He can ask us, and we can show him the publisher's catalogue.

Q. It strikes me that that attitude is an indication that you are in supreme control; that he really must go to you?—A. No, Sir. It is not an attitude. It is simply that we are in a position—we do have this information, and this office that we have is a convenience, on the one hand, to the authors, and, on the other hand, to the users. The authors get protection from us, and the users come to us and find out what works we protect.

Q. There is no doubt you offer many facilities to authors and the public? —A. They get protection. We presume that the music user wishes to pay for the use of our music.

Q. But he may not wish to pay for the use of the works in which no copyright subsists?—A. Quite so, but we think that our association is of great convenience and help to him; that instead of having to write to every corner of the world—

Q. Oh, no doubt, no doubt?—A. It may be so, but if you are going to wash out of existence the association of authors, you are going to force—

Q. I am not going to wipe out of existence any association?—A. You are going to force them to go to every corner of the globe to get permission.

Q. That is an exaggeration. Nobody is suggesting that.

Mr. CHEVRIER: Is it not easy to find out whether it is copyrighted or not? As I understand it, this is the way, and if I am wrong, I will ask whoever knows I am wrong to correct me—if I want to find out whether it is copyrighted or not, I look at the sheet of music and I see Tom Jones' name on it. I find that Tom Jones' name is on the sheet of music, and I find that that music was written in Finland, and then I find out that the writer is still alive, or that he died forty years ago. Then I know, if I know anything.

The CHAIRMAN: How do you know that?

Mr. CHEVRIER: If I find that Tom Jones has been dead for fifty-one years,— Finland.

WITNESS: Yes.

Mr. CHEVRIER: There it is on the book; it is right there, "published by so and so." I see it was printed in Finland. Finland is one of the Unionist countries. Then I know that the writer is protected. Then it is my business to go and find out who owns that copyright.

WITNESS: Yes.

Mr. CHEVRIER: If I find that Tom Jones has been dead for fifty-one years, I can play it.

The CHAIRMAN: But nobody interferes, because it is in the public domain.

WITNESS: Yes.

Mr. CHEVRIER: If he is dead forty-six years, it is my business. Unless I want to use that man's property unlawfully—it is my duty to go to somebody and find out whether he is alive or dead. That is simple.

By the Chairman:

Q. If we had some universal biography which gave the dates of life and death, it would be simple?—A. We have that. We have a universal association for that very purpose.

Q. That is one of the facilities that you give to the public, but that all depends upon you?

Mr. IRVINE: Supposing he was dead forty-five years, and you said he was alive and kicking?

Mr. CHEVRIER: You are liable for damages for mis-information.

Mr. ERNST: Would not it be simpler if a list of these works was filed and the department kept the record, and you could say to the department, "is so and so copyrighted?"

Mr. CHEVRIER: If I could give my own view. I want to be fair to both interests, and I have been at this ever since 1912. I have seen enough of it to know where the line lies.

The CHAIRMAN: I hope we will all be able to see that before we are through. Sometimes I think we will have to have a microscope.

Mr. CHEVRIER: I want to be fair to everybody.

The CHAIRMAN: That is all I wish to ask for the present.

By Mr. Irvine:

Q. There is one question I would like to ask you, Mr. Jamieson, before you go. In your statement you say the Canadian Association is being operated on the British system. Of the annual revenues of the Canadian Society fifty per cent is payable to the British Society, and fifty per cent to the American Society. I understand that that leaves nothing for the Canadian Society. Have you any protection for Canadian nationals in Canada?—A. Yes. May I say this that when this company was formed in 1925, it was formed as the result of a meeting in London between the late Colonel W. R. Lang and Sir Alexander Mackenzie and others in London, and this Society was formed to protect here in Canada the British rights. Now, when we formed that company my instructions were—incidentally, they chose me because I was a public trustee and accountant, and could go into these matters of division and accounts and classifications, and so forth and so on, but I have been doing nothing but law for the last six years. However, some day I hope to come back into my own stride. Now, my instructions were—my instructions from the British Society were, to form a society here and to invite Canadian authors and composers to come in and affiliate and work with them. I called a meeting in the Toronto Board of Trade. I issued the invitation broadcast and two or three individuals turned up. Apparently there was no effective interest in musical copyright, that is, so far as Canadian authors and composers are concerned. I do believe, however, that Col. Cooper is going to conduct a school of culture and grow them in a hothouse. We hope that he is successful. But, during the last six years, there has been some development in the Canadian authors and composers, and we are still prepared and ready to make the agreement with any body as soon as it appears. There is, in fact, a Canadian authors' and composers' society which has recently been formed and we are prepared to work with them and to give them whatever share of our fees they are entitled to on performance, but we are not going to take a knife and simply slice off some portion without regard to performance. There was the request made by certain Canadian interests that that should be done. Well, we are not going to do that. We are going to give to the authors and composers whose works are performed what they are entitled to without regard to anything else. That is to say, if their works are performed 100 per cent they will get all.

By the Chairman:

Q. I understand you have not entered into any association or written agreement with any Canadian society up to the present time.—A. No, sir, but we have gone so far as to advise that society that we are perfectly prepared to look after their rights and they will get their share.

The CHAIRMAN: Supposing we hear from some of the others at this time.

Mr. ERNST: It is a quarter to one, Mr. Chairman. Do you think we will be able to get through in a quarter of an hour.

The CHAIRMAN: Mr. Chevrier, have you any objection to coming back at 4 o'clock.

Mr. CHEVRIER: No, Mr. Chairman.

The CHAIRMAN: Well supposing we return at 4 o'clock and work until 6 o'clock.

The Committee adjourned at 12.45 p.m. to resume at 4 p.m.

On resuming at 4 p.m.

Mr. JAMIESON: Just to save misapprehension. In regard to all statements of fact made in our statement, Memorandum C, I vouch for those.

The CHAIRMAN: Memorandum C is not in.

Mr. JAMIESON: I vouch for those.

The CHAIRMAN: Well, I do not think that helps you at all. You went over C and you referred to some statements of fact for which you vouched on oath, and the rest of the statement stood as a matter of argument, or brief. Now, if you go through that carefully again you will have ample opportunity, if there are any further statements of fact you wish to make, but we cannot take them as "C". C is not in as part of the evidence.

Mr. JAMIESON: Well, I would like to put it in.

The CHAIRMAN: Well, I should object to that——

GENE BUCK called and sworn.

By the Chairman:

Q. Where is your residence, Mr. Buck.—A. In New York.

Q. Can you give a residence where we can get you.—A. Kensington, Great Neck, Long Island. I am Vice-President of the Canadian Performing Right Society, President of the American Society of Composers, Authors and Publishers.

The CHAIRMAN: We will be very glad to have any additional statements of fact which you care to submit to the Committee.

The WITNESS: Mr. Chairman, gentlemen, I wish to express my appreciation of this opportunity of being heard on this very important piece of legislation. If you will be so kind as to permit me to make a short statement, I would then be very happy to answer any question put by yourself, or any member of the Committee, pertaining to the activity of the American Society of Composers, Authors and Publishers, and, where it touches on the legal phase of it, I have brought our General Counsel, Mr. Nathan Burkan, to answer that. I am not a lawyer, sir. I happen to be an author. I have written for the Ziegfeld Follies for some 17 years.

I address myself to section 10. I feel that not quite enough has been said here about authors and composers. I feel that there is a great deal of monopoly——

The CHAIRMAN: I want to hear you, but will you make short, concise statements of fact.

The WITNESS: I will, sir.

The CHAIRMAN: Because this Committee is not interested in your feelings and the House of Commons it not interested. If you will just make short statements of fact.

The WITNESS: I will try, sir, but I cannot change the way God gave me to express myself. I say, that, sir, with all due courtesy.

It seems that among some people, and among some nations, that those who chose to work with the products of their brains, instead of their hands, are always begging and needing to protect that particular gift that they have. If a man makes this chair, it is his, no question about it. He does not have to put his name on it, he does not have to register it. But if you choose, sir, to write a song, or a play, or a book or an article, through some particular trick of fate, you must go through a million formalities, yet any person loaded with larceny can come along and take it, without even asking you any question.

The CHAIRMAN: Do you think that helps us at all.—A. It pertains, sir, if you will permit me to develop the thought,—it leads to one point I desire to make, and then I am going to answer any questions that were propounded here this morning, that Mr. Jamieson was unable to answer, owing to the fact that he has not had the opportunity to have acute and close relationship to authors who join together to protect their rights.

I think, for the sake of argument, it would be well for me to state why authors and composers joined together. A number of years ago songs were taken from a play where a manager spent $100,000 to $200,000, paid an author so much royalty on the gate receipts, as we term it, for the products of his brain. That song was transposed, taken from the theatre without ever asking the author, or asking the producer of the play, and set up in a dance hall. A person was engaged, the song was sung and the author had nothing to do with it, they said, owing to the fact that no admission was charged at the door.

The CHAIRMAN: Mr. Buck, I do not wish to interfere, but you are talking of elementary things.

The WITNESS: I am leading right to a point that you developed.

The CHAIRMAN: Those rights are protected to-day.

The WITNESS: I am trying to give you the fundamental basis and the necessity for authors and composers to join together to protect their rights. That is all I am attempting to do.

The CHAIRMAN: I have no objection.

The WITNESS: Well, that is what I am trying to do. Now when that author went to the owner of that restaurant, to ask why this gentleman had usurped the product of his brain and got it for nothing, and asked something for that, he was told that no admission was charged at the door; it was done under the guise of a cover charge. Now, when the author went to those gentlemen and asked them to pay him—Victor Herbert by name—he was met by the Hotel Owners' Association. The authors had no association, sir. The next thing, along came a motion picture industry who started picking up the works of the author, the creator of materials, and utilizing them. When the author went to the motion picture man, he was met by the attorney for the Motion Picture Association. With the development of radio, radio came along, this extraordinary potential instrument that is one of the greatest products of the home life of the world. When the author went to see the radio man, he was met by an association of broadcasters. That, sir, was the necessity for the authors joining together and taking what we call this performing right and giving it over to an association who could handle that for them and which, sir, is certainly beneficial to the user, because if any attempt is made to disarm or to harm us, or to curb us, or to throttle these gentlemen—

Q. The authors, you mean.—A. Yes, associations, you will immediately fill the court-rooms of the country with individual cases and create a state of chaos with the users of music.

The CHAIRMAN: Well, Mr. Buck, I do not understand that any plea has been put before this Committee—I doubt if any plea is to be put before this

Committee, against the right of the authors to associate themselves and protect their interests. I do not think that there is any suggestion before this Committee that authors should not be protected in respect of the products of their intellect.

The WITNESS: But Mr. Chairman, the desire before this Committee that ran rampant through it, that brought me here, sir, was the desire to help the author,—there would not be a picture house open in America tonight, there would not be a radio set open tonight; there would not be a cabaret or a dance hall open tonight, nor would a state fair open, if they did not have bands and music to help put that state fair over, sir.

The CHAIRMAN: We all agree about that. Why should we waste time. There is no doubt about that. There are two respects only in which this Bill raises any question with respect to the matters which you are discussing. The first is this section which deals with fraternal and educational societies.

The WITNESS: May I correct that.

The CHAIRMAN: That is one. We will hear any suggestions as to that. The second is that we have no law, do not propose any law against associations, combines and monopolies of authors.

Mr. ERNST: I would just as soon hear the witness' story in his own way. I am quite willing to extend the courtesy to him of listening to his story as he wishes to deliver it.

The WITNESS: I am grateful to you, sir, for your courtesy.

The CHAIRMAN: I have no objection, but it seems to me an utter waste of time, that is all.

The WITNESS: I do not believe, sir, that time is ever wasted in dealing with creative products. I know of no greater gift that God bestows than to allow man to pen a thought that can live 100 years. And it is on that plea, sir, that I appear here to-day. I have spent my life fighting for the creators of material.

The CHAIRMAN: There is no objection to that. However, that point is not before the Committee, and it is not likely to come before the Committee. We are very busy men, and we have many activities, and we wish to have your suggestions stated succinctly so that this Committee will appreciate them.

The WITNESS: If you will permit and allow me to express myself. As I stated, I am not an attorney, and possibly looking at it from a legal mind, I might say something that to you, sir, may seem irrelevant. But to the men I have the honour to speak for—and I am not speaking alone for American authors—

The CHAIRMAN: You are speaking of things that are universally approved.

The WITNESS: I sit here by grace of you as Chairman of this Committee. I have come a long way to do that, and I do not want to be put in the position of seeming to show any discourtesy. There is no discourtesy on my part.

The CHAIRMAN: No suggestion of discourtesy.

The WITNESS: There seems to be an attempt to hamper when I try to express a thought; there seems to be an attempt to shut me off without concluding that thought.

Mr. ERNST: Go ahead and tell your story in your own way.

The WITNESS: Thank you very much, sir. We have a very important question that I wish to introduce here, that has not been brought out. In 1924 Canada entered into a treaty with the United States on the question of Copyright.

The CHAIRMAN: Would you produce the treaty.

The WITNESS: I will produce the treaty, I have it sir.

The CHAIRMAN: We will put it in evidence.

The WITNESS: I shall put it in and I also wish to discuss it, because it is a very important point. I wish to introduce a copy of the treaty signed by Calvin Coolidge and Thomas A. Low, Minister of Trade and Commerce for the Dominion of Canada, on December 26, 1923.

I wish to make a point pertaining to the treaty: that when the American Society of Composers, Authors and Publishers and the British Performing Right Society formed, that it was with the belief and understanding that our rights were fully protected under this treaty in Canada. At that time there was no notion or idea of regulation of prices in existence. Prince fixing is a most dangerous and extraordinary subject. The gentleman who utilize our works, namely, the motion picture owners, the radio broadcasters, the dance hall owners and those other gentlemen, are not subject to any regulations, and it takes a great deal of thought to wonder why the creator, the man who makes it possible for these things to exist, should be picked on when it comes down to regulations. There is no regulation to tell the broadcaster how much he should charge an hour; there is no regulation to tell the motion picture owner how much he should charge per seat, or how much he should put his picture on for, and yet through some peculiar trick of fate, which I think is instigated by gentlemen loaded with a sinister purpose—the author whose work all these use is "fair game"—I wish to make that point, sir. I am not here asking Canada for special favours, I am merely here trying to defend every Canadian author and composer. And in this room at this moment there is a Canadian gentleman who wrote one of the greatest songs that came out of the Great War: "Dear Old Pal of Mine"—Mr. Gitz Rice—who under the direction of our copyright law, and no regulations whatsoever, became a world hero. Now, sir, you must know this subject,—and I believe you do—

The CHAIRMAN: Would you allow me to interrupt a moment. Do you mean to say that this arrangement does any more than to declare that whatever rights Canadian authors may have under the Canadian law, similar rights will be enjoyed by the Americans.

The WITNESS: That is the point I wish to make, sir.

The CHAIRMAN: Well, that is all. You do not say that precludes us from making amendments to our law which would be applicable to both Americans and Canadians, do you.

Mr. ERNST: After all, this man is not a lawyer.

The CHAIRMAN: I am merely asking what his contention is. I am asking you, is that your contention.

The WITNESS: I have Mr. Burkan here to answer any legal question.

Mr. BURKAN: I say you have no right to price-fix, because, when that proclamation was issued, it was made with reference to the then existing Canadian statutes. If the Canadian statutes contained the provisions which would give it the effect of being confiscatory, it is safe to say that the American Government would not have issued the proclamation. It was only with reference to that siuation, and undoubtedly the treaty—

The CHAIRMAN: That is not a treaty.

Mr. BURKAN: A proclamation is practically a treaty.

The CHAIRMAN: All it says is that on and from the 1st day of January, 1924, the said country (that is, the United States of America) shall, for the purpose of the rights conferred by the said Act, be treated as if it were a country to which the said Act extends. That brought you, in so far as the said Act is concerned, into the fraternity.

Mr. BURKAN: Dealing with a specific Act which contained no price-fixing provision.

The CHAIRMAN: Do you mean to say that we are bound under this proclamation, so that we cannot amend our Act.

Mr. BURKAN: You cannot. With respect to future copyrights you have the right to make any change you see fit. Just as the United States could not to-day deprive Canadians of their existing American copyrights by an amendment to the copyright laws. Supposing the United States amended its law so that a Canadian citizen received no protection or a modicum of protection tantamount to a denial or confiscation of existing rights—

Mr. ERNST: In other words, you say the rights are vested.

Mr. BURKAN: Vested rights. It can only be with respect to the future.

The CHAIRMAN: Well, I understand your contention, but I do not agree with you in any sense of the word. I think that contention will have to be made by the American diplomatic authorities, to have any weight.

Mr. BURKAN: I am just a lawyer expressing an opinion.

The CHAIRMAN: Will you go on, please.

The WITNESS: I would like to develop, Mr. Chairman, a point of which a great deal has been made here—monopoly. That is the bugaboo always on the side of those pertaining to users of music; that argument has presented itself since the society formed to protect itself. The minute the authors got together to stop men from legalizing piracy and taking their work, they were called a monopoly. I know something of copyright, sir. I have made a study of it all my life, and copyright is in itself a monopoly. It is in itself a monopoly to the exclusion of all others. The minute I develop my thought, put it in music, a book, or a play, or a patent, the minute I let folks see it, the government is my partner, with the solemn obligation, for a certain term of years, that that shall be exclusively mine. That in itself is a monopoly.

The CHAIRMAN: That is the effect of a statutory enactment.

The WITNESS: That is right, sir. I agree with you, sir, when you say authors have monopolies. They certainly have a monopoly. That is what it means. The law of the United States was taken from the law of England, and the law of England goes back to the time of Queen Anne. This is not any cute, nice affair which has been thought up to meet an expediency. Motion picture owners, or radio broadcasters who are here—and who are here in great numbers, sir, to tell you; to stimulate their political activity through your nation would have you gentlemen pass a Bill to steal the products of a man's brain. That is what brings me here, sir, to make a plea for those creators. What other authors are in this room? What other authors are here? Who are the public in this room? The public is not here, sir. You gentlemen represent the public. But there is no number of the great public of this nation, of this Dominion, in this room telling you gentlemen to report this Bill. You are asked to do it only by a single group of men who would like to regulate us. That is the basis, stripped of all its verbiage, and no one is here to tell them that they shall charge so much an hour: no one is here to tell them that they shall charge so much a seat. And even if those gentlemen are given the right to regulate their raw material, they will not let the public into the theatre any cheaper. As far as the public is concerned, however, in this particular day of copyright—and if you men know anything about copyright or its ramification, it is the user of the creator who requires regulation. I appear before you, sir, and you gentlemen, to make an earnest plea for the creators, because through the history of the world, 90 per cent of them are starving to death.

By Mr. Irvine:

Q. How does this bill affect the creator?—A. Because it "shall" regulate him and will not regulate the user.

[Mr. Gene Buck.]

By Mr. Ernst:

Q. Your point is, if the question of price-fixing were taken out, that you would get what you wanted from the Bill substantially; that is correct is it?—A. I am not here to tell you gentlemen how to write a Copyright Act. I am only here, sir, because of certain things, a certain feature in a bill that is proposed, that some people feel deeply about, fearing it is going to be passed. I was told, the minute I got off the train—some folks have preconceived notions on the activities of the mind of your Parliament, " there is no use talking to those gentlemen, they are going to pass this Bill "—

Mr. ERNST: They had no right to speak for me. I don't know for anybody else. Quite frankly, I am looking for information.

The WITNESS: I am trying to give it to you, sir, I want to make this point that it is an extraordinary thing here that the creator of the raw material that those gentlemen must have to exist, is here to be regulated, but on these great patents no one is here to regulate them; no suggestion has been made at any one of these hearings that you should regulate—

The CHAIRMAN: We are not through with the hearings yet. If you will confine your objections to this Bill, to me it would be relevant. What you are saying now does not have the slightest effect upon me.

The WITNESS: I bow graciously to your will, Mr. Chairman. I can only hope, sir, that I am able to answer any question pertaining to this subject, put to me by you or any member of the Committee, and if it is a legal question that I cannot answer, I will be obliged if you will extend the same courtesy to Mr. Burkan and permit him to answer.

By the Chairman:

Q. I would like to ask you some questions with regard to the organization of the Amercan Society of Composers, Authors and Publishers; is it an incorporated company?—A. No, it is a voluntary organization, an association.

Mr. BURKAN: A voluntary association organized under the laws of the State of New York.

WITNESS: It is a corporate entity.

Mr. BURKAN: It is a voluntary association just like a labour union.

WITNESS: We have legislation dealing with such an association.

Mr. BURKAN: Yes. It brings actions in the name of the president, and may be sued in his name. All labour unions are organized the same way throughout the United States.

By the Chairman:

Q. It is composed to a certain extent of a large number of publishing companies?—A. Publishers and composers.

Q. These publishers are publishers of music chiefly?—A. Yes. He is the agent of the creator.

Q. Are they publishers of books?—A. No, just music. In the American Society, just music.

Q. Music?—A. Yes; music.

Q. And among the list the composers here are given a number as well. How are the profits and receipts of your association distributed?—A. They are distributed quarterly, four times a year.

Q. On what basis?—A. The funds are distributed by a classification committee. There are numerous types of—This, Sir, will answer a question asked to-day and unanswered. There are different kinds of music. There are what we call standard works of the higher class of music, and then there are operatic works, such as light musical comedies. They come under the head of a

musical play. Then there are popular songs that do not live long. Then the semi-popular. You have songs like, for instance, a semi-popular song would be "I hear you calling me".

Q. This is an American Association having certain legal standing under the law of the State of New York governing associations?—A. Yes, Sir.

Mr. BURKAN: But consisting also of foreigners. Canadians are also members. Mr. Gitz Rice, Geoffry O'Hara and a number of other Canadians are members.

WITNESS: Residing in the United States.

Mr. BURKAN: It is their market. They go there.

The CHAIRMAN: Do the authors vest in your association any rights?

Mr. BURKAN: I think I had better be sworn.

NATHAN BURKAN, called and sworn.

WITNESS: I live at 1136 Fifth Avenue, New York City. I am an attorney admitted to practice in the Supreme Court of the United States and all the courts of record of the State of New York, that is the Court of Appeals, Supreme Court and the courts of the State of New York. I was admitted to practice in 1900. I am the attorney and general counsel for the American Society of Composers, Authors and Publishers, and helped in the organization of that society in the year 1914, and I have been its counsel ever since.

By the Chairman:

Q. When was your association founded?—A. In 1914.

Q. What was the date of the American copyright going into force?—A. The last—

Q. No, the first general copyright?—A. Our first? Well, 1831 was the year of our very first copyright act in respect of musical copyrights. Music was first protected in 1831, and our last act was passed in 1909. The rights of public performances in dramatico-musical works were first protected in 1856, by a copyright act in relation to dramatic performances. Dramatico-musical compositions, comic operas and songs of a dramatic character were protected under the act of 1856. In 1897 there was an amendment made to the law by extending its protection to musical works. So that from 1897, public performance rights in pure musical works were protected. In 1909 there was a consolidation, revision and modification of all previous acts and the right of public performance in musical works was carried into the Act of 1909.

Q. That is what I was dealing with. I thought it was 1907?—A. No. 1907 was the codification.

Q. You say that musical works received copyright since 1897?—A. Performing rights were protected since 1897. Performing rights in dramatico-musical works were first protected by the act of 1856, October, 1856. Performing rights in musical works were protected first by the act of 1897. Then came the revision of 1909, but by the revision of 1909 musical works, dramatic works and dramatic musical works received protection with respect to performance.

Q. Do the authors in your association vest in your company any rights with respect to performing rights or the collection of fees?—A. Yes.

Q. What do they do?—A. They make a contract for a term of five years, vesting—assigning to the society the non-dramatic performing rights in their respective musical compositions.

Q. That would include all musical performances?—A. Public performances for profit. It would not include stage performances, because we have various classes, as Mr. Buck said—men who write comic operas—"Trial by Jury" and "The Mikado". In respect to those rights, the author deals directly, the author or composer, deals directly with the stage producer.

Q. But your association does not deal with musico-dramatic works which are produced on the stage?—A. Well, after a play has had its run, numbers are taken out of the play and then are permitted to be performed generally for the public's entertainment.

By Mr. Ernst:

Q. Such as Fraser-Simpson's musical numbers from Lonsdale's "Maid of the Mountains"?—A. Yes.

By the Chairman:

Q. I understand your distinction. Can you give me the form of contract that your authors sign?—A. The form? Yes, we can send one up to you, with pleasure.

Q. Do you have a uniform contract?—A. We have a uniform contract, absolutely for all—all alike.

Q. Does your association, with respect to those works which are under your control, collect the fees, charges or royalties for performing rights?—A. Yes.

Q. Directly?—A. The society collects them directly.

Q. Does the society sue in the courts for collection?—A. The society sues in the courts in the name of the president, Mr. Buck, and the owner of the copyright.

Q. And the owner of the copyright. That is the owner of the copyright has to be one of the parties, a joint plaintiff?—A. Yes, Sir; under our law.

Q. In other words, the president of your society is joined in respect of your Society's interest, but, as the author has not parted with his copyright, or the performing rights in his copyright, he is joined also?—A. Under our copyright law, we have divisibility. All the rights granted by the copyright vest in the copyright proprietor.

Q. Is there any doubt about that applying in every country?—A. Under the English law, the rights are severable.

Q. You are simply saying that they are severable?—A. No, they are not under the American law. If the author assigns his own copyright—assume that I write a novel and I assign the motion picture rights to a motion picture company of the United States, the motion picture company cannot sue for infringement, unless it joins me as owner of the copyright, because the copyright has been in my name, and because the novel is copyrighted in my name, and, therefore, when the motion picture company brings its action, it must join the owner of the copyright, and for that reason when the society brings suit, it must join the copyright proprietor, because it owns only the beneficial-equitable title, and because the legal title vests in the copyright proprietor, and we have the Act—for that reason both men join in the action.

Q. Then, as a matter of fact, your Society, in the United States, differs, both in its organization and legal qualities and powers, from such an institution as the Canadian Performing Right Society, Limited?—A. I do not think so, because in our case the author and the composer and the publisher each signs a contract with the society under which each grants to the society the performing rights, the non-dramatic performing rights, in his work for a period of five years.

Q. Is that same form of contract adopted in Canada?—A. In turn, the American Society made a contract with the Canadian Society under which the American Society grants to the Canadian Society the right—it transfers or assigns or licenses the Canadian Society to exercise these rights for the territory of Canada because our rights convey to us—the rights conveyed to us by our members relate not only to the United States but also cover the Dominion of Canada and some foreign countries, and we parcel out Canada to this Canadian Society.

By Mr. Ernst:

Q. Your Society, in entering into contracts with these authors or composers —who would enter into the contract in behalf of your Society, the secretary or president?—A. The president and secretary.

Q. Do you, also, enter into contracts with foreign composers, like the English society?—A. Yes, sir, we have a treaty, an agreement, with them, that they protect our rights over there and we protect their rights in America.

Q. You are more than merely an association of American authors; you have the additional feature, your society also handles musical productions from other countries?—A. Practically most countries of the world. I might say this —that the reason for that is this: in dealing with users, we find that they have to have a diversified international program. We find that the ordinary dance hall or cabaret must have eighty-one numbers, or tunes, for a night's performance. A broadcasting station must have twenty songs per hour. The program must be varied, attractive and pleasing, and there has to be a reservoir, a fund from which they can draw the works they require for the entertainment of their audiences, and, therefore, if we restricted our catalogue or repertoire to American works, we could not satisfy the demands of the music user. Since 1914 to this day we have never had a case—I do not recall a case, where the user ever applied for a single song. He contracts in gross or blanket contracts. Under those contracts he gets the rights to use all the works in the repertoire of the Society. That means the United States, British, French, Italian, Austrian, German and Swedish societies—whatever country with which we may have a contract, for that same money. Let me say this. When we organized we met the hotel people and they fixed the rates. The rates to a first class hotel were $360 a year, second class hotels, $160 a year, and, I think, third class hotels, $90.

By the Chairman:

Q. Could you produce a schedule?—A. Yes, we will. Now, I might say this. With the theatres—we met them and they negotiated a contract upon the basis of ten cents per seat per year. That is all they have ever paid from 1914 to this day.

Q. Who is that?—A. The theatre owners, the motion picture theatre owners —ten cents per seat per year, and for that they get the works not only of American authors, but also the works of affiliated societies. Now, with respect to Canadians, Canadians come down to the States, because that is their market. They can sell to all the publishing houses down there. I had the pleasure some years ago, before we had relations with Canada, to protect a Canadian author, Mr. Gitz Rice. He is here to-day. He wrote "Dear Old Pal of Mine." He enlisted in the First Canadian Contingent during the war. He was wounded and gassed in November, 1916. The Columbia Gramaphone Company claimed it was entirely free to make mechanical reproductions of that composition because Rice was a Canadian, to whose compositions the American Copyright Act did not apply, since we had no copyright relations with Canada. He was engaged on a recruiting mission in the United States, clad in the uniform of the Canadian army, aiding, or intending to aid, enlistments. Now, in that situation I brought a suit in our court. Our courts held, in view of the fact that he had written the song, that he was entitled to protection, and he was entitled to $11,000.

Q. Was he resident in the United States?—A. He was there temporarily. He was there as a recruiting officer. They made the contention—

Q. What year was that?—A. 1918. He had been gassed and returned. The proclamation was in 1923. They carried the case to the highest courts. Our courts held that Gitz Rice's copyright was valid and the Gramaphone Com-

pany were decisively beaten in every step of this litigation. Then the Columbia Gramaphone Company took another position. It was proven to the court in that case that eight of the nine steps in the process of manufacture of the commercial records were taken by the defendant in the United States, and that the ninth step, or the step which resulted in putting the "finishing touches" upon the disc, was taken by the defendant at its factory in Canada, where the various parts, such as wax blanks, wax masters, wax matrices, mother matrices, stamping shelves and backed-up stampers, were shipped after they had been manufactured within the United States. The court held that the manufacture commenced when the song was sung by the artist and recorded upon the wax master record, and every step taken thereafter, up to and including the manufacture of the copper stamper, was taken within the territorial limits of the United States, and, accordingly, the manufacture of the commercial record must be held to be within the territorial limits of the United States and the royalty payable thereon. Canadians are members of this Society. Mr. Geoff O'Hara, Mr. Hobart (now deceased) were members—we'll give you a list—all these men are entitled to join the Society, and they are all protected by that Society. Here is our scheme of division. The moneys collected are divided as follows: ten per cent is kept for the use and benefit of the society, retained in its treasury. The balance is divided among the publishers, authors and composers. The men are classifield. There is a classification of composers and authors. They are classified from the membership. They know the standing of each composer and each author, and each class of composer. There are men who write symphonic poems. Men who write popular songs, comic operas, and standard works, and each of his class, are represented on the board. This classification committee makes this allotment, the money is divided up to each man according to what the man contributes to the Society. Then the publishers divide the same way.

Q. What have the publishers to do with the performing rights, unless the whole copyright is first vested in the publisher?—A. They have this to do. There are three people interested in a song: the man who wrote the music, the composer; the man who writes the words, the author; the publisher is the man who exploited it—the man who sends out people to introduce it and who sends out people to advertise it. He has made his investment of labour, energy and capital to put it out, and to create publicity.

By Mr. Ernst:

Q. You say he usually enters into a contract?—A. Yes, which he shares with these men. They divide it.

By the Chairman:

Q. Do not your publishers usually require, before publishing, an assignment to them of the copyright?—A. They do, but notwithstanding that assignment—

Q. They are the real owners then, within the meaning of the Copyright Act?—A. While they are the real owners, yet the composers and authors, notwithstanding the assignment of copyright to the publisher, have always been recognized under the rules of this Society. The composer and author have always participated in and have shared with these publishers in the receipts derived by the Society from the public performance of the works assigned to the publishers.

Q. Quite so. I was dealing with the legal aspect of it?—A. I just tested out the question of the rights of the owners of the copyrights. The question was decided by our Circuit Courts of Appeal for the Second Circuit. There is a sort of trust relationship, when the publisher takes a song.

Q. Unless he takes an assignment of the copyright?—A. Unless he takes an assignment of the copyright, but there is an implied covenant that he is to go on and publish. He has to work the copyright. He cannot take that work and destroy it. He has to utilize it, push it along. But, in so far as the Society is concerned, the Society recognizes, by agreement, the author, the composer and the publisher, and these men, in these hard times—these authors and composers, look to the Society for their sole support, because the sales of sheet music have dropped. There has been a tremendous drop. It has practically been killed—the sale of gramaphone records—because there has been a new form of entertainment, radio and motion pictures.

Q. Is it not almost uniform, in respect of the contracts and assignments made of copyright by the author to the publisher, that such contracts territorially cover the United States, and Canada and Mexico as well as the United States, although the contract is made in the United States?—A. Many of the contracts cover not only the United States, but they cover the entire world. When a man comes along with a new song he makes a contract under which he assigns to the publisher all his rights.

Q. He assigns to the publisher?—A. To the publisher. All his rights. He receives a fixed royalty for the United States and for foreign countries. I think the royalty differs.

Q. That is the royalty on publications?—A. The royalty on publications, and also the royalty on mechanical performance.

Q. Quite so?—A. These rights that we are dealing with now, these performing rights, while from the wording of the contract it may be held that they are covered—

Q. They are covered, are they not?—A. They are not for this reason. You must bear with me. While it might be said that they are turned over to the publisher, as a matter of fact the publisher has recognized, in all these years since 1914, the right of the composer and the author to make his contract with the American Society under which he participates with the publisher in all the receipts derived from these public performances.

Q. Is this not the case: the publisher, although the copyright is vested in him, yet for the purpose of advantages which the publisher obtains by becoming a permanent member of your association, he agrees to your association's regulations by which this distribution is made in respect of performing and other rights, so that thereby the author retains an interest and receives a revenue therefrom?—A. Will you let me put it in my own way?

Q. Yes?—A. The greatest benefit that the author derives to-day, in my opinion, is from the Society, and he would not turn his rights over to a publisher, if he thought that that publisher could, under that contract, claim his performing rights.

Q. I do not know. Possibly he would not; but I have seen a great many of these contracts?—A. They cannot, because they are contracts. We have specific contracts. Each publisher, and each author, and each composer, has a five year contract with the society.

Q. Quite so?—A. And during the duration of that contract he cannot assail it; he signed it.

Q. Would he be put out of your association if he did?—A. As a matter of law; he is bound by law.

Q. He is bound by law, as a member of your association. Quite so. I do not doubt that your association is a great help, indeed, to the author, and that it has served a very useful purpose in respect of dividing, according to your regulations, and apportioning, the income received among those various sources; but the legal situation, as I understand, and as I am advised, by competent legal authority, is this, that during the last many years the publisher takes an

assignment of the copyright, which is a complete assignment of the copyright, and thereby becomes the owner, under the terms of your legislation; but, in view of the advantages which accrues to the publisher by being a member of your association, which is world wide in its scope, he agrees to the regulations of your association by which this distribution is made?—A. I am sorry to say you have been grossly misinformed in that respect, because there is no such thing.

Q. In what respect?—A. No such thing.

Q. In respect of what?—A. In respect that the publisher is willing to permit the composer and the author a share of the emolument or the royalties derived by the Society because of the advantages that he, the publisher, got by joint use. That has nothing to do with the case. Here is a Society organized away back in 1914. The composer signs his contract. That is for five years. That publisher takes, subject to that contract of ours—he takes full knowledge of the fact that there is an outstanding contract between the Society and the seven hundred and some composers and authors.

Q. One moment. I may be wrong, you see, but my information was that many of the contracts still outstanding made with the publisher were made anterior even to the formation of your association?—A. Probably a few of them.

Q. And since the formation of your association many of them are made with the publisher in many cases before the author becomes a member of your association?—A. Now, that is not the fact.

Q. Is it not so that many authors come into your association from year to year although they have been authors for many years, and have made prior contracts with publishers?—A. At the beginning, yes. At the beginning of the society when we were organizing in 1914, yes, that was the case. In 1914. But I think it is important because there has been a great deal said in respect of this combination, and I think you ought to know, and I will not take more than a minute to tell it to you. I happen to be in the position to know. I was an attorney for the music authors, and we found that inroads were made upon the rights of legitimate composers of dramatic and musical works such as operas, etc. A new form of entertainment developed, the cabaret—no charge at the door, but a cover charge, or a charge for checking a hat or coat, two dollars, three dollars, five dollars. They erected stages, and took the song hits of a successful comic opera, and with costumes and make-up gave these performances. An author tried to protect himself but found he was met by an attorney for an organization, and he was met all along the line by organized groups of users. It came to the point—like a labourer who cannot protect himself against a combination of employers and is obliged to form a union, and so they formed a labour union—where they said, "there is only one way to cope with the problem, and that is by organizing ourselves and, therefore, protecting ourselves throughout the country." The contracts were made. These publishers knew that these authors and composers were making these contracts. They never questioned, to this very day, these contracts, and, while technically all the rights vest in the publisher, yet I claim—

Q. You say "technically." You mean legally?—A. Legally; they are stopped, because they have permitted, for seventeen years, these contracts to be outstanding without question, and, upon their expiration, they permitted their renewal without protest, and I say they are now estopped.

By Mr. Ernst:

Q. What proportion of modern songs produced in the United States do you control?—A. I should say about 60 per cent, I think, of the song literature and more is controlled by this Society.

Q. That comes within the copyright provision?—A. Yes; I should think 60 per cent.

Q. Is there any other association?—A. There is no other association of any kind in operation save and except as associated, what we call associated publishers, who acquire some rights and try to collect some money for symphonic poems. Outside of that there has been no other society in operation. I might also say—

By the Chairman:

Q. Would you file the copy of the agreement under which your association is formed and the regulations under which it functions?—A. Yes, surely, with pleasure.

Q. And the contract which you make with authors— —A. Yes.

Q. —is a uniform contract? I think you have already agreed?—A. I said that.

Q. Then, in addition to that, I could hardly ask you to do it, but if you are able to do so, we would be very glad to have you file a few contracts between musical composers and publishers.—A. I will tell you what I will do with you, I will go one step further, and give you a record, an appeal in a case that I just fought out in the United States District Court, and which went to the Court of Appeal, so that you will have the decision, and you will have the contract. That record involved 22 contracts, so that there would be no question that I selected one—

Q. That is all in this case?—A. Yes. I would give you one that was the basis of litigation so there can be no—

Q. That is very good?—A. —so that no doubt can be cast upon it. I will go one step further, because I think it is interesting. I will go over the matter, and it will only take a few moments. An action was brought against us by the Association of Motion Picture Exhibitors to dissolve us upon the ground that we were a combination in restraint of trade. The matter was argued before a Justice of the Supreme Court, and the application was denied. The Justice examined the Articles of Association and found we were organized for the purpose of protecting ourselves against piracy. They said that before our organization was formed they got free music; that they played the music and did not have to pay any royalty on it, that there is nobody to stop them, and that as soon as they were organized they were stopped. I should like the privilege of filing that decision with you.

Q. We should be very glad to have it filed for our information.

By Mr. Ernst:

Q. It did not go beyond the trial court?—A. It did not go beyond the trial court. Then another action was brought against us, by a gentleman of the name of Mr. Tuttle, to dissolve us upon the ground that we were violating the Sherman Act. He represented the broadcasting institutions—the Sherman Act in restraint of trade—

The CHAIRMAN: I think lawyers in Canada are familiar with the Sherman Act.

By Mr. Irvine:

Q. What you call an "anti-trust"?—A. Yes. That was brought by the broadcasting interests and Mr. Tuttle to get certain legislation, to have Congress fix the prices—

The CHAIRMAN: Did this decision amount to any more than this, that your association was found by the trial judge not to be a combination in restraint of trade within the express terms of the Sherman Act?—A. No. Judge Goff went further, he decided upon the common law principles. He said he found nothing wrong about this association, and—

Q. The end of it was, it was not held to be a combine?—A. We did nothing because, bear this in mind, when you want a particular song you go out and buy it; that is the song you want, and the song you get. We cannot sell you another song, if you want Irving Berlin, or you want—

Q. We have got beyond that in Canada; we have got this far. As usage goes here, you are asked to subscribe in respect of the whole repertoire.

Mr. CHEVRIER: Nobody asks for a certain song.

The CHAIRMAN: Before you state that as a fact, you had better read some of the communications we received.—A. That is just the difference, communications from one—a statement is one thing and a statement under oath is something else. We are sworn under oath, and we are liable for any mistakes we make.

Q. Others will be under the oath same as you are.—A. Well, it was done for the purpose of representing here and making capital out of it. That is the reason the user has to combine. The single song itself has not the slightest value to a musical user. If he runs a dance hall, or a cabaret, he has to have around 81 songs for the night; if he runs a radio broadcasting station, he has to have 20 songs per hour, and he has to combine with other songs; he has to have encores.

By Mr. Ernst:

Q. Take the case of my home town, in the county of Lunenburg. We have a regimental band, which happens to be a voluntary organization and they give concerts in the open air, and they might give a half a dozen musical numbers during the evening. Would they not come within the notice that is given here?—A. Our experience has been this. As a matter of fact—

Q. Will you meet that contention?—A. Yes, all right. Now, that is a solitary case, and I am sure, in the first place,—

Q. It is not a solitary case; I can perceive a number.—A. Assuming you have a hundred such cases, assuming a hundred such cases, it is an easier thing for me to say, "Well, this is inconsequential." After all is said and done, these people do not use it for the purpose of making any profit in the sense in which we understand it. In the States we would not ask for a royalty. We don't ask for royalties. We are after the motion picture theatre owners, hotel proprietors, cabaret and restaurant owners, dance hall proprietors and radio broadcasting stations. Churches don't pay and colleges don't pay.

The CHAIRMAN: As a matter of fact, I read the evidence.—A. They are not asked for anything. Regimental bands, we don't ask them for anything, and I will tell you now, in so far as I am concerned, instructions will be given to the Performing Right Society to deal with this sort of case, because they are of no consequence; they don't figure in the scheme at all.

Q. Would you allow me just one word. I read the evidence given on behalf of your Association recently, and I must say in the administration of your Society, as appears from that evidence, that your present statement is correct; but I do not understand that the Performing Right Society in England, or the Performing Right Society in Canada, accepted the same particular platform.—A. Well they should.

By Mr. Ernst:

Q. May I just read this paragraph out of the booklet which was passed around this morning? Here is the portion of the paragraph, "The directors of military and brass bands are requested to take note that musical works, the public performing right in which is controlled by the Society, may not lawfully be performed in public, by mechanical means or otherwise, without the society's licence or permission."—A. I am not, and I am sure, in speaking for the American

Society, in sympathy with the attempt to collect any royalties from regimental bands devoted to the purposes and uses which you state; and I state this for the record, that we have not charged educational institutions or charitable institutions or churches or colleges, and we never will, because that is chicken feed, that is not what we are after. They do not do us any damage. We are dealing with the important people, the users.

Q. May I say I have every sympathy with the author and the composer, and I am not out of sympathy with your Society, but it is a matter of public policy, whether you should be placed in a position where you can hold up those small concerns, hold up those small bands of music at some future time.—A. We have been in operation since 1914.

The CHAIRMAN: Wait a minute. Am I right in my understanding that, so far as the administration of your rights in Canada are concerned, they are now vested in the Performing Right Society of Canada in respect of which you own half the stock?—A. Yes, that is right.

Q. And therefore the inhibition which you have voluntarily placed upon yourself in the United States does not apply to Canada except in so far as the Performing Right Society of Canada imposes those same inhibitions upon its own administration?—A. As the one-half proprietor of this institution, if I may so call it, the American Society certainly has the right, in view of the fact that it has in its membership Canadians and others, it certainly has the right to suggest to the Canadian Society the impropriety of collecting royalties from regimental bands or from the kind of performances mentioned. I want to say to you now, we have never collected a dollar—they are all here, radio broadcasting people are here, and the motion picture people are here, and they can call who they like or anything they like, they are the ones who are here and these are the fellows we are after, and I challenge them as a whole to point out a single instance of a case where—

Mr. ERNST: I don't think there will be government interference, as a matter of fact, unless you abuse your privileges. On the other hand I do not see why you object to the government being in a position, or the Governor in Council being in a position, if you abuse your privileges, to remedy that and protect the people.—A. May I answer that. You have a provision here asking for prices to be fixed.

The CHAIRMAN: No, we have not.—A. I saw one this morning in the act.

Q. I did not.—A. Let me state my experience. Take for instance a little radio station, we will say, down in West Virginia. Its total receipts from advertising is, say, $100,000 a year, expense of operation is about $50,000 a year; the population served say, is 200,000. With a station like that, if it pays $1,000 or $1,500,—

Q. They can afford to pay their fee.—A. Along with other expenses, but you take the larger stations—

By Mr. Ernst:

Q. WGY and WJZ?—A. Yes; they are serving a population of ten millions. Their vice president offered a statement to the Federal Radio Commission in which he said that radio is earning a billion dollars a year—

By the Chairman:

Q. Not one particular station?—A. No, but radio in America.

Q. All the stations?—A. Yes; a billion dollars a year. That is in the records, one billion a year, and he says, "don't lose sight of the fact that music is the background of the whole thing". And then there are the commercial stations and what they sell is, you know, tooth powder and things that are

purely commercial, and where a station earns a tremendous sum of money from advertising hook-ups throughout the United States and they pay $20,000 a year——

The CHAIRMAN: The only suggestion in the Bill is that those users will be given an opportunity, before a proper tribunal, from time to time, if they find the charges oppressive, to ask that an inquiry be held as to whether they are oppressive.—A. Why do it to us when you have—there is some talk of a radio monopoly in the United States, and the government has brought an action to dissolve it. We know that they have 2,000 patents and they are trying to do the same thing as they tried to do when they came before the Congress and wanted the United States Congress to pass compulsory rates.

Mr. ERNST: I do not think this Parliament should fix rates.—A. I have heard you have a radio monopoly, why don't you cover that?

The CHAIRMAN: At the present time there is an inquiry being had into the radio monopoly in Canada, although it does not exist to the same extent as with you. I think that the same thorough examination will be made of the alleged radio monopoly in Canada as is now being made into the operations of the Canadian Performing Right Society, which has the sole control of all your works in this country?—A. Here is a monopoly! All that Canada has ever paid for performing rights since the enactment of the first Canadian copyright bill is a total of $35,000.

Q. Simply for the reason that you never were in a position under our law to enforce it?—A. I beg your pardon.

Q. I beg your pardon.—A. The individual author could have brought a suit.

Q. The individual author, certainly.—A. Yes, he could, during all those years.

Q. He never has.—A. Well, I know, but you are talking about a monopoly. Now there is your monopoly, a matter of $35,000. I would like to know how much other monopolies operating in Canada have——

Q. We are asking for this Act; we are asking for those restrictions so that your association, if it is doing business in Canada, and any other association doing business in Canada, including Canadian Performing Right Societies, will have due restrictions imposed upon them in respect to the collection of their fees, charges and royalties.—A. Mr. Secretary, for the purpose—I take the position, for the purposes of protection of the authors, it makes very little difference as to this. These authors can bring their suits; they can bring their actions; they can bring their suits and protect themselves.

Q. Quite so.—A. Because this is only a step; this is only a step, a move upon the part of the broadcasting people and their allies, and I don't want——

Q. It is not a step on the part of the broadcasters or allies; and let me tell you further, if there is any pursuance in the terms of this Bill which prevents the individual author from collecting and enforcing his rights in Canada, as they have heretofore existed, I am prepared to consider the modification of this Bill, but I do not understand it is so restricted.—A. Mr. Secretary, I think these gentlemen are chasing shadows, because if our authors are being despoiled of their work we do not need any Canadian Performing Right Society. We live under a treaty of both nations. We can bring actions under the name of our authors and our authors can maintain their actions against those broadcasters and against those other users and compel them to respect the rights of those people. I mean, if it is for the purpose of fixing rates, let's have it.

The CHAIRMAN: We are not fixing rates for individuals. If this amendment, section 10, should pass, I understand there is nothing in our Canadian Act, or in the amendment proposed, which would prevent the author in the United

States or this country, or the author of any foreign state, or an author who is a Canadian national domiciled here, from bringing suit in exactly the same way as suits are brought to-day in the United States, because in each case in the United States' courts, as I am instructed, the author has to be joined.

The WITNESS: Then what is the difference? Let us take the practical side of the situation now, what are you aiming at?

The CHAIRMAN: That is another question which I am not discussing for the moment, but I am saying that, as far as this Bill is concerned, it does not prevent your entering suits in Canada in exactly the same way as is done from day to day in the United States.

The WITNESS: Well now, here is our objection to the Bill: In the first place, the means of fixing the rate for each work, because we do not fix the rate for each work. We have never done that. We have never, in our seventeen years of experience, fixed the rate for work. We do not know how to do it.

The CHAIRMAN: Wait a moment, let me enquire: When you bring a suit, in which the plaintaiffs are Thomas Jones, author, and your American Society of Composers, Authors and Publishers as joint plaintiffs, does it not depend upon the court as to the amount of the award in each case?—A. No, because, under the statute, the minimum damages is $250, and the court allows us $250 for that illegal performance.

Q. That is a penalty clause?—A. No, it is not a penalty, because the Act defines it as being liquidated damages.

Mr. ERNST: It would be a penalty here, certainly a penalty at common law.

The WITNESS: In other words, under your law the court would fix whatever damage was done to the author.

The CHAIRMAN: Of course, under our law the same distinction does not prevail.

Mr. ERNST: We have the common law.

By Mr. Chevrier:

Q. How should you proceed under subsection (*b*)?—A. We have no method of determining the value and the price for each work, each individual song. We have popular songs; we have all sorts of works; besides that we have never granted individual rights.

Mr. ERNST: Could you work it out, if you dealt with them by class, instead of individually?

Mr. CHEVRIER: If they put them in classes, what would happen to the individual that came for a song?

The WITNESS: We could not, it is utterly impossible. Take the actual experience of seventeen years, and I say to you, upon my oath, that I do not know of a case during all these seventeen years where a user, I mean a motion picture man or broadcaster—

The CHAIRMAN: Oh, well, but let us go to some other users now, let us go to church choirs.

The WITNESS: We never exacted a nickel from a church choir.

The CHAIRMAN: You stated that, and I agree, that that was the evidence before your Congressional Committee, but I do not understand that that is the position that is taken by the Canadian Society, and it is certainly not the position taken by the British Society.

The WITNESS: Speaking for the American Society, we will have to take that position, because we will not subscribe, in principle or in theory, to the levying of royalties, the collection of moneys, from church choirs, and churches, or regimental bands.

By the Chairman:

Q. Have not you stated that position pretty well.—A. Yes. One more point and I am through. We cannot comply with (*b*); (*a*) will be very costly, but with (*b*) we cannot comply, because we have no way of determining the price of each work:

> 2. The Governor in Council on the recommendation of the Minister, is authorized from time to time to revise, reduce, increase or otherwise prescribe the fees, charges or royalties which any such society, association or company may lawfully collect in respect of the issue or granting by it of licences for the performance of any of such works in Canada.

We are absolutely convinced this is a price-fixing scheme, and we say a government should not embark on this price-fixing, but, if they do, then it should be universal.

Mr. ERNST: The answer to that, of course, is that in most instances the users do not come under the direct control of this Parliament.

The WITNESS: They have copyrights, every picture is protected by a copyright.

The CHAIRMAN: In so far as it deals with copyright, yes.

The WITNESS: Yes, every motion picture.

The CHAIRMAN: But in so far as it deals with church choirs and exhibitions and fairs, and all that sort of thing—

The WITNESS: Yes, but as regards motion pictures, if you are going to do this we say make it universal.

The CHAIRMAN: Well, perhaps we will. We are going along that road. From what information I have received, public opinion is very strong in this country that we should proceed along that road.

The WITNESS: All right, if it is universal, then, of course we are in the army and we cannot help it. But we refuse to be singled out.

The CHAIRMAN: Well, that is a strong position.

The WITNESS: We say take the patent holders, take the radio people, take the motion picture people—and this Parliament has jurisdiction over patents and copyrights—and place them all upon the same footing, and then I say yes.

Mr. ERNST: I do not think this Parliament could regulate the price to be charged for a motion picture theatre.

The WITNESS: I think I have covered the ground.

The CHAIRMAN: I think that what you have covered is very good, and it has been very informative to me.

The WITNESS: To go back just for a second, and I will be very brief—you have been very courteous—in section 5, we would like to have the same wording as the Rome Convention.

The CHAIRMAN: We understand that. That has already been brought up.

The WITNESS: Section 6 is taken from the American law, whereas now the changes are fixed by common law. Now, the judge fixes it, so that you have different judges, there will be no fixed standard, for each is going to decide differently and you will never get anywhere.

The CHAIRMAN: That is so in every action for damages. But it gives you an advantage. That section 6 gives you an advantage in this, that the plaintiff shall be required to prove only receipts or revenues derived from the infringement, and the onus of poof in other respects is placed on the defendants. That is an advantage to the copyright holder.

The WITNESS: Quite right. The only objection I find is that with "such profits as the court may decide to be just and proper," you are going to have different standards. In the United States the standard is set at a certain sum of money; it is uniform and applies to all cases.

The CHAIRMAN: Our administration, of course, is different from yours in some respects, and that is one reason why this draft gives certain concurrent jurisdiction to the Exchequer Court of Canada, which I think might well be restricted to certain amounts, as the Exchequer Court will then determine the procedure and the basis on which damages will be assessed.

Mr. ERNST: I would not be prepared to depart from our common law rule in the assessing of damages.

The WITNESS: I am afraid you are going to have confusion.

Mr. ERNST: Sometimes you get too much, and sometimes you get too little.

The WITNESS: Then, with regard to 9, there ought to be some time in which to file an instrument. Under our law we have, I think, three months. There ought to be some limit. We ought to get an opportunity.

The CHAIRMAN: If there is any doubt, we can modify this clause. It has been brought to my attention that in very numerous cases assignments have been made in the United States in which the author—I do not accuse him of fraud at all—thought that he was giving an assignment covering the territorial jurisdiction of the United States, but, on examination, these assignments have been found to be so worded as to cover Canada and Mexico, and other countries as well. The same author has then come to Canada, where there is no knowledge of this assignment at all, and has made an assignment in Canada with respect to the same copyrighted work for this territorial jurisdiction, and it seemed to me, after hearing all these arguments, because I have been through this argument before in the representations made to the Secretary of State as representing the government, it seemed to me that a performer who is honestly endeavouring to conform to the law, who is willing to pay royalty fees and charges, who is shown an assignment covering those particular works for Canada, which he is bound to accept in good faith, should not be liable to further action, if he pays to this assignee—

The WITNESS: The user is protected under section 22, because he is not aware that he is infringing.

The CHAIRMAN: Well, our courts allow so much in the way of presumptive evidence.

The WITNESS: The only difficulty with that is this: If an assignment is executed, say, in England, it will take a week at least for the assignment to get over. In the interim the man could make another assignment. There is no way of getting the assignment over.

The CHAIRMAN: You can set aside the assignment here. The same rule applies to patents. The same rule applies to bills of sale. The same rule applies to a great number of instruments.

The WITNESS: The wording of this is going to interfere a great deal in connection with transactions involving Canadian authors. As I said at the outset, Mr. Service and all those other Canadian authors come down to New York and do business, and there is something about this law that complicates the situation. You are going to make it pretty hard for those men.

The CHAIRMAN: I am simply putting upon him this obligation, that he shall not make two conflicting assignments. If he does make two conflicting assignments, then you are in no worse position than the man who has obtained a prior contract in respect of any other matter which you are not compelled to register.

The WITNESS: Except this: In the case of an ordinary contract you do not have to register. The man who is first in point of time is protected. You say here that if the subsequent assignee registers his assignment, why, he secures the prior right.

The CHAIRMAN: Well, if you deal with people who are dealing with you with fraudulent intent, the public should not necessarily suffer.

Mr. ERNST: You have a remedy, of course. If you lose anything, you can always come back on the individual. For instance, if I give a bill of sale on my property to you in the Province of Ontario or the Province of Nova Scotia, where the laws are practically the same, you have to register that bill of sale, file it. Before you file it, I give another one to Mr. Cahan in good faith. He takes it in good faith and he files it first, he gets legal title.

The WITNESS: Say, for instance, Mr. Service has written a novel. A motion picture company buys that novel, and spends $200,000 to make a motion picture. Of course, Service would not do that sort of thing. If he should happen to make an assignment to someone else within a week, and during that week this man has lost $250,000—

Mr. ERNST: Of course, it is the same situation I have given with the bill of sale.

The CHAIRMAN: Let me tell you, Mr. Burkan, the proposed amendment to section 40 wipes out conditions which you find it difficult indeed to comply with—in fact impossible. It, therefore, gives you that advantage. The registration only costs $1.00 in any case. Therefore, if you were entering into a contract with a film company for a large amount, why, what you would do the moment you made that contract would be to send in a dollar and register that assignment.

The WITNESS: Right.

The CHAIRMAN: And so long as we allow you to do that, at the same time allowing you to enquire, for another dollar, and find out whether there is another assignment, for the expenditure of $2, you can protect yourself absolutely.

The WITNESS: That is right, but suppose to-day, on the 18th of May, I make enquiry, everything is in perfect order, and I pay the man $10,000 for the rights, and this transaction took place in England the next day. The first gentleman in Canada made a transfer to the John Jones company and they filed the assignment.

The CHAIRMAN: Then all that you ask us to add to that clause is that you may estop another registration by sending a telegram to the Secretary of State's Department or the Copyright Office. You can do it on the same day. You can give notice by telegram.

The WITNESS: If you give us time it is all right. Give us the mailing time.

The CHAIRMAN: It is not a question of mailing time. Why shouldn't we make it necessary in the amendment to that clause that you may telegraph and procure an estoppel.

The WITNESS: If you do that, that will be satisfactory to me, speaking for myself, so long as you are giving us an opporunity to file an instrument or give notice of some sort, because it takes time to send a document.

The CHAIRMAN: That is a suggestion that is well worth considering.

Mr. CHEVRIER: When Mr. Jamieson was giving his evidence on that, I made a note that counsel for Mr. Jamieson would submit, or draft, a section that would suit, as a sort of suggestion. Then why could not these parties do the same thing.

The CHAIRMAN: There is no objection to any suggestions being made.

Mr. CHEVRIER: Then in Committee we can thrash it out.

The CHAIRMAN: Quite so.

Mr. ERNST: Can you draft an alternative suggestion which you think might meet your wishes and give it to us for our consideration.

The WITNESS: Yes, I shall be very happy to.

Mr. BUCK: Mr. Chairman, may I be permitted to explain a matter regarding special permission of the copyright owner which Mr. Jamieson was unable to answer. When we issue a blanket licence to a broadcasting company, we put a clause in there that we have the right to withdraw from the broadcaster a number of certain numbers. I will explain what that is for.

The CHAIRMAN: You agree to produce that form of contract for our consideration?

Mr. BUCK: I want to explain. The inquiry was aimed at the reason why that particular phrase was utilized so much. It is for this reason; when we withdraw a number from the air—if I had a song from the Ziegfeld Follies, Mr. Ziegfeld may say, "take that off the air, they are killing it." Those instruments are so powerful that they can kill a number within a couple of weeks. People get sick of it. Consequently, if there is, say, a special program to-night we may withdraw that from all broadcasting stations on the air. Now, to-night the Palmolive Oil people may be on the air at a certain hour and want to use that number. We let them sing it, with the understanding that they have the special permission of the copyright owner so that all other broadcasters could not use it when the number is withdrawn. That is the reason. I wish to express, sir, my deep appreciation for your courtesy, and your patient treatment, in listening to us. We are at variance on some ideas, but we are talking about the same thing, like the spring of the year and the spring of a watch.

The CHAIRMAN: Your representations will receive very careful and earnest consideration from the Committee. I think as it is now nearly six o'clock we will adjourn until 10.30 a.m. to-morrow.

The Committee adjourned.

HOUSE OF COMMONS, ROOM 268,

TUESDAY, May 19, 1931.

The Select Standing Committee on Bill No. 4, an Act to amend the Copyright Act, met at 10.30 o'clock a.m., Hon. Mr. Cahan in the Chair.

Minutes of the last meeting read and approved.

The CHAIRMAN: The first witness to-day is a representative of the Performing Right Society of England.

Mr. CHEVRIER: Mr. Chairman, before you proceed with calling evidence, I should like to make a request of the Committee. The other day I referred to two witnesses who might appear. I am submitting now only the case of Mr. de Montigny. I know what interests Mr. de Montigny represents, and I am going to take upon myself the responsibility of asking this Committee that a summons do issue to order Mr. de Montigny to appear. He is an author and he represents certain rights of authors.

Mr. ERNST: Who is Mr. de Montigny?

Mr. CHEVRIER: The chief translator (Laws) of the Canadian Senate. He has appeared before other committees dealing with these matters and no objection, at any time, was taken as to his attitude, or what he had to say; and I move that summons do issue for him to appear.

The CHAIRMAN: I stated clearly I had no objection to the Committee summoning Mr. de Montigny, or anybody else. Is it the wish of the Committee that Mr. de Montigny be summoned?

Motion carried.

RALPH HAWKES called and sworn.

I am director of the Canadian Performing Right Society and a director of the English Performing Right Society. I reside in London, England.

By the Chairman:

Q. Have you any address in London, England, where communications may reach you?—A. 83, Piccadilly.

Q. Please state, in your own terms, such information as you can give us to help us to solve the issues raised by the Bill now before this Committee. —A. I understand, Mr. Chairman, you would just like me to state my objections to some clauses.

Q. I should be very glad, if you would.—A. My first objection is to section 5, which has already been stated by previous witnesses. We would like a change to the wording of the revised Convention of Rome, instead of the restricted wording which exists at the moment in the Bill. We would like either the word "publication" struck out, or so amplified as to cover all types of performances, representations, reproductions or other executions.

By Mr. Bury:

Q. What section?—A. Section 5.

Mr. CHAIRMAN: We have that objection already.

Mr. CHEVRIER: Are you prepared to submit a clause? As I understand it, you are satisfied with 6 *bis* of the Convention or an amendment to this. Have you a proposed amendment?—A. I have not written a proposed amendment, but I can submit one.

The CHAIRMAN: It is fairly simple. You wish the word "publication" struck out, and three other words put in?—A. Yes.

By Mr. Ernst:

Q. Printed performances, operation, or reproduction?—A. Yes.

Q. Or any distortion, mutilation or other modification?—A. Yes, so long as it fully covers every type of performance.

By Mr. Chevrier:

Q. We might do that.—A. I think we will accept the Convention wording.

Q. You would rather have the Convention wording?—A. That makes it quite clear. Section 9, on the question of the voluntary registration, I would rather like to leave the legal argument to Mr. Anglin, who will follow. In connection with this prior assignment, we like the clause as it is, the voluntary registration is just what we would like.

By Mr. Bury:

Q. As it is provided by the Bill?—A. Yes, the latter part which deals with prior assignment is a question of legal argument, and I am not a lawyer and I would like to leave it to Mr. Anglin.

Section 10, this is the section which I think causes us very grave difficulty and will be impracticable not only for us, the Society, but will be more impracticable for the user of music, and, if I may, I should like to read a few things on this matter. It is quite short.

Filed lists are unnecessary because the name of the publisher almost invariably appears on a musical work and the Canadian Performing Right Society issues freely a list of the publishers whose musical publications it controls, and, in any case of doubt as to a specific work, an inquiry of the Canadian Society can be made and will be met. The position, in this respect, was fully investigated by the Select Committee of the British Parliament on the examination of the Musical Copyright Bill, 1930. The findings of the Select Committee were, " The Society has offered to circulate regularly to its licensees a complete list of all its publisher members. As the name of the publisher is always to be found on copies of music, and the Society controls the performing rights in all the musical works issued by publisher members, such a list affords a guide to a very substantial proportion of the popular type of music, in respect of which most of the difficulties have arisen. Where a work bears the name of a publisher not a member of the Society, the licensee can refer to the publisher. The offer of the Society, in the view of your Committee, goes a considerable way to meet the complaints made."

These are the findings of the special committee on the Musical Copyright Bill, and one of the main objections raised by the users of music was that they had no means of finding out what music was controlled, and what was not.

By Mr. ERNST: I am not familiar with what the English Bill was. Did they propose anything similar to what we are proposing here?

The CHAIRMAN: Not that, I should say. They proposed, (1) to make it compulsory that a printed notice of reservation of those rights should be printed on every copy of the work as a condition of the retention of the performing

rights in musical works, and (2) to provide a compulsory license in respect of performing rights, in so far as they have been retained by printing the required notice, with a fixed maximum applicable to the fee which the owner of the performing rights may demand from the music owners.

Those were the two demands made.—A. During the course of the evidence a very strong allegation was made against the Society that it would not disclose what works it controlled.

Q. You have given the answer.—A. If I might go on, this is my statement. Apart from these considerations, the practical difficulties of filing complete lists of works are insurmountable. The filing of the lists would entail an enormous amount of labour not only on the part of the Canadian Society, but also on the many other societies it represents in Canada, whose combined repertoires are estimated to contain approximately three million works. A considerable proportion of these repertoires may never be performed in Canada, with the result that the societies would be put to much unnecessary labour and expense; for if the lists are to be "complete," particulars of the whole of the repertoires must be filed.

It is submitted that the suggestion—

By the Chairman:

Q. Just one moment. I should like to suggest, only the whole of such repertoire for which your association proposes to license and receive fees. You can keep out anything you like.—A. The user might desire to use one specific work which would not be in the list; we would not be in touch with him, in order to make it complete—

Q. Quite so.—A. In order to make it complete for the user, we must file the whole list.

The CHAIRMAN: We will argue that later.

Hon. Mr. RINFRPT: Perhaps I might put a question to the Chairman, because there are different opinions as to what that clause 10 means. I surmise that the meaning of the clause, which says that the society must file complete lists, is that the society will be allowed to exact fees only on works which appear in those lists.

The CHAIRMAN: That is the intention.

Hon. Mr. RINFRET: It cannot possibly mean that, unless the Society files a complete list of every work that comes to the Society, no fee can be exacted on any of them?

The CHAIRMAN: No.

Hon. Mr. RINFRET: There is no doubt as to the meaning of the clause.

The CHAIRMAN: If there is any doubt, we can make it clear.

Hon. Mr. RINFRET: It may have a bearing on what evidence we hear. I think some students of this Bill have interpreted the clause to mean that, unless a company files everything they have, they will not have the right to exact fees on any work. My interpretation of the clause is—and I think the intention of the Minister is—that fees can be exacted only on any work that has been filed, irrespective of other works which may not have been filed, and yet be in the possession of the society.

Mr. CHEVRIER: You can easily remedy that. Is that the intent?

The CHAIRMAN: I think it is the intent. However, you find the penalty in the next clause, subsection 3.

Hon. Mr. RINFRET: It is clear that when we read this clause we may make it read that way. I saw the witness was travelling under the distinct impression

that that was the meaning of the clause. He may have thousands of works; he does not have to file them all, but he will not be able to receive fees, save on such works as he has filed. That is the meaning of the clause.

Mr. BURY: The objection is that you won't be able to collect a fee on the performance of works not filed.

Hon. Mr. RINFRET: That is the meaning of the clause.

Mr. ANGLIN: Do we take it, sir, that that clause will be made clearly in line with what is now supposed by this Committee to be the intent? That is, that only a list of what it is intended to collect fees for need to be filed, and that the business of filing a list of other works will not interfere with the collection of fees in respect of works which are upon the file list. That will be made clear.

The CHAIRMAN: And I submit that any evidence given against the filing of the complete list is not necessary because it is not intended to be compulsory so to do.

Mr. ANGLIN: Does the wording in the section, as it stands, now make it possible?

The CHAIRMAN: I am agreeing with your contention.

Hon. Mr. RINFRET: That is the meaning I put upon the clause.

The CHAIRMAN: I agree with the statement made by counsel just now.

Hon. Mr. RINFRET: Well, that is my statement.

Mr. ANGLIN: Might I ask one further question, all with the view of shortening matters. According to the intent of the Committee, which will be carried out, I am assuming, by the Bill, if it is passed at all, it would still be the case that the Society would be put to an election as to which of these two and a half million of existing rights it would want to preserve?

Mr. CHEVRIER: That is the impression I got.

Mr. ANGLIN: Therefore, the intent of the Bill, as it stands, is to take from the Society all its property except—

The CHAIRMAN: Not at all.

Mr. ANGLIN: Pardon me, sir, I have not finished,—except that as to which it files lists.

The CHAIRMAN: Not at all.

Mr. ANGLIN: Then I misunderstand. Now, if that is so—

The CHAIRMAN: That is not so. There is no taking from the Society any of its property whatsoever.

Mr. CHEVRIER: We are just working in a vicious circle. If they want to retain their right in all of them, then they will have to file all, or it only accords a half or one-third protection.

Mr. ANGLIN: Absolutely. Therefore, we come back to this, and I want to get it clear—

The CHAIRMAN: We are not dealing with property rights at all. We are not dealing with your ownership of property rights. We are not dealing with the right of an author to collect in respect to any work—

Hon. Mr. RINFRET: I do not want to discuss the merit of the clause just now, and we do not need to hear evidence on something that is not necessary.

The CHAIRMAN: I do not think we need discuss it further. It is clear as to what is intended.

Mr. ANGLIN: I am afraid, sir, that perhaps we are not using the words "property rights" in the same sense. My understanding of our property right is that it includes the right to collect, and to collect necessarily by proper legal proceedings.

Mr. ERNST: It affects the right to collect, but does not affect the property right as such.

Mr. ANGLIN: Well, whether it be the property right or not—

The CHAIRMAN: Mr. Anglin, I do not think this is the time for argument.

Mr. ANGLIN: May I put it this way, then, for the present, that it is the intention of the Bill—and we will keep away from property at the moment—that we shall have collecting rights only in those compositions in respect of which we file and that we shall not have collecting rights in the rest.

The CHAIRMAN: I will put it another way. You shall not have collecting rights, if you so call it, in the courts of this country in respect of any work which you have not included in the list filed with the department.

Mr. ANGLIN: I see.

Mr. CHEVRIER: That means, in order to save the whole of your property, you have to register everything.

Mr. BURY: You have your property rights, you have your collecting rights, but the law will not give you power to enforce your collecting rights, in the courts, except in respect of the works which you file.

The CHAIRMAN: The clear intent is that you shall only be entitled in Canada to collect fees, royalties or charges or performing rights in respect of those works which are included in the list filed. Now, whether that is a diminution of property right, or a diminution of collection right, do we not understand the intent of the section?

Mr. ANGLIN: I will argue that later. Then the witness will assume that, unless we file our two and a half million list, we will not have rights of collection in the courts, in so far as it is not completed.

The CHAIRMAN: And you will understand the other alternative, which is the fairer way of putting it, if you will allow me to say so, that you will not be permitted to collect fees, charges and royalties except in respect of works included in the lists which you from time to time file with the department.

Mr. ANGLIN: Therefore, if we do not file the list, we lose our right of collection.

The CHAIRMAN: I will remind the reporter that under the rule of the House argument of this kind is not to be reported.

Mr. CHEVRIER: I want everything I say here to go down on the record.

Hon. Mr. RINFRET: I have been on many committees and I have never seen the evidence or the discussion cut out by the Chairman. What is the objection? Is the Chairman afraid that something might come up.

The CHAIRMAN: I have no objection, of course, myself, personally, to any report, but yesterday I received from the Clerk of the House these further instructions:

> "That the members of the staff of official stenographers to the Committees of the House are hereby instructed that their duties are limited to the reporting of evidence given before such Committees. Beyond the mere noting of objections raised and the Chairman's ruling thereon, which is necessary to render the record intelligible, discussions in Committee are not to be taken down in shorthand and transcribed."

Mr. CHEVRIER: Well, there it is, "to make the report intelligible;" surely it is necessary that we should have expressions of opinions from the Chairman. Let the record stand as it is.

The CHAIRMAN: So far as the questions put by Mr. Anglin and the answers given to the other members, those should stand, but the mere interlocutory conversation which followed I do not think is part of the record.

[Mr. Ralph Hawkes.]

Mr. IRVINE: That is a matter of the Rules of the House, the rule of this Committee, as I understand it. I have been on several committees, and unless we have power from the House for a verbatim report—

Mr. CHEVRIER: We have.

Mr. IRVINE: I do not think we have. However, the reporter is taking everything down. In other committees of a similar character that I have been on, no argument was ever reported. I often wondered who did the editing, but it was done.

The CHAIRMAN: When you are prepared to hear the witness we will proceed.

The WITNESS: If I may continue:—

It is submitted that the suggestion that lists of works controlled should be made available to the public is put forward not because there is any real difficulty in ascertaining what works are controlled, and not because the proposal would remove in a practical manner any difficulty, if one did exist, but simply with a view to embarrassing the Society, by imposing upon it a difficult, onerous and expensive task. It is to be noted that the greater the operating expense of the Society the greater must be the fees charged for the licence to perform.

If the justification for the provision as to compulsory filing of lists of controlled works is the assertion that it is impossible, without some such provision, for persons to know when copyright works are being performed, it should be borne in mind that the Copyright Act provides that the term for which copyright shall subsist shall ordinarily be the life of the author and a period of fifty years after his death. At the very least, therefore, every work published during the last 50 years is copyright and some person owns the sole right to perform the work and, until the owner's permission has been obtained, no person has any right whatsoever to perform the work in public.

The effect of the proposed provision, therefore, would not be to give persons warning of copyright, for they know already that the work is copyright; all it would do would be to enable infringers to perform works with impunity and without payment, so long as it was first ascertained that the work was not included in the list filed at the copyright office. Or, to put the matter in another way, an infringer will know that he is infringing someone's copyright, but will know that he can get off scot free, because that work has not been included in the list. He will be fully aware that he is defrauding somebody of the fruits of his brains and his industry and will be himself profiting out of them at his expense, without any fear of being brought to book, just because the author has not complied with a formality to abolish which, once and for all, was the whole object of the Berlin Convention, and this in spite of the protection amply afforded to Canadian authors by and in all the other countries which are parties to the Convention.

It is submitted that it is, in fact, impossible to file complete lists because new works are being created daily throughout the world by the authors and composers represented by the Society.

It is submitted that this requirement is contrary to the Berlin Convention, impracticable, unnecessary and aimed to embarrass the Society.

Section 10 (1) (b):

It is submitted that this provision would also be a "formality," and, apparently, a condition precedent to the exercise of the author's exclusive right; therefore, it is in conflict with Article 4 of the Convention, which provides that the enjoyment and exercise of the author's rights shall not be subject to the performance of any formality.

[Mr. Ralph Hawkes.]

By the Chairman:

Q. As soon as they come within the control of your company, what is to prevent you filing?—A. If we started at it, we could file weekly or monthly, but we could not start to file a list of two million works, it would take us months.

Q. A month to do the typewriting.—A. Typewriting or printing, whatever it is.

Q. Well, you must know. Your officials stated yesterday, on oath, that an application to your company in Toronto one could ascertain whether a particular work was controlled by that company or not.—A. Yes.

Q. Therefore, you must have ascertained what works are controlled by your company.—A. With reference to a publisher's catalogue.

Q. With reference to a publisher's catalogue.—A. Yes.

Q. Well, you were not able to say that all works in the publisher's catalogue were works in which copyrights exist.—A. There are occasionally works—

Q. I know and, therefore, if you are going to impose fees upon the people of Canada, are not you morally compelled to furnish a list of the works in respect of which you claim to be entitled to collect such fees, charges, and royalties.—A. If we are allowed to file catalogues of works, that will be different.

Q. I do not know that your catalogue contains a list of the works. It is simply a question of typewriting, and if it is a mere matter of relieving your company of a typewriting charge, why, that is one thing.—A. It is a stupendous task to compile those lists.

Q. The compilation of those is a mere matter of typewriting. Your Society approached me in London, with a large delegation, claiming that under the present registration clause you were compelled to file duplicate assignments. That was the first objection. Secondly, that you were compelled to pay $1 on each assignment. You said that charge was so great as to involve the cash payment of $2,500,000 to $3,000,000.—A. Yes.

Q. That, of course, is exorbitant, but when you are allowed to file without paying a cent and you are relieved of all the charges, then why should you object to doing mere typewriting.—A. Because I venture to suggest that such a list when filed will never be referred to by any user.

Q. I will undertake to put it in such condition that it will be referred to, and, if I continue to be Secretary of State, it will be put in such a condition that, on receipt of a telegram, or postcard, or letter of enquiry, we will be able to notify any person who makes application that it is a work with respect to which you claim to be entitled to exact royalties.

By Mr. Chevrier:

Q. How many titles would you have to file?—A. We would have to start with the filing of two and a half million titles.

Mr. CHEVRIER: Maybe the Minister can say how long it would take the Department, or the officials of the Department, or how many officials it would take, properly to catalogue two and a half million titles.

The CHAIRMAN: I do not know, but the matter is so important that I do not think the public of Canada would object to the cost.

Mr. CHEVRIER: In the meantime, and until the Department is able to say that it has catalogued or completed the list, then everything you have remains in abeyance.

The CHAIRMAN: Oh, not necessarily, nothing will remain in abeyance.

Mr. CHEVRIER: Then, of course, in the meantime all of these works not having been filed can be pilfered.

By Mr. Irvine:

Q. The task of filing would not be onerous in a few years, would it? It is only the immediate task.—A. The initial task is stupendous, and very costly, because we have to find from all the European societies their lists of works.

By the Chairman:

Q. Take, for instance, in England, because the Society in Canada has not functioned, because of section 40 in the existing Act which we are now repealing. But the Society in England has functioned, and did you not state, or someone on behalf of your Society, in England, as to the number of works, comparatively a modest number, with respect to which performing rights had been granted in England; it was down to the thousands.—A. We have a current list in England of approximately two to three hundred thousand works. Those are works that are being currently performed, but that does not cover the occasional performance.

Q. Quite so, and there is nothing in this Bill, if I understand it, which prevents you, in the name of the author, or which prevents any attorney, in the name of the author, collecting in respect of any works, whether they are filed in your list or not.—A. Yes, I quite appreciate that, sir, but at the same time—

Q. That is all the right you have ever had.—A. Supposing one work is performed, and is not to be performed again for two or three years, we will have lost our right to collect.

Q. You, as a company, have lost your right, but the author and the owner of the copyright has not lost his right.

Mr. CHEVRIER: Supposing the performance is in England and the author happened to be living in Denmark, how would he get his royalty on that.

The CHAIRMAN: How has he ever got it?

Mr. CHEVRIER: But we are trying to improve conditions.

The WITNESS: There is nothing in this Act to prevent the author from suing, but there is the very great danger of this author being eliminated, should he dare to go into the courts to protect his rights.

By the Chairman:

Q. Do you mean to say that we shall not enforce just laws in this country on that ground, that a prejudice would arise against any man who seeks to enforce his rights?—A. It is not a question of a court not enforcing the law.

Q. But where does the prejudice exist?

Mr. CHEVRIER: Is this evidence.

The CHAIRMAN: I am cross examining this witness on a statement made.

The WITNESS: The prejudice may exist in this way that if a song were given and that particular work was not in the list and we dared to collect upon it, we would not be able to if the work was not in the list.

The CHAIRMAN: I hope not.

The WITNESS: If the author sought to sue in order to protect his rights the user would say, "we will cut that man's work out for good," and we have had that threatened to us before. There is a growing prejudice to the individual author if he dares go into court.

The CHAIRMAN: I do not think that we, as members of a legislature, can deal with exceptional cases of that kind.

The WITNESS: I have finished with the question of filing lists.

Hon. Mr. RINFRET: We have been discussing mostly the completeness of the list, the names of works, but is not the main objection even greater than the mere filing of the list.

The WITNESS: I am coming to that now. Section 10 (1) (*b*):

It is submitted that this provision would also be a "formality" and apparently a condition precedent to the exercise of the author's exclusive right.

By the Chairman:

Q. An American author is not compelled to file.—A. Not personally, but his agent, the Society, is.

Q. I say the author is not compelled to file, that is all.—A. Therefore, it is in conflict with Article 4 of the Convention, which provides that the enjoyment and exercise of the author's rights shall not be subject to the performance of any formality.

The CHAIRMAN: I know, but that is argument.

By Hon. Mr. Rinfret:

Q. Is your company a representative of the author.—A. In some cases.

Q. Or the owner of the copyright, or what is the exact position of your company, concerning the author's work.

The CHAIRMAN: We had that all determined yesterday.

The WITNESS: If I may say, Mr. Chairman—

Hon. Mr. RINFRET: I thought we had, ten years ago, but we did not fix it. I just want to know what the exact position of your company is towards a work. Are you the owner of the copyright or the representatives of the author.

By Mr. Bury:

Q. Are you the agent of the author, or are you yourself the owner of the copyright, under assignment from him of all the proprietary rights?—A. The Canadian Society is the owner of the rights from the British Society.

Mr. IRVINE: You will have to read the evidence of yesterday, gentlemen.

Hon. Mr. RINFRET: I will give the purpose of my question.

Q. Even if you failed to collect as a society the author might collect of his own accord, is that correct.

Mr. ANGLIN: I would say not, sir.

The CHAIRMAN: Pardon me, Mr. Anglin, you are not giving evidence.

Mr. BURY: Mr. Chairman, is not that a question of law that Mr. Anglin can deal with when he gets up.

Mr. ANGLIN: I just thought so, sir.

The CHAIRMAN: For the benefit of my colleague, the late Minister, I understood the evidence to be yesterday that this Society was the agent of the author to this extent, that it was authorized, through several successive assignments, to grant performing rights on behalf of the author for the performance of these musical works in Canada.

Hon. Mr. RINFRET: With all respect to the Chairman, I put the question and I was told evidence was given yesterday, and yet we have the evidence to-day that nobody has properly understood the matter.

The CHAIRMAN: Well, I do not misunderstand what we had in evidence yesterday.

Mr. ANGLIN: Mr. Hawkes, no doubt, will clear it up.

By the Chairman:

Q. Are you prepared to file those documents yet, the documents we asked for yesterday.—A. In respect to the British Society.

Q. And the Canadian Society.—A. I am quite prepared to file them, but we have not got them here.

Q. Are they in Canada.—A. We may have to send to London for some of them.

Q. Well, we have asked that they be filed.—A. As far as the composer in England is concerned he signs, in some cases, a complete assignment; in other cases, not a complete assignment to the publisher, but, as they are both members of the Performing Right Society, they are bound by the Society's rules in regard to the distribution of the fees collected.

By Mr. Ernst:

Q. You say that in some cases it is a complete assignment.—A. Yes.

Q. And where it is not a complete assignment, what does he assign, the performing right.—A. He may reserve the performing rights which are his own property exclusively, and he is a member of the society. In other words he does not wish the publisher to participate.

By Mr. Ernst:

Q. In which case he could collect individually?—A. Yes.

Q. But if he signed the complete assignment, it is a different matter?—A. Yes.

By Mr. Bury:

Q. Where the author has reserved to himself the performing rights, what does he assign to the publisher?—A. Graphic rights, mechanical rights.

By the Chairman:

Q. In connection with the evidence yesterday, I quote from Mr. Jamieson's evidence:—

> Q. And then we have an English Society—to which the German Society assigns all its interests in the performing rights?

That was my question.

> A. Has given the right to license.
>
> Q. Given the right to license, is that all?
>
> A. It is a contract of affiliation between the two societies, by which the British Society is given the right to collect in respect of the rights.
>
> Q. Can you file a copy of one of those agreements—

Now, that is the basis for my statement to my confrere Mr. Rinfret. That is on page 23 of Monday's evidence.

The WITNESS: In view of the fact that it is not the general practice of the Society to grant licences for the performance of separate works, it is unnecessary to file a statement of fees for the performance of each work. Moreover, it is impracticable at the time of publication of a work to fix a performing right fee, which would be appropriate for every class and number of performances.

Q. What objection would you raise to filing your tariffs as you now compile them?—A. No objection whatever. We file them with the Board of Trade in London.

Q. So that your objection is simply one to filing a statement of the charges and royalties in respect to particular works?—A. Yes, sir, it would mean working out one hundred million prices.

Q. That is confined to filing statements of tariffs which you charge in respect of any or all your performing rights. You have no objection to filing them?—A. We have no objection to filing the tariffs that we print now. It is not quite possible for us to give a price for performance of each work where there is one entertainment promoted in a year.

Q. You have no objection to filing a statement of the tariffs, on that basis on which they are now prepared and filed, with this Committee?—A. No objection at all.

By Hon. Mr. Rinfret:

Q. I understand you are now pointing out the difficulties of doing so?—A. Yes, with reference to lists.

Q. And even if it were not as difficult, I understand that you still object to the filing in principle, as not being in conformity with the true conception of copyright?—A. Yes, I do, because it is not in conformity with the Convention, and this is the most practical view of the situation; it is no use to anybody.

The CHAIRMAN: I object to that statement, because you are not the one to decide.

The WITNESS: I can only quote from our experience in England, and abroad that we have offered these lists very often to people who come to the office and say that they never availed themselves of them, because it is so much easier for the music user to say, "I will take the lot; it is easier, and it saves a great deal of trouble."

The CHAIRMAN: You are not following the question put by Mr. Rinfret. Mr. Rinfret was dealing with the filing of charges—of a statement of charges or royalties or fees in the form in which you now file them.

The WITNESS: We have no objection to that. I said that.

The CHAIRMAN: He asked you if you objected in principle to the filing of such tariff lists as you have filed before this Committee.

The WITNESS: The list of works.

By Hon. Mr. Rinfret:

Q. May I put this question: does your company operate in any other country but Canada?—A. In every country in Europe and the United States, we have a contract, and also in some South American States.

Q. Do you have to file any such lists in any other of the Unionist countries in the world?—A. No, sir.

Q. That is the point. What I want to bring out is that it may be difficult to do it, and even if it were easy, it is not in conformity with the copyright spirit of the Unionist countries to exact that from any country, and you will not find that anywhere in any of the Unionist countries.

Mr. BURY: It does seem to me that some members of our Committee are specially pleading for one side of this particular question. So far as I am concerned, I want to get the facts. I do not think the members of the Committee should act as special pleaders at all, either for or against.

Hon. Mr. RINFRET: I think the objection is well taken, but inasmuch as it applies to what I have just said, the question I put to the witness was whether the company is subjected in other Unionist countries to this particular exaction that we want to provide in Canada.

The CHAIRMAN: You received an answer.

Hon. Mr. RINFRET: Yes, I received an answer, and a lesson which I will not take to heart.

The WITNESS: Do I understand that there is a likelihood of Section 10 being modified?

The CHAIRMAN: I cannot tell you. Have you made your case?

The WITNESS: I have already said that we will be prepared to file the tariffs as they exist now.

By Mr. Bury:

Q. May the Committee see the form of the tariff as you have it now?—A. Yes, it is printed.

Q. You refer to the lists that you have—publishers lists of works?—A. Yes.

Q. In respect of copyright— —A. List of works.

Q. The publishers' lists of works?—A. There is a list of publisher members, and we also have their catalogues.

Q. That is what I am talking about, the catalogue. Those catalogues, I presume, are mixed. You have to hunt through them for the particular works you have an interest in; is that right? You are not filing the catalogue?—A. We could.

Q. But it would contain stuff that you do not want to file?—A. We should want to file everything in these tariffs.

Q. No, these catalogues. Do they exclusively deal with the works you want to file?—A. Yes.

Q. In other words, the catalogue, as far as it goes, contains nothing but the works that make up the two and a half million?—A. Yes.

Q. And if you had all your catalogues you would cover the whole two and a half million?—A. Yes. The only point is that they would contain some works in the public domain which are out of copyright.

Q. And which you would not want to file?—A. No.

The CHAIRMAN: Go through and cross a pen through those numbers in the public domain.

The WITNESS: You could cross those out.

By Mr. Bury:

Q. That is what I am getting at. In other words the catalogues would contain works which you would not want to file—which are not in the two and a half million?—A. Yes, they would contain works which the public could perform without licence.

Q. You could cross those out?—A. Yes.

By the Chairman:

Q. Will you proceed? I think you have done with "(*b*)", and now you can deal with subsections 2 and 3, whichever you wish?—A. Are there any more questions?

Q. Please make your statement?—A. I wish to read further on this question of prices. I would like to put this in the record: for example, the same fee could not be charged reasonably for a performance at a large theatre and for a performance by one or two musicians in a small provincial hall. If the fee were calculated at a rate appropriate to the former class of establishment, it might well discourage performances at the latter; while if the opposite course were adopted, the fee would be inadequate for performances at the former. Again, reasonably, the same fee could not be fixed for a work which might not be popular and might be performed publicly, once or twice only, as for a successful work performed hundreds of times. Also, it would not be reasonable to charge a fee without regard to the size of the audience, which might be numbered in tens, or in thousands, or, as in the case of broadcasting, where it might be tens of thousands. Although tariffs may be filed, they cannot be adhered to in every case. There are many variations in the form and circumstances of public musical entertainment, which call for adjustments in, and departures from, the regular tariffs. Subject to these considerations, the Society would not object to the voluntary deposit of tariffs with the Copyright Office. As a matter of fact, copies of the Performing Right Society's tariffs, with the variations made therein from time to time, have been furnished to the Board of Trade in London for their information. Furthermore, this section calls for the filing of a statement of fees for the performance of each work. The society controls three million works. The number of these is being added to daily. The work involved by such a requirement would be endless. The same objections, of course, apply in the case of a literary or dramatic work. When

the rights conferred upon copyright owners by the Copyright Act of 1911 were first established, the means of exercising performing rights were considered fully and carefully, and the suggestion that performing right fees might be collected on each individual work was dismissed as wholly impracticable.

Q. Found impracticable by whom?—A. By the people who own the work. It was found that the only reasonable and practicable method would be the formation of a society to operate on lines similar to those of the French Society, which had then been in existence for nearly seventy years. The issue of comprehensive licences, as fees payable annually and covering practically all music subject to a charge for performing rights, is the system which has been followed by the society from its inception, and has been proved by many years of experience to be the most convenient and economical method for all concerned.

Q. I think you have pretty well exhausted that. We understand that statement. Now, have you any objections to subsection 2 and subsection 3?—A. Subsection 2. It is submitted that these provisions would be in contravention of article 11 of the convention.

Q. We will leave that argument out?—A. These provisions are parallel to the ill-fated proposal of the fixed "tuppeny fee" contained in the Musical Copyright Bill of 1930, and, in effect, constitute a compulsory licence in respect to the author's exclusive right of performance. It is true that there is already a provision in the Canadian Copyright Act of 1921, Sections 13, 14 and 15, as to compulsory licences in respect to copyright works, but, by section 16, subsection 8, it is specifically provided that these sections shall not apply to any work the author of which is a British subject other than a Canadian citizen, or the subject or a citizen of a country which has adhered to the Convention.

Q. What are you dealing with now?—A. Compulsory licences.

Q. Is that the Copyright Act of Canada?—A. Yes, 1921. It is submitted that it is not competent for the Canadian government to pass legislation which would conflict with the author's exclusive rights, contrary to the stipulations of the Convention, and further, that it would be an act of injustice if works, the subject of copyright, should be made specially the subject of price fixing by the government.

Q. I understand your submission, but that is legal argument. What would you prefer—that some supervision, regulation of prices, should prevail, or that we should give a year's notice and go out of the Copyright Convention altogether?—A. That is not for me to say.

Q. Is it not a matter of compromise? Let me read to you the unanimous report of the Committee of the House of Commons of England to which you refer?—A. I have read that many times.

Q. I have read it many times too. The 18th paragraph of that unanimous report of a Committee of the House of Commons of England which was printed July 3, 1930, says: "Your Committee consider that such a super-monopoly"—that is referring to your company—"can abuse its powers by refusing to grant licenses upon reasonable terms so as to prejudice the trade or industry of persons carrying on business in this country, and to be contrary to the public interest and that it should be open to those persons to obtain relief. . . . "—that is the users of music—"it should be open to those persons to obtain relief in respect of such abuse by appeal to arbitration or to some other tribunal. This should apply only in those cases where the ownership or control of copyright has been transferred to an association."

Now, in the Bill which passed its second reading in England, this provision was contained "(2) to provide a compulsory licence in respect of performing rights, insofar as they have been retained by printing the required notice, with a fixed maximum applicable to the fee which the owner of the performing rights

may demand from the user." That Bill almost unanimously passed the House of Commons on the second reading?—A. I beg to differ, sir; it did not almost unanimously—

Q. Well, it passed the House of Commons?—A. It was torn to pieces afterwards.

Q. I beg your pardon. It passed the second reading, and that principle was approved by the House of Commons, and there is no doubt as to that?—A. I disagree. The Bill was reported without amendment as totally impossible.

Q. I beg your pardon. On the second reading of that Bill it passed the House of Commons and was subsequently referred to a Select Committee?—A. I must object, because there was considerable objection to it by certain members.

Q. I know. We have the whole debate here; but the unanimous report of the Committee of the House of Commons which subsequently considered the Bill contained this clause 18 which I have read.—A. If I might ask you to read the rest of it.

The CHAIRMAN: I am reading Clause 18 now.

Mr. CHEVRIER: Mr. Chairman, I am not going to object at all; but if that is going down on the notes I say it is not evidence.

The CHAIRMAN: Very well, I will ask the reporter not to take this down.

Discussion followed.

By the Chairman:

Q. Now, in view of that pronouncement unanimously made by a Committee of the House of Commons in England dealing with your case, are you in a position to suggest any compromise whatsoever?—A. First of all, I would like to go further in that report. I think it does not point out exactly who promoted that Bill. That Bill was—

Q. I am not dealing with the promoter?—A. I desire to make this quite clear as to the origin of this Bill. It was promoted by the hotel owners, and one of the most active members of the committee was a big hotel owner who spends £120,000 a year on music and who objected to paying us five or six hundred pounds a year for the right to use our product. He was the leading spirit of it—of the evidence given—and it is a very long book, containing grave charges against our Society which were met and rebutted fully and completely.

Q. That is a matter of opinion?—A. The Bill was subsequently reported without amendment; in other words, it was so hopeless they could not use it.

Q. It was reported without amendment? I am dealing now with the Committee that reported it, and that Committee said this. I am asking you now in view of the unanimous report of the Committee that heard your evidence for days, and weeks, in Parliament in Great Britain, whether you are prepared now to suggest any compromise whereby this obvious objection to the operations of your Performing Right Society might be compromised so as to protect the public interest?—A. The British Government have not passed any legislation in connection with that.

Q. That is not an answer to my question?—A. I want to lead up to the point. If they saw fit to pass such legislation, or to bring before the next meeting of the Convention some kind of provision, that is not for us to dispute.

Q. But we are dealing with it?—A. I beg respectfully to submit, sir, that Canada should follow that.

Q. That does not appeal to me at all.—A. They did not find, that we had sinned in the degree we were supposed to have sinned, in the matter of collection of fees.

Q. I am not saying that you have sinned?—A. It is presupposing that we are going to.

Q. It is not presupposing. I am asking you, in view of the unanimous report, whether your Society is prepared, inasmuch as the Parliament of Canada is dealing with it now, to make any compromise which would reasonably protect your interests and yet give what the public demand—some protection to the music users of Canada?—A. I do not think, Sir, that the public opinion which desires this protection is the public which is going to be protected.

Q. Parliament must decide that?—A. The public which is going to be protected under such a clause as this are the big music users—the cinema owners, motion picture interests and the radio people, and the hotel people. These are the people who supply us with eighty per cent of our revenue. They are going to benefit under such control, not the small person at all. He is going to be a voice crying in the wilderness. It is the big people who are going to fatten on the author's rights. They are going to make use of such a clause to say, "we think we are paying too much at ten cents a seat; we want to pay five." They are more powerful than we are, or any collection of authors, could be. They are the people who enforce this control.

Q. I had the Clerk look up this matter on the second reading of this Bill which I have before me, the report of the English House of Commons is, "question put, and agreed to. Bill read the second time." There was no vote against the second reading of the Bill.

The WITNESS: There was a considerable discussion and they agreed it should go to a special committee, because it was a subject that few people knew much about.

By the Chairman:

Q. We have done with that question. Now, tell me is there any reasonable compromise that the Performing Right Society is prepared to suggest?—A. I have no mandate to make any compromise.

The CHAIRMAN: That answers my question.

By Mr. Bury:

Q. Do you think, Mr. Hawkes, that the public users of music do not require any protection?—A. I think—and I can only speak from experience in England as to that question—the small man who plays music, the small band or village entertainment or such like, has never been treated badly by us. We must, first of all, be considered to be reasonable people. We have no desire whatsoever to exploit the small people and raise large sums of money. We have never gone in that way to get money.

Q. Suppose you have not. Is not that rather beside the question. It is only an argument that no practical need has yet arisen for protection; but on the principle, is there any objection to the principle of saying that the music user is entitled to protection?—A. If you could protect the small man and not the large man who is well able to look after himself.

Q. Should not everybody be protected?—A. Why should the big corporations be protected against a group of authors? Are the authors such terrible people that they are going to attack them?

Mr. CHEVRIER: You are simply going to protect the lion against the South African negro.

Mr. IRVINE: Are the authors the negroes?

By Mr. Irvine:

Q. Will you tell me whether you think this Bill, as proposed, is any advantage over previous legislation, to the authors and publishers?—A. In so far as the registration section goes, it certainly is of great advantage, because the previous Bill made it quite impossible to register a work.

The CHAIRMAN: In so far as it enlarges the scope and application of our copyright law, by definition, it must be of very great advantage.

By Mr. Irvine:

Q. Would you say also that this Bill, as proposed, gives the lions of South Africa a greater power over the goats, was it, than they had before?—A. What do you mean by the lions?

Q. I was just taking up the phrase of my hon. friend opposite. Does this Bill, as proposed, in your opinion, give the large companies that you referred to a moment ago any more power over the authors than they had previously?—A. It gives them every right to go and complain that we are charging too much. Even if the fee were only five cents they might complain it was too much.

Q. Supposing they did complain, does that mean anything? Would not the Governor in Council be wise enough to know that ten cents was not too great a charge?—A. We hope so.

Mr. CHEVRIER: You are inviting litigation at every step.

By Mr. Bury:

Q. Mr. Hawkes, does it not come right down to this, that your objection to the principle lies in the field that the authorities that will fix the rate will be influenced by the big musical performers, and that that undue influence would sacrifice the owners of the copyright and the owners of performing rights? It really comes down to this, if I understand it—correct me if I am wrong—that it is not the principle you are afraid of, it is the threat that will apply and the influence that may be brought to bear on the authority so that the principle will be wrongly applied?—A. The principle of price fixing is contrary to the Convention.

The CHAIRMAN: That is a question of law.

The WITNESS: Yes. I do submit that a group of authors such as is comprised in this Society has but a very small voice against a whole host of big interests such as exist here and are powerful, if I may say so, politically.

By Mr. Bury:

Q. That is what I am getting at. In other words, you are afraid that for some reason or other, if the authorities set up to fix the rates, they will be unduly influenced by one side against the other?—A. There is always that danger.

Q. Is not that the thing you are afraid of?—A. For one thing; and I submit it is against the Convention.

Mr. BURY: That is a question of law.

The CHAIRMAN: We may have to withdraw from the Convention.

Mr. CHEVRIER: That might be a better idea.

By Mr. Ernst:

Q. If you had to accept a tribunal which had some control over price fixing, would you prefer a judicial tribunal to the Governor in Council, the government?—A. I must repeat that I have no mandate to make any compromise on this question. I might offer a personal opinion. It could not be taken as representing my Society.

Q. Give me your personal opinion?—A. I do not think I should, in this seat.

The CHAIRMAN: You are the witness.

The WITNESS: I decline to give a personal opinion because it might be attributable to the Society. I am not in a position to make any compromise without consulting my colleagues.

[Mr. Ralph Hawkes.]

By Mr. Ernst:

Q. You can say that the tribunal suggested might be open to greater consideration on the ground that it was properly constituted to deal with such questions. That is why I asked the question.—A. We do not see why there should be any tribunal that should be set up to judge what we should charge for these things, but as the witness said yesterday, there are other people who should be regulated before us. We are but a small body in this world, and it is very hard indeed to get any protection anywhere.

By Mr. Chevrier:

Q. Am I assuming this rightly, that though you may have certain fears, your fears are not so much that the government, or Governor in Council, might be influenced by these large corporations—because no one has the right to assume that—but that it is to the principle of having a fee settled; that is the way I understand it?—A. That is so. That is absolutely certain.

By Mr. Bury:

Q. You object to that principle?—A. The author, by the statute, is given certain rights; why should he be limited in the control of the products of his brain.

Q. In other words, Mr. Hawkes, the same principle, even if the relationship of the lion to the negro did not exist, if there were two lions?—A. I am always for the principle that the product of the author's brain should be his own, to do with as he likes.

Q. No one has any objection to the principle. You were talking about the danger of these big corporations and hotel men and all of those big Poo-Bahs with all their influence behind them, and their money behind them, and I could only put one inference on that, namely, that you were afraid of their swinging and swaying in some way the fixing of the rates.—A. My objections are two. First of all, the product of the creator's brain should not be regulated in any way, the price for it should not be fixed in any way whatsoever; it is his to dispose of at the best price he can get for it. Secondly, if such control is imposed upon it, and the government of Canada impose it, then we are certainly afraid that the major interests of the country can do better than authors can do.

Mr. CHEVRIER: Let us be frank.

By Mr. Irvine:

Q. Is there not some justification for this restriction from this point of view: you really are people who control your works only by the legislation which has been provided, otherwise you are practically lost. Then, as the representatives of the people, have we any right to grant you that power without putting a safeguard there, which you may never violate, but if you do violate it, it would be there to correct you. Maybe a hundred years from now the authors may be masters of the situation, then somebody will curse me for sitting in this Committee and not safeguarding the interests of the public.—A. If the occasion do arise that we abuse the right that has been given to us by that statute, then, I submit, is the time to bring it—

Q. I submit the time to do it is now.

By the Chairman:

Q. I should like to draw your attention to this. Your Performing Right Society was represented at the recent Convention held at Rome, was it not? —A. Yes.

Q. And you accepted the Rome Convention, did you not?—A. Great Britain has not—

Q. Ratification has been postponed, I fancy, awaiting that Canada and other dominions may deal with it. Great Britain signed it.—A. I am not sure.

Q. You were present, or your Society which was represented.—A. We had two representatives.

Q. You accepted certain compromises in that Convention, did you not?—A. I do not think I can answer that question, sir.

Q. Let me call your attention to this section, Article 11 bis. "(1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing the communication of their works to the public by radiocommunication." There is no interference with that right in this Bill at all?—A. No.

Q. You can withdraw your works from the public any time. (2) "The national legislations of the countries of the Union"—this is the English official translation—" the national legislation of the countries of the Union may regulate the conditions under which the right mentioned in the preceding paragraph shall be exercised, but the effect of those conditions will be strictly limited to the countries which have put them in force. Such conditions shall not in any case prejudice the moral right (droit moral) of the author, nor the right which belongs to the author to obtain an equitable remuneration which shall be fixed, failing agreement by the competent authority."

Section 2 of Article 6 *bis* says, " the determination of the conditions under which these rights "—that is the moral rights—" shall be exercised is reserved for the national legislations of the countries of the Union. The means of redress for safeguarding these rights shall be regulated by the legislation of the country where protection is claimed."

Now, under these two sections is not the principle recognized that the national legislations may enforce certain decrees of regulation with respect to broadcasting?—A. I think that is legal argument, and with it I should prefer Mr. Anglin to deal.

By Mr. Bury:

Q. May I ask just one question. I have not the knowledge of this matter that the other members of the Committee have. The restrictions which are proposed in section 2 have to do only with performing rights.—A. Yes.

Q. They have not to do with the owner of the copyright? They do not purport to lay down charges or regulate charges which the Performing Right Societies are to charge to performers?

Mr. CHEVRIER: These performing rights are musical rights.—A. *Petits droits*, small rights.

Q. Musical rights?—A. Only musical.

By Mr. Bury:

Q. As far as they are concerned?—A. As far as our country is concerned.

The CHAIRMAN: I should like to call your attention to another paragraph, which is very important to your Society. It has been represented as being very important by the French Society, by some other foreign societies, namely that which is contained in section 7 of this bill, subsection 4: "(4) The author or other owner of any copyright or any person or persons deriving any right, title or interest by assignment or grant in writing from any author or other owner as aforesaid, may each, separately for himself, in his own name as party to a suit, action or proceeding, protect and enforce such rights as he may hold, and to the extent of his right, title and interest, is entitled to the remedies provided by this Act."

That gives you, as assignee of performing rights, the right in our courts to enforce your performing rights, without joining the author and irrespective of the author being a party to the suit. That is very important to your Society,

is it not?—A. Well, any assignee could—I am not a lawyer, sir, I would rather leave that to Mr. Anglin. I am sure any assignee could sue. In respect to copyright, an assignee could—

Q. In the administration of your Society, has not a serious question been raised as to whether a separate assignment of performing rights could be enforced, without joining the authors?—A. In the British courts?

Q. Yes.—A. I do not think we have had difficulty there. We did have one case, I think, where there was a—I do not think that comes in the—

Q. All I can say is, it was suggested to me that this clause be inserted, and it was inserted, if I remember correctly, at the request of those who wished to enforce separate and distinct rights of that nature.

Mr. CHEVRIER: If the United States should come into the Convention, then this will be very helpful.

Hon. Mr. RINFRET: In connection with section 7, perhaps I may put this question to the Chairman rather than to the witness, if I am in order. Do I understand that if an author has sold his copyright, assigned his copyright to a company, and that company has not complied with this Bill by filing their list of certain works, including that particular one, the author may still claim his right, under section 7?

The CHAIRMAN: If he has assigned it to a company?

Hon. Mr. RINFRET: He has assigned it to a company, but the company has not properly filed it.

Mr. CHEVRIER: He is out of court.

Mr. BURY: Suppose there is an assignment made to the owner of a company and the assignment is not registered.

Mr. CHEVRIER: Not filed.

Mr. BURY: It is not filed.

Hon. Mr. RINFRET: Under section 10.

Mr. BURY: Yes.

Hon. Mr. RINFRET: Would the Government, or the Department, recognize the claim of the author?

The CHAIRMAN: The Department has nothing to do with it. The plaintiff has to prove his title and if he does not prove his title, although large assumptions under our act may be made in his favour, the courts can decide whether he has any rights or not.

Hon. Mr. RINFRET: I should like to know the meaning of section 7 which has been alluded to.

Mr. CHEVRIER: I think I get my hon. friend's point and I should like to clear it up. Supposing that the author has assigned to the Performing Right Society his performing rights, and for some reason or other they do not file a complete list of all the things they have, they leave out two or three of the titles which he has assigned to them. So far as the performing rights are concerned they do not file them. Is the author unable to come to the courts and sue? He has already divested himself in the hands of these people who have not registered them.

The CHAIRMAN: You might say if you were the judge, he had no further interest in them.

By Mr. Chevrier:

Q. What I want to say is this: if these performing right people register all, then he is all right, because he can join them in; but if they have not registered it, he is out of court.

The CHAIRMAN: There is no registration necessary in this—

Mr. CHEVRIER: Oh yes, Mr. Chairman. He has divested himself into their hands and they fail to protect him.

The CHAIRMAN: I refrain from discussing it now, but I am instructed, I may be wrong, that the preparation of this Bill proceeded on the basis—

Mr. CHEVRIER: I am satisfied with this, Mr. Chairman.

The CHAIRMAN: That the agreement which the Performing Right Society of England makes with authors, and the agreement with the Performing Right Society of Canada makes with authors, does not involve an assignment of all the author's rights to the society.

Mr. CHEVRIER: That is perfectly true.

The CHAIRMAN: It simply grants unto the society the right of licensing and collecting compensation for licence issued. That could only be disclosed when the documents, which they have agreed to file, are filed.

Mr. CHEVRIER: We will let that go until we get into the discussion.

The CHAIRMAN: Will you proceed now, Mr. Hawkes. Have you anything further to say?—A. Yes. The last point you made, I must point out the Performing Right Society is the assignee of all the author's rights—

Q. Are assignees of all the rights?—A. Yes.

Q. That will be determined by the instruments.

By Mr. Chevrier:

Q. We will have to see them. Either you get the whole rights or just the performing rights.—A. Performing rights only.

Q. The documents will show, anyway.

The CHAIRMAN: My misapprehension, if it is a misapprehension, is due to the statement in part, or to my appreciation in part, of the statement made to me by Mr. Jamieson in the hearings which we had before the preparation of this Bill, and to the distinct statement which Mr. Jamieson made in his evidence.

Mr. JAMIESON: May I say, sir, my statement did not touch upon the step between the British members and the British Society. I referred particularly to the document between the British Society and the Canadian Society, which gave us the exclusive right to license; but there are many assignments, I understand, from Mr. Hawkes, from the members of the British Society to the British Society and the legal ownership is with the British society and the authors, and they are not in a position to take action themselves.

The CHAIRMAN: You have just said to me what you said before, that so far as the Canadian Society is concerned you have the right to license and to receive compensation for such licenses in Canada. That is what you have from the British Society.

The WITNESS: Yes.

Mr. JAMIESON: The point is—

The CHAIRMAN: Is that so, or not?

Mr. JAMIESON: Yes.

Q. That is all. Have you anything further to say, Mr. Hawkes?—A. I wish to read further. Both this proposal—

Mr. CHEVRIER: What is the clause?—A. Section 10 (2) and (3). Both this proposal and that contained in section 11 below mentioned, would take away entirely the author's right to state the terms on which his property may be used, without any right of appeal. This would constitute a gross violation of the author's freedom of contract and an interference with the "enjoyment and the exercise of his rights under the Convention.

By the Chairman:

Q. Would that interfere with the author's reserving his work from public performance; would that interfere with the author who still retained vested interests in his work from prosecuting infringers in the criminal courts?—A. Under section 11 you divest the author of his right entirely.

Q. What do you mean by that?—A. Because you grant free performances to certain people.

Q. Under section 11?—A. Yes.

Q. I do not understand that at all.

Mr. CHEVRIER: Section 11 is churches, and so on.—A. And others. There are too many religious—there are other things besides religious performances in that section.

Q. You are dealing with 11?—A. Yes, I am referring to 11, because I say 11 divests the author of his right altogether.

The CHAIRMAN: I thought you were dealing with 10.

Mr. CHEVRIER: He is dealing with 11.

The CHAIRMAN: Let us deal with 11, then.—A. It is submitted that subsection 2 enables the Governor in Council to fix the price of the licence of the class of copyright owners covered by subsection 1. "Each and every association, society or company which carries on in Canada, either as principal or agent, the business of acquiring, assigning, granting or licencing copyrights or of any separate interest therein, or which deals with the issue or grant of licences for the performance in Canada of any literary, dramatic, musical or artistic work in which copyright subsists under the provisions of the Copyright Act as amended by this Act."

Q. Now you are dealing with section 10?—A. 10. This particular class of owners, therefore, must either withhold their licence altogether, or grant a licence upon them. And since the liberty to authorize other persons to exercise the copyright owner's rights or, in other words, to grant licences—is one of the sole rights expressly included in copyright under the Canadian Copyright Act —it is submitted that this necessarily involves unfettered liberty to the owner of the copyright to make his own terms. It is not he, but someone else who authorizes the performance upon terms to which he has never agreed.

Q. That is due to your interpretation; whether yours is right, or mine is right, is a matter for consideration. But in the case in which the author has not vested in the Canadian Performing Right Society ownership of performing rights, your remarks do not apply, it seems to me.—A. The section, in fact, assimilates the right of public performance,—when held by a particular class of persons— to the right of mechanical reproduction, in respect of which any licence, after the first, is compulsory, and must be at a statutory rate. But it is to be observed that whereas the Convention makes provision for such an invasion of the composer's sole rights,—in the case of mechanical contrivances—it makes no such provision in the case of the right of public performance. It is submitted that section 10 of the Bill contravenes the Berlin Convention, whether one regards its operation as imposing a formality upon the exercice of, or as a curtailment of, the sole right.

By the Chairman:

Q. That is legal argument and furthermore, in dealing with the new accession to the Rome Convention, it is left to the Canadian Government to accept that.

Now would you deal with 11?—A. Yes sir.

Mr. BURY: Before you come to 11, Mr. Chairman, did I gather from you there was something in this amendment that made it compulsory, for the first performance, to grant licence?—A. Yes.

Q. Where is that?—A. It is in the—

The CHAIRMAN: He is dealing with the original; it is not involved in this Bill at all.—A. Section 11. Whilst a collecting society would, no doubt, extend sympathetic treatment to performances given for such purposes as are indicated in this section, it is submitted that it would be a violation of the Convention to deprive, by statutory enactment, the author of his right to authorize or forbid the performance of his work in such circumstances, and the observations made above apply equally to this section.

At the same time, free use of the Society's repertoire is granted for charitable entertainments, provided that no payment is made to the performers. The Society does not seek payment of fees in respect of performances in churches or other places of worship in conjunction with the religious services, or for competitive musical festivals.

Q. Then, is there any objection taken?—A. I think it is a very difficult line to draw, anyway. It opens the gate to all sorts of abuse, a thing like that. There is no good shutting our eyes to it. We have had experience of such abuses in England. People say for charitable purposes they want to do this, that, and the other thing, and when we ask for conditions and details of the charitable purposes or charitable performances, we find all sorts of people are being paid, and the Performing Right Society are supposed to be giving the author's property for nothing.

Q. That is the only objection?—A. We never thought of charging churches.

Q. That is the only objection to 11?—A. We object—there should be no statutory enactment which will deprive the author of his rights of protection. We would lay down as our—

Q. You are assuming that, because you, who control the work of 30,000 authors, 2½ to 3 million works in all, may be regulated, that is a regulation of the individual author; you are assuming that?—A. Depriving him of something.

Q. Perhaps it is. That is what you are assuming.—A. You are taking it away from him.

Q. You are assuming that is a regulation of the individual author?—A. It is removing a right that he has.

Q. All I can say is, in my mind, I see a clear distinction.—A. Furthermore, if I may say so, the majority of music played in churches is not controlled by this organization at all.

By Mr. Bury:

Q. If that is so, what harm is done?—A. Church music, no harm in respect to collecting operating rates from the churches. In some cases—

Q. Mr. Chevrier made a suggestion the other day which struck me as a very relevant one. In regard to church music composed during the last fifty years, at least fifty years from the death of the author, or joined author—

Mr. CHEVRIER: Of course, Mr. Chairman, this Performing Right Society is not dealing with church music, but the author would be highly concerned himself.

The CHAIRMAN: I understand now that the list of authors and publishers which had been filed includes publishers who do publish modern music.—A. Yes, mostly Novello, a household name, if I might put it this way, in church music in particular.

Q. That does not apply to the French and German and Italian societies?—A. We object to any suggestion that you should deprive an author of his rights by statutory enactment, take his rights automatically. His works will be free for performances by charitable and fraternal organizations. That can cover a multitude of abuses, surely.

Q. It may require a more careful definition. Let me return to the point Mr. Irvine made a few moments ago. If you have rights in this country, simply by reason of statute, and if rights are conferred upon you by statute, it is, so far as the Parliament of this country is concerned, within the competence of that Parliament to make regulations with regard to the exercise of your statutory rights.

Mr. CHEVRIER: I appreciate fully, Mr. Chairman, what you say, but I do not think I am quite prepared to give any opinion at the moment. I appreciate fully the distinction, or idea. Your idea, as I get it, would be to have some regulation, following the idea of Mr. Irvine, that if Parliament has the right to grant a statutory right of copyright it also has the right to grant certain restrictions. But, as I see it here, there ought to be some distinction made with the author himself. There is nothing contained in the Copyright Act, nor in this Bill, that would prevent the performance of any musical work in which copyright subsisted. Something ought to be made clear that it would not apply to the author himself. It may be well to regulate certain Performing Right Societies, but surely it is too wide.

The CHAIRMAN: I quite agree with you.

Hon. Mr. RINFRET: Could it not go in as a subsection to section 10? That may be another way of doing it.

The CHAIRMAN: Quite so. That is for the Committee.

The WITNESS: I would like to say that our attitude has been that if we do not make any charge, and if there is some charge made by others at the same time for services—

By the Chairman:

Q. What you would like to have inserted, supposing this provision should stand, is this: the insertion of the word "gratuitous," or something like "nothing contained in the Copyright Act nor in this act shall be construed to prohibit the gratuitous performance of any musical work," you would like some such wording?—A. If we are giving it gratuitously, and provided the other people who are giving the entertainment are also giving their services gratuitously, then we do not want to charge a price.

By Mr. Bury:

Q. Your idea is that, where the whole performance is gratuitous, you yourselves do not object to being put on the same level with them and giving it gratuitously, but you do object to giving it gratuitously if others are being paid?—A. Yes, if others are being paid.

The WITNESS: Do I understand, sir, that it is suggested that an alteration be made in clause 11?

The CHAIRMAN: We are simply trying to get your view.

The WITNESS: The question of the word " benevolence " has a very, very wide term, I think you will agree.

Mr. BURY: So has the word "charity."

The CHAIRMAN: I may say that this clause was adapted from a clause in a Bill recently before Congress in the United States, which passed the Lower House and passed all readings, except the third, in the Upper House, the third reading having been delayed owing to the sudden closure of Congress, and I was advised that by the law officers of the United States the clause in the proposed Bill of the United States Congress was not deemed an infringement of the Convention. But that is a mere opinion.

The WITNESS: The only question in connection with the tariff, or things like that—

The CHAIRMAN: They will be filed for our consideration. Do any of the members of the Committee wish to ask any further questions.

Mr. IRVINE: Mr. Jamieson, do you wish to make a further statement.

Mr. JAMIESON: Appropos of what Mr. Hawkes has been saying, sir, I just wanted to point out that any music user, any concern using our works, might come within this term of charitable or benevolent organization, and it is altogether too broad.

Mr. THOMSON: If that finishes that case, I suggest that Colonel Cooper be called.

Mr. RICE: I have to leave for New York right after lunch.

CHAIRMAN: Very well, we will hear you now.

Witness retired.

GITZ RICE, called and sworn.

By the Chairman:

Q. Will you please give your name, profession and address.—A. I am Lieutenant Gitz Rice, late of the 1st Canadian Contingent, a resident of the city of Montreal, a Canadian composer. I took to the profession of song writing, before the war, in Canada, and furthered it in France and carried on back here, after the war.

Q. Well, we shall be very glad to hear you.—A. Since I started my profession of song writing, I have been very fortunate in writing some of the World War's greatest songs. I have yet to collect the first cent from my own country, Canada, for them. I am here as Exhibit A, victim No. 1. I understand, sir, that you are to put some things in this Bill. There has been a lot of squabbling about churches, and a lot of things that I have laughed at many times. The composer always gets the worst of it, no matter where you go. A composer is at liberty, under this Bill, to sue. I instituted the greatest suit against the Columbia Gramaphone Company to collect from them royalties on "Dear Old Pal of Mine." At that same time the Victor Berliner Company of Montreal published 250,000 records of McCormack singing "Dear Old Pal of Mine," and never paid me a cent. The Victor Company in the United States as a matter of fact, refused to pay me, awaiting a decision against me, or for me, in my case against the Columbia Gramaphone Company. I won the first case. They appealed, because they were aided by other gramaphone companies and their legal counsel. They took me to the second court and I lost, because their additional aid helped to defeat me as an individual. I still was encouraged by the Society of American Composers, Authors and Publishers, that they would back me up, whether I was a Canadian or not, because I was in that country at that time. We took it to the Supreme Court, and after a lapse of many months, I finally received an award of $11,000; yet, after the costs of all the additional lawyers were paid, I received nothing. I lost, sir, more than six months' time. In fact, if I have to sue all that you wish me to collect in Canada, I would be up here for the rest of the days of my life. I do not like this individual suit.

The CHAIRMAN: It might be a good thing to retain you in Canada. We always like to retain our Canadians.

The WITNESS: I will give you a little example of why I do not like it: An infringement was made, on a writing of mine, in the city of New York, by a big motion picture concern. I went to a legal man, gave him a deposit, and, after a few weeks, I was told "don't you think you had better lay off this corporation, if you expect ever to do any business with them." I laid off. I have no enmity

against anybody, but I would like to have the chance, as a Canadian, to say how much shall be paid me for my work. I have never had it up to date, and the only way that I have ever been able to get anything out of it was to associate myself with the American Society of Composers, Authors and Publishers. The only moneys I have ever derived have been through that Society. It is functioning beautifully and we fellows, as composers, have nothing to say against our Board of Directors for the way in which they have handled our affairs. We have given them a true vote of confidence, and the scheme works beautifully. As to the big corporations they are very under-charged. But we are feeling our way. We are getting somewhere, we are trying to get the author something out of it. Things are so bad that the author does not get paid enough. I have not been depending on my writings for the last fifteen years. I have had to take to the stage to perform an act to make things meet.

By the Chairman:

Q. Do you think that you could not have confidence in the Governor in Council of Canada, after listening to an appeal such as you have made—A. I was here before, Sir, ten years ago—

Q. —prescribing, under this section, fees, charges or royalties which would be a fair compensation for your efforts.—A. I do not think in any other walk of life a man has to go to his own government to be told what price he shall sell the product of his brain for. Why does a composer have to.

Mr. ERNST: The answer would be why doesn't the lawyer have to.

The WITNESS: Why doesn't anybody else in any walk of life? We have never got anything, Sir.

Mr. IRVINE: There is only one justification, as far as I can see, and that is your own efforts here.

The WITNESS: I have never got anything, Sir.

Mr. IRVINE: We are trying to frame the law so that you will be able to get something.

The WITNESS: Why take away from me my privilege. As I say, I have never got anything out of it. Why allow those people to say to me "you will take this or nothing."

The CHAIRMAN: I do not think that is the object of the Bill.

Mr. CHEVRIER: That may not be the object, but it will undoubtedly be the effect.

The WITNESS: Certainly, Sir. You divest me of my authority as a Canadian composer.

By Mr. Chevrier:

Q. If you were to turn it over to a Performing Right Society— —A. I cannot fight my case individually.

By Mr. Bury:

Q. The point is this, that the charges that are fixed by the Governor in Council are not the charges that you are to make to the Performing Right Society.—A. I can answer that, Sir. Any individual work I write, at the time of writing it, I do not know whether it is going to be a hit or not. All of a sudden "Dear Old Pal Of Mine," Sir, was performed, and I had no copyright—

The CHAIRMAN: Was it copyrighted?

The WITNESSS: No, Sir. Over in the United States I performed it and John McCormack sang it. I did not know it was going to be a hit. I would never have set it up for registration in Canada.

By the Chairman:

Q. If, in the United States, the United States had been a party to the Convention then copyright would have subsisted from the time that you wrote it.—A. All right, and supposing, Sir, I sell a manuscript at a fixed price and over night it becomes a hit.

By Mr. Bury:

Q. Who do you sell it to?—A. To the big companies.

Q. To the Performing Right Society.—A. No, no. I do not sell to the Performing Right Society. We meet four times a year and we are classified. If I have a hit to-day, I am in A. If only yesterday, then I am in B; if the day before yesterday, then I am in C; and if it is old, then D. You understand, it is the classification of our society.

The CHAIRMAN: We have had evidence in the records and in the documents to be submitted of the organization and methods of the American Society of Authors and Publishers.

The WITNESS: And the Canadian Society, which is going to function, is going to represent me here. I cannot be up here to defend myself against these big corporations, and I am investing in them the authority to give it to the churches but charge the big fellows, if that is what you are looking for.

By Mr. Irvine:

Q. Why give it to the churches.—A. I don't know. They always expect it.

Q. I would charge them.—A. I am a Nova Scotian, sir, and we used to have church concerts down there and we always got everything free. I was born in New Glasgow. My father was a church choir leader there. I send down to the good old choir in Nova Scotia every manuscript, everything I write.

Mr. CHEVRIER: There is something I would like to find out. There may be some merit, in fact there may be considerable merit, in the regulating of or doing something with Performing Right Societies, but my greatest objection to it is just what Mr. Rice has stated, and if I can find some solution I will be grateful. He writes a song, and he is unable to say whether it is going to be a hit or not. He turns it over to a Performing Right Society and then the Society complies with the exigencies of the Canadian law. They file a list, a complete or selected list, in which his song is. They place on the end of that a tariff, a fee for which it may be used. I do not know whether it would be ten cents, fifty cents, a dollar or five dollars. The song is either one of two things, a hit or no hit. How is the Performing Right Society to know if it is going to be a hit or not.

The CHAIRMAN: So far as the Performing Right Society is concerned, when they submit their tariff it includes his song with 25,000 other songs.

Mr. CHEVRIER: That is the trouble, Mr. Chairman.

The WITNESS: It may not include it, sir, because in France, in 1915, I created "Mademoiselle From Armentieres" you know—"Hinky Pinky, Parley Voo." It swept the country. I was at war, and doing the best I could with the battery. I could never copyright, you can understand that. And it has swept the country since, and I have yet to earn the first penny from that song. I did not know, when I wrote it, that it was going to be a hit.

The CHAIRMAN: Under our law, you would not be compelled to make application for registration for copyright. Copyright will subsist from the time that you make the work.

Mr. CHEVRIER: Yes, but he gets nothing for it.

The CHAIRMAN: What I am dealing with is this: I appreciate your distinction clearly, but the tariff as filed by the Canadian Performing Right Society makes no such distinction.

Mr. CHEVRIER: As I say, they do not know whether it is going to be a hit or not.

The CHAIRMAN: We understand the point and it is reserved for discussion.

The WITNESS: May I say, sir, that I sold a manuscript, one time, for $25, to a big corporation, for a musical act. It was supposed then to be an incidental piece of music to that act. As I say, I sold it for $25, thinking that was all it was worth. I saw the same act the following year, sir, and it was the theme song of that act. If I had known that my song was going to be the theme song of the act, I certainly would not have sold it for $25.

Mr. CHEVRIER: That is the trouble I am up against.

Mr. BURY: Is not that a question of hit or miss.

Mr. CHEVRIER: No, it is a question of fixing the price.

Mr. BURY: That has nothing to do with the fees that are charged. A man buys a piece of music, and he sells it for what he thinks is the best price he can get. He sells a good thing, far better than he thought it was.

The WITNESS: We never sell it.

By Mr. Irvine:

Q. Supposing a nominal fee is placed on a song, when you write it you do not know what is going to happen to it. Supposing you alter it? It is a popular thing. I would like to know if he can alter his fee.

The CHAIRMAN: Certainly.

Mr. BURY: The Performing Right People can put a minimum fee on a song and if they find it is going over big, like "Dear Old Pal of Mine," they can immediately re-register.

The WITNESS: Can they have a sliding scale, and increase the fee.

Mr. CHEVRIER: In the meantime, supposing that on that fee alone the Performing Right Company has given a licence for a year, I mean at that nominal fee, not knowing whether it is going to be a success or not, and then, six months later, it turns out to be a success, then they still have the right to use it at that nominal fee for six months longer.

The CHAIRMAN: No, no.

Mr. CHEVRIER: That is what the Act says.

The CHAIRMAN: I think not.

Mr. BURY: That could be taken into consideration.

The WITNESS: If I still own it, I want to sell it for additional money.

The CHAIRMAN: The Bill says "shall from time to time file with the Minister." That is, they can revise their fees.

Mr. CHEVRIER: They can file from time to time new ones.

The CHAIRMAN: I have no objection to them raising their fees or changing their fees at all.

The WITNESS: Have you any objection to my retaining and owning my own copyright.

The CHAIRMAN: Not in the slightest.

The WITNESS: And sell it for what I can get for it.

The CHAIRMAN: Not in the slightest.

The WITNESS: All right then what is the argument about the government fixing a price.

Hon. Mr. RINFRET: We seem to take it for granted that this Bill is going to be adopted word for word. We say, the Bill says this and says that, but

it will say whatever we decide it must say. Evidence has been taken to help us to change the Bill.

The CHAIRMAN: We are listening to the evidence in order that we may make whatever modifications we think are necessary.

The WITNESS: The only way a man is going to get anything out of his work is by associating himself with a Canadian Performing Right Society, or any name that it is going to be called, which is affiliated with other Performing Right Societies, in England, the United States and other countries.

By the Chairman:

Q. That is a pretty complete statement of your case.—A. Yes. But every time you split hairs with me it is the Society.

By Mr. Bury:

Q. The point is this, that you object to this clause which gives the Governor General power to fix the fees of the Performing Right Societies; you object to that, because those are the only fees you get—A. Absolutely, I object to that. The society is co-operative, co-operative ownership.

By Hon. Mr. Rinfret:

Q. Is it your experience that an author trying to claim his own performing rights is perfectly helpless?—A. Helpless.

Q. And the only way he can protect his right is to enter the society?—A. Absolutely.

Q. And look for their co-operation?—A. Absolutely. Individually, we are helpless, and the only solution is the affiliation with a Performing Right Society. The Society can engage good counsel whereas, individually, we cannot, and my interests are protected in all parts of the world. The Society is taking care of me.

The CHAIRMAN: It seems to me you have stated your case very well indeed.

The WITNESS: I thank you very much indeed for this opportunity. I hope I will be up again. I was up eight years ago, and I was promised a lot of things, but I never got a thing.

Witness retired.

The committee adjourned at 12.50 p.m., to resume at 4 p.m.

AFTERNOON SITTING

The CHAIRMAN: Gentlemen, there is a quorum so we will now proceed.

JOHN A. COOPER, called and sworn.

By the Chairman:

Q. Please give us your name, residence and occupation.—A. I am president of the Motion Picture Distributors and Exhibitors Association of Canada. My address is 53 Binscarth Road, Toronto. I am also, to-day, sir, if I may be allowed, representing the Province of Quebec Theatre Owners' Association, which comprises most of the theatre owners of the Province of Quebec; the independent theatre owners of the Province of Ontario; the Motion Picture Association of the Province of Manitoba, and the Saskatchewan Independent Theatre Owners, and a certain number of theatre owners in the other provinces who are not formed into an association. I would like to point out, sir, if I may, that these combined people whom I represent have nearly one hundred million dollars invested in this country, and that they employ somewhere around fifteen thousand people, so that I have to be careful in representing such large interests. Will it be necessary to say anything about the Motion Picture Association—the main Association that I represent?

Q. We will leave that to your discretion?—A. I will be very glad to say what this Association represents. It represents ten of twelve distributors of motion pictures in Canada, including the Famous Lasky Film Service, Regal Films Limited, Fox Films Corporation, Canadian Universal Film Company, Canadian Educational Films, United Artists Association, R.K.O. (Radio), Warner Brothers Pictures, First National, and Columbia Pictures. These companies distribute practically all the pictures that are distributed in Canada, whether those pictures are made in England, Germany, France or the United States. Our association is not an association for profit, but merely an association such as the Canadian Manufacturers Association, to take care of matters of general interest to all these companies. These companies are, in fact, highly organized competitors for the business of distributing motion pictures to the thousand theatres from coast to coast. If I might add, these ten companies, inasmuch as they handle pictures, do contribute directly or indirectly to the support of composers and authors. In article 13 of the Berne Convention, the first clause reads:—

> The authors of musical works shall have the exclusive right of authorizing (1) the adaptation of those works to instruments which can reproduce them mechanically.

The motion picture producers come under that first clause. The second clause says, "the public performance of the said works by means of these instruments." We do not come under that. We come under the first clause. And in Elstree, when the British manufacture a film—the British producer is making a picture—he has to pay to the music publisher—I do not know what the name of the association is, perhaps Mr. Hawkes could tell us, but it does not matter—he has to pay the music publishers of England and, through them, the composers, I presume, for recording rights. I do not know just what the licence fee in England is, but I do know that the arrangement which was concluded last July, about the time I was in England, was that a certain fee paid is for these musical recording rights in England, if the picture is confined to English cinemas.

If a picture is sent out of Canada—they pay four or five pounds more. I would not be too exact as to the amount, but this gives the principle. If it is sent to Australia, two or three pounds is added for Australian recording—

Q. I would like to mention the fact that the law officers of the Board of Trade in England have given a legal opinion that, under the existing law of England, performance includes performance by mechanical means as much as by broadcasting, gramaphone records and talking films. So I presume that in Great Britain you come under the present Copyright Act there?—A. They do not come under the public performance, as I understand it. These producers whom we represent do not come under that. It is merely recording rights that they are speaking of, not performing rights. In Hollywood, the motion picture producers there pay an annual licence to the music publishers of the United States. That licence was fixed originally at about one hundred thousand dollars a year per company. I think it is somewhere about $150,000 now. I am mentioning this, Sir, to show that the motion picture companies do pay for the music which they record on their films, or on the discs which go with the films, and in that way they do contribute to the composers of music all over the world. Then, when these pictures are distributed in the United States or Great Britain, or come into Canada, they are distributed to the theatres; the theatres are given licences to show them, and it has been the custom in all these countries to leave the question of paying performing rights to the theatre owners. The theatre owners have always taken care of the performing rights, and that is why the theatre owners are chiefly concerned with the performing rights, and why we are not. But we do pay, if I may say so on behalf of the motion pictures—we do pay our share, a fair share, and all that is demanded of us, for the mere recording of the music, and that amounts to a very considerable sum during the year. I would imagine that the authors and composers would get considerably over a million dollars in the United States for that mere recording right. Where the money goes, I am not able to say. I do not know how it is distributed, but I do know that the motion picture industry pays it. In England I would imagine they would pay several hundred thousand dollars a year for the rights over there, although they have not produced as many pictures, of course, as the people in the United States.

By Mr. Chevrier:

Q. You are only speaking from hearsay; you don't know?—A. Don't know what?

Q. Just what they pay?—A. I cannot give you exact amounts. I have the fees in my office, but I did not think it was necessary to bring them. But I do know they pay. We have heard that from an association which is much the same as ours and sends us their information.

By Mr. Ernst:

Q. Have you also the Hollywood figures in your office?—A. No. If you want them I can get them.

Q. I do not say they will serve any benefit, so long as we know they are approximately correct?—A. I think I can assure you of that. Mr. Hawkes might be able to give you those figures better than I can. Just before coming to the Bill itself, I would like to make one statement, if I may. You mentioned this morning that when you were in England you had received a deputation from the British Performing Right Society.

The CHAIRMAN: There was a deputation that waited upon me. I understood that they were represented.

The WITNESS: You also mentioned that you had consulted Mr. Jamieson, before the Bill was framed.

The CHAIRMAN: I do not like that statement. I did not consult Mr. Jamieson. Notice was sent out that we were preparing a Bill, and numerous delegations appeared at the Department of State to make representations.

The WITNESS: The reason I make this statement, sir, it is not important—

The CHAIRMAN: If my memory is correct, Mr Cooper was present on one occasion.

The WITNESS: It has been sort of noised about—I do not accuse anybody of saying it—but this Bill was suggested, is partly due to my inspiration.

The CHAIRMAN: I can give you a clear record in regard to that; you certainly inspired no part of it, as far as I know.

The WITNESS: Thank you, sir. I did not see the Bill, until after it was in print, and we had no correspondence.

By Mr. Chevrier:

Q. Did anybody on your behalf?—A. Nobody on my behalf, or on behalf of the motion picture interests of Canada, so far as I know.

Q. Nobody on behalf of any corporation with which you are associated made any representations to any officer of the government with reference to this Bill? —A. So far as I know, sir, that is correct.

The CHAIRMAN: They were so numerous that I thought nearly everybody was represented. I do not pretend to say—

The WITNESS: It is not important.

The CHAIRMAN: —representations were made by nearly everybody.

Mr. RINFRET: In my experience, representations about copyright come to the Secretary of State before, during, and after the printing of a Bill.

The CHAIRMAN: I certainly found a large number of documents there on August 7th last.

The WITNESS: There were none from our Association, or any other Association with which I am connected, as far as I know.

By Mr. Irvine:

Q. Are you ready to take up the clauses?—A. Yes.

Q. May I ask, before you do that, if you know of any case in which you think the motion picture theatres, in your opinion, have been overcharged by the Performing Right Society of this country or of the United States?—A. If Mr. Irvine would leave that question, I intended to deal with it later on.

Q. If it suits you better, we will leave it until later?—A. I have some notes on this subject, with regard to the Bill, Sir. There are a few minor comments which we would like to make. I may say that personally, speaking purely personally, I think the Bill comes nearer being a solution to some of the problems which we have to face than any previous Bill; and, while I am on the subject of the various sections, I will say that in a way it seems to us an attempt to clear up the situation which is worthy of some commendation. I will start with section 2.

By Mr. Bury:

Q. Of the amending Bill?—A. Of the amending Bill, clause (*v*), "'Work' shall include the title thereof, when such title has other than a general, geographical, descriptive or commonplace meaning." We have had a great deal of difficulty with titles in the motion picture business and I would like to suggest that it might be rather awkward to the motion picture business to live up to that new definition.

By Mr. Chevrier:

Q. In what way?—A. Well, I would like to suggest the addition of the words—and they will probably explain my meaning—instead of using geographical, descriptive or commonplace meaning—I would suggest the words "when such title is original or distinctive".

Q. Who is going to be the judge of that?—A. That is just a suggestion, Sir. I am not going to press it. If it is of any value to the Committee.

By Hon. Mr. Rinfret:

Q. What is the real difference between that and the text of the amending Bill? It seems that in both places there is room for discussion?—A. We think that clause (*v*) as at present is a little too general. We have a great deal of trouble about titles.

Q. That may be, but I fail to see how your proposed wording will make it more precise?—A. I am acting on the instructions of our solicitors.

Mr. BURY: What are the words—"when such title is original or distinctive?" If any person thinks that is not justifiable, he will say so. I suppose Mr. Jamieson, when he comes to give his argument, could be asked a question as to whether he thinks they are better.

By Mr. Ernst:

Q. Do you think it is advisable to copyright titles at all?—A. No. The general opinion of the motion picture industry is that it is very dangerous to copyright titles.

Q. I have reason to believe the authors think it would be a nuisance to them. Unwillingly they will be infringing titles they do not know anything about?—A. If that is their opinion, I agree.

Mr. CHEVRIER: I would not subscribe to an opinion like that in view of the information and the concrete cases that I have had through these nineteen years. This is vital.

By Mr. Bury:

Q. Don't you think that, if there is an objection to that, we should have first hand evidence on the objection?—A. Absolutely, Sir. We will arrange to give you some evidence.

Q. I am not suggesting that you should, but I am saying that if you are going to consider the objection, we should have that?—A. Very well, Sir.

By Mr. Ernst:

Q. While you are on that, I would like to ask another question the answer to which is not clear to me. How do you propose to find out what titles are copyrighted?

Mr. CHEVRIER: The whole work is copyrighted, the title and everything. That is vital. Some of the authors will give evidence as to the value of the title of their work, and as to, for instance, mutilations of that title. There are concrete cases where a work has been taken and just the title kept. I know a good number of them. I cannot give evidence, but I personally know of a large number of cases where the real work was taken out and the title alone kept, and the motion picture play was absolutely different from what it was under the novel of the same title.

Mr. BURY: What about the case of Bernard Shaw's "Arms and the Man"? His copyright was taken for the title. You cannot take copyright for that title. That is as old as Virgil.

Mr. CHEVRIER: Let us hear some of the authors on that score and see what they have to say.

[Col. John A. Cooper.]

The CHAIRMAN: It is perfectly open to the witness to make the suggestion. Proceed, Mr. Cooper.

The WITNESS: Now, the motion picture people would like to make a minor suggestion with regard to section 5, for the consideration of your Committee, Sir, namely, that there have to be a good many adaptations to a picture to make it into a good motion picture, and it is just a question in the minds of our solicitors as to whether this clause might not hamper motion picture production in the Dominion of Canada. We have not any motion picture production here at the present moment, but we are getting very close to it, and we will undoubtedly have some within the next year or two.

By the Chairman:

Q. It seems to me it must be left to the Court to decide as to whether any change which we make in regard to the production of a motion picture implies any destruction, mutilation or other modification of the same work which would be prejudicial to the honour or reputation of the author.—A. All we were going to suggest was the fact that a cinematograph presentation necessarily means changes, and we suggest the following words—

Q. We will receive them for consideration.—A. "Provided that such changes, modifications, alterations and additions as are reasonably necessary to adapt literary or other work for cinemotographic presentation shall not be deemed to be within the prohibition of this section."

By Hon. Mr. Rinfret:

Q. Do you think that a motion picture company should produce or build or prepare a film out of a literary work without the consent of the author?—A. Not at all, Sir.

Q. You would not take that right?—A. No, Sir.

Q. I cannot see your point.—A. Supposing an author sells the right to make a picture, say, Sir Gilbert Parker's "Seats of the Mighty." The motion picture production would necessarily require to make quite a number of changes to adapt that well known book to a proper presentation of the great events which it describes, and it might be that, after the picture is produced, Sir Gilbert Parker might bring an action under this section.

Mr. CHEVRIER: And quite properly so.

Mr. BURY: Why should not he? Why should you suggest that a moving picture producer should be allowed to take a man's work, and for the sake of adjusting or adapting it to motion picture representation, put something in that would be prejudicial to the honour or reputation of the author? You cannot exempt a motion picture from the law—from the same law that applies to anybody else.

The WITNESS: Perhaps not, sir; but if we make an agreement with the author and he hands over his book to be changed into a motion picture.

By the Chairman:

Q. Should you not stipulate in your contract that should you make certain changes, he will be estopped?—A. Yes, sir. It is difficult to do that in business.

Mr. CHEVRIER: Make your bargain with the author, but if you take his book you have to respect it. Make the bargain at the time you purchase.

The WITNESS: If this is going to be capped round by legislation of one kind or another, it will make it extremely difficult for motion pictures to purchase book rights in Canada. I do not say it would make it impossible.

Mr. BURY: May I say this, Mr. Chairman. Surely to goodness we have to protect the author. We cannot give *carte blanche* to a motion picture producer, because he is a motion picture producer, to do what nobody else can do.

[Col. John A. Cooper.]

The WITNESS: No, but he can ask the author to make this provision in his contract before he sells.

Mr. CHEVRIER: That is up to you.

The WITNESS: No, it is not. You add this as an over-riding. We are asking you to cut out section 5, or exempt us from section 5.

Mr. ERNST: That is letting you out.

The WITNESS: No, it is putting the responsibility on the author.

By Mr. Ernst:

Q. Why should we give you statutory rights to the detriment of the author? —A. No, you are taking an author and considering that he is not a child and can make a contract, and you say, "no matter what you give away under your rights, we will protect you."

Q. Are you a lawyer?—A. No, sir.

Q. As a matter of fact you will find in drawing a contract it will give you leave to make any alterations?—A. I am not going any further than that.

By Mr. Bury:

Q. Suppose I paint a picture, and I sell it to you, and my name is on the picture, would you have a right to go and make a travesty of that picture with a pot of paint and a brush and say, "this is one of Bury's pictures?" No, emphatically not. The reputation of the painter is not to be left in your hands. —A. You cannot use a novel, as it is written, for publication on the stage.

Mr. CHEVRIER: Leave it alone and get another one.

The WITNESS: If you want to put the Canadian authors so they cannot sell their stories, all right.

The CHAIRMAN: If I were a judge, and a simple assignment had been made to you of motion picture rights, I would hold that you could not make use of that assignment to destroy, by ridicule or otherwise, the reputation and honour of the man who was the author and assignee.

The WITNESS: All we asked for, sir, was that we be permitted to make such changes, multiplications or alterations as are reasonable and necessary.

By the Chairman:

Q. Well, can any modification be reasonable and necessary which allows you to destroy the reputation and honour of the author.—A. I see what you mean. I have been a member of the Authors' Association for 30 years, and I know how easy their honour is impinged upon. I come to section 9 of the Bill. I am instructed, sir, by the theatre owners, to present a protest against the repeal of registration. I think this protest, sir—

The CHAIRMAN: We are repealing section 40 simply because the universal opinion seems to be that section 40 has imposed conditions which it is impossible to comply with, and, rather than suggest objections to the repeal of section 40, would it not be better to make suggestions with regard to this proposed substitute clause?

Mr. CHEVRIER: Yes, that would be better.

The WITNESS: Well, then, I would say this, speaking on behalf of the theatre owners, we would prefer that, instead of saying "may" register, "shall" register be used.

Mr. BURY: Well, "may" is in the old Bill.

The WITNESS: Yes, but the objection is that in the old section the registration had to be made before the action was taken in court.

Mr. BURY: No, it does not. What it says is this—

The WITNESS: Well, the general interpretation of the new section 40 is that it absolves the music publishers from registering their assignments. Now, assignments are being registered every month at the Copyright Office in Ottawa. I have a file, which has not been kept up for the last ten years, but I have a file for the last two years, and I think I can safely say that during the past two years there have been a number of assignments registered weekly. It is said that it was impossible to comply with this section, yet the facts are—I have the record—that assignments have been registered weekly for the past two years

The CHAIRMAN: The objection is not so much with regard to the impossibility of procuring assignments in duplicate, at the present time, but due to the fact that before 1921, when this section was enacted, thousands of assignments had been made which were not in duplicate.

The WITNESS: We are quite willing to take out the words "in duplicate." That has nothing to do with us; that is only a governmental regulation. It does not help us a bit to have them in duplicate. We are quite willing that notarial copies should be filed. We are only interested in the result, we want to know who is the owner of a particular piece of music; we want to be able to find that out.

By Mr. Bury:

Q. And for that reason you want to make registration compulsory, is that right?—A. That is so.

Q. Now, what would be your penalty? Supposing you make registration compulsory and put in "shall" instead of "may", what would be the penalty of non-registration.—A. That is a matter for the government.

Q. The penalty of non-registration, according to the Bill, is merely that a man takes his risk of having someone else take the thing and register it before him. What would be the penalty of non-registration if registration was compulsory.—A. I cannot answer that question, sir.

Mr. CHEVRIER: Oh, you would go on and take it; if it was not registered you would go on and take it, without paying fees.

By Mr. Bury:

Q. Is there any particular reason, in respect of assignments of contract, why the same thing should not apply to them as in respect to other assignments that require to be registered, namely, they are absolutely good as between the parties and they are only bad as between the first assignee and subsequent assignee for value without notice, which is a principle of equity?

The CHAIRMAN: In the meantime, the public is protected to a certain extent by the registration which is made.

By Hon. Mr. Rinfret:

Q. May I draw your attention to this. If you look up section 40 of the main Act, in the last line of subsection 3, you will read "no grantee shall maintain...." and this has been before the courts. It went to the Privy Council and the Privy Council decided—I may not have the legal words—but unless you had registration you could not bring a man into court. So the penalty is not enough under the present Act, that you might have someone register other than yourself, but if anyone else does that you cannot then go before the court. —A. I would sooner leave this point.

Q. That is what we insist must be amended.—A. I will leave this for Mr. Thomson to discuss with you, but I would like to point out that what I am

saying is this, that if a piece of music is played at one of our theatres, and this piece of music is a copyright piece of music, that after it has been played and they have witnessed the playing, that is, the people who are interested in the copyright, they can then register their assignment and bring action. It is not necessary to register the assignment before the infringement of the copyright.

Mr. CHEVRIER: Your solicitor knows better than that.

The WITNESS: Well, we will leave that for argument. But I will tell you, that is what is said to me.

Mr. CHEVRIER: This is some improvement, don't go and make it worse.

The WITNESS: I would say this, after discussing that point and having discharged my duties in respect to it, the theatre owners feel that section 10, which we now propose to discuss—

By the Chairman:

Q. That is, the new section.—A. Yes, the new section. We are not wholly opposed to this section. While they would probably get as much protection as they have hitherto enjoyed under the old Copyright Act, what I think is the fear in the mind of the theatre men who have considered this Bill is that possibly section 9 might pass through the House and section 10 might not and, therefore, in that case, they would be deprived of all the protection which registration has given them and have no other remedy.

Mr. CHEVRIER: That is not so.

The WITNESS: As my justification for that, I would like to read a telegram which I have received to-day—I think it might be put on the record. It is from Mr. N. L. Nathanson. Mr. Nathanson was the man whose company took the case to the Privy Council. I would like to read his telegram, if I may, Sir. It is addressed to me at the Chateau Laurier Hotel:—

> Regret impossible for me to come to Ottawa on Copyright situation as obliged return to New York this week. Feel very strongly that present Bill is unfair and should be fought in every possible way.

By Mr. Chevrier:

Q. The whole Bill is unfair.—A. I think the rest of his telegram will explain. Mr. Nathanson is not a theatre owner.

The CHAIRMAN: Just start again.

The WITNESS:

> Regret impossible for me to come to Ottawa on Copyright situation as obliged return New York this week feel very strongly that present Bill is unfair and should be fought in every possible way can see no valid reason why present Act calling for registration should be repealed or revised as it is a protection for music users and certainly not unfair to holders of copyrights and so called Canadian Performing Right Society hope you will have success in having registration portion of present Act retained.
>
> (Sgd.) N L. NATHANSON.

By the Chairman:

Q. Is that the end of it.—A. That is the end of it, Sir. Mr. Nathanson is not the owner of a theatre, but he is the man who carried on this fight.

The CHAIRMAN: You have read it and the legal argument will be presented by your counsel.

By Hon. Mr. Rinfret:

Q. Do I understand, Mr. Cooper, that section 9 of the Bill is not acceptable, because of the fear that we might possibly not enact section 10.—A. Yes. I think

that is the main fear. I would like also to read a telegram from the Secretary-Treasurer of the Independent Owners of the Province of Ontario. It is very short:—

> The Independent Theatre Owners of Ontario wish to place themselves on record as being opposed to the repeal of section 40 of the Copyright Act of 1921.
>
> (Sgd.) WILLIAM YATES.

I would like also to read the resolution from the Motion Picture Association of Manitoba, dated Winnipeg, 8th May, 1931:—

> Resolved, that this Executive of the Motion Picture Association of Manitoba places itself on record as being opposed to the repeal of section 40 of the Copyright Act of 1921, which provides for registration of assignments of musical copyrights and which is therefore a great protection to the users of music, unless such repeal is accompanied by some legislation which will give us equal protection, such as the control of licence fees by the Government.

Hon. Mr. RINFRET: I do not want to comment on that, but it means that they are against this clause.

The CHAIRMAN: Let us hear the objections.

By Mr. Irvine:

Q. How would this clause affect you adversely?—A. Because they are not able to find out who owns certain pieces of music. Supposing you are going to produce a motion picture in Montreal or Quebec, you have to put a certain amount of music into it. Now, there is a certain kind that would be suitable to go with the picture and they have to go out and find out who owns it, and we have only the Copyright Office at Ottawa to which we can go for information.

By Mr. Chevrier:

Q. Don't you know the title of the music, or the owner of it, the publisher of it, and if he has not been dead for seven years?—A. The experience of the people who make the records indicates that sometimes that does not lead one to the right owner, and they have shown us that they have occasionally paid fees to a man whom they have found out afterwards did not own the rights. When Mr. Robertson testifies he can give you better evidence than I can on that.

By Mr. Irvine:

Q. I was of the opinion that the Performing Right Society licensed you to use any piece of music.—A. They do not sell us recording rights at all. They sell only performing rights to the theatre owners, but they do not grant any licence for recording.

By Mr. Bury:

Q. In other words, you have nothing to do with the Performing Right people at all, practically.—A. No.

Q. Except if you want to get a song and you find its copyrights of reproduction are in the Performing Right Society, then you have got to get it from them?—A. The Performing Right people have not the recording rights. Registration at Ottawa not only helps the man who is looking for performing rights but it helps the man who is looking for recording rights, and recording rights are going to be very important in this country in a short time. We have now brought in sound wagons for the taking of sound news in this country, in the last few months. The Prime Minister's speech in connection with the new conversion loan was recorded the other day, and we have other things of that kind. We will come to certain recordings on our sound wagons for the news reels

in which there will be music. Now, the Performing Right Society cannot help us in that respect, because we must first get the recording rights. The recording rights and performing rights are two entirely different things.

By Mr. Chevrier:

Q. Now then, supposing you see immediately where you need this thing,—and if you can help me out so much the better. The Performing Right Society are the holders of the musical rights. Now, you want a place where the recording rights will be registered, and it means that there must be registration for every kind of right, is not that so?

The CHAIRMAN: That is at present, yes.

Mr. CHEVRIER: The Performing Right Society would have to file complete lists of their titles. What you want is that all the assignments of the recording rights should also be registered, not filed but registered.

The CHAIRMAN: As at present.

Mr. CHEVRIER: Yes. Now, you see where that leads. You have got to have duplication and registration of all kinds of rights.

The CHAIRMAN: The present situation is that any man in Canada can apply at the Copyright Office and find out within a half an hour, or an hour by wire, or by telephone, or by postcard, as to who are entitled here in Canada to grant recording rights as well as grant the other rights appertaining to copyright.

Mr. ROBERTSON: Did you say the present situation, Mr. Chairman.

The CHAIRMAN: Yes, you cannot succeed in an action in Canada with respect to recording rights or any other rights, except that the copyright is registered. I think there is no doubt about that.

The WITNESS: Well, I am sorry we have not a copy of the weekly list issued by the Copyright Office here. Mr. Robertson had one this morning, but you will see there the name of the publisher, the name of the author, and the title is given in each one of these registrations as published.

The CHAIRMAN: Quite so.

The WITNESS: Now, we know, if it is published by a certain firm in New York, that firm belongs to the American Publishers' Association, and we know that we would have to get their consent. And there are certain others.

By Mr. Chevrier:

Q. There may be some merit in all of this, and I am quite open to conviction, but if you make this a compulsory law on the number of titles you have to register, and if it is compulsory, there will have to be a fee go with it.

The WITNESS: Parliament tried to make it compulsory in 1921.

Mr. BURY: They did not make it compulsory in 1921. They said any grant of an interest in a Copyright either by an assignment or licence may be registered. Now then, apparently what the Privy Council went on was, the first part of that section is perfectly clear and perfectly consistent, but it ends up: " and no grantee shall maintain any action." They did not say any action against the subsequent assignee, against the subsequent owner. In other words, it was the last part of that clause that was wider than the first part.

The WITNESS: Well, it has been talked about town for a long time that there was compulsory registration.

Mr. BURY: It is not compulsory.

The WITNESS: I am very glad to hear that.

Mr. BURY: Except that a man who does not register runs the consequence of the penalty fixed.

Hon. Mr. RINFRET: It is not compulsory. I sat on the original Committee, and I do not think it was intended to make it compulsory. I think it is rather a mistake in the text of the Act, and when it went before the Privy Council the Lords of the Privy Council were inclined to think there was a mistake in the text, but they took the stand that it was not for them to correct it.

The CHAIRMAN: Why discuss hypothetical issues: The section includes these words " and no grantee shall maintain any action under this Act unless his and each such prior grant has been registered." Now, you wish that retained.

The WITNESS: Well, naturally these people who took the case to the Privy Council and spent $40,000 or $50,000—

By the Chairman:

Q. Now, you wish that retained, and Mr. Bury has pointed out to you that while it is discretionary and optional with the assignee of copyright to register, nevertheless the penalty imposed is such as to make it compulsory for each assignee of an author to register, in order that his copyright may be effectively maintained against those who infringe it.—A. Well, you see that there has been a certain talk about impossibility of registration of assignment. I point out again that the New York publishers have been recording assignments for the last two years.

Q. Let me point out to you clearly, it seemed to me beyond the possibility of a doubt, that many instances were shown in which assignments of copyright had been made during the lifetime of the author which were not made in duplicate, and that, therefore, after the death of the author it was impracticable and impossible to secure a duplicate assignment from the author who died. That was one of the objections to the proposed section.—A. I would say on behalf of the people I represent that they would be quite willing to make it as simple as it is possible to make it, and make it as easy as possible to register the assignment.

Q. The second objection, which may not be so weighty, is that to make it practically compulsory, as the present section does, would entail the payment of a fee of $1 for registration of each assignment. Of course, that could be remedied by remitting the charge for registration.—A. Well, I think we would be also willing to do this, sir, to have that original section 40 amended so as not to apply to any assignments previous to 1921. I mean they are not insisting on a pound of flesh at all, sir, or any attitude of that kind, but they want to get some sort of registration at Ottawa.

Q. I sympathize with that idea, that is, with regard to a property right such as this, there should be some way of ascertaining in whom the right subsists, in whom it is vested.—A. Well, sir, I am discussing section 40, the repeal of section 40 entirely by itself, and not in relation to any section, because that telegram shows that some of the theatre owners believe that perhaps the new section may be a reasonable substitute. However, it is my duty to give you the arguments, as I got them from my people, with regard to section 40, irrespective of what you are doing under the new section.

Q. Well, we are glad to hear you state it. We do not know whether we will accept your suggestion or not.—A. I am glad to have the privilege of stating it. Then I come to section 10, which is the new section, and over which there is so much controversy, and while I think that the theatre owners of Canada, for whom I speak, approve of the general principle of that section, the motion picture producers—and I do not think they would find any fault with it at all, that is, the theatre owners—I think most of them would agree that section 10 is a very good substitute, providing you have decided to repeal the old section 40 of the Act. But another difficulty arises, sir, and the motion picture producers—

Q. Will you allow me to ask a question. This section 10, in terms deals with the issue or grant of licence for the performance. Does the making of a film come within the scope "performance"? I understood you to say that it did not.—A. Well, our solicitor advises me that he thinks it does, and the solicitors in New York—

Q. In other words, recording rights are separate and distinct from performing rights.—A. Yes, sir.

Q. That is your contention.—A. Yes.

Q. Now, if recording rights are separate and distinct from performing rights, then might I suggest grave doubts as to whether recording rights come within the signification of the words "performance".—A. The definition of "performance" is given on page 2:—

> "Performance" means any acoustic representation of a work or any visual representation of any dramatic action in a work, including a representation made by means of any mechanical instrument or by radio communication.

By Mr. Bury:

Q. Is not this rather a legal question?—A. Yes. I will be glad to leave that point to our solicitor, if you prefer. But I would just like to say this, that when we first heard of section 10 we thought it referred only to the performing rights in music, and, if it refers only to the performing rights in music, then we have no objection to it. But, if literary and artistic work brings the motion pictures within the scope of this section, then we are obliged to register a protest.

The CHAIRMAN: Well, I thank you very much for that suggestion because it is helpful.

The WITNESS: I might say, sir, that we have consulted with the book publishers, and I have a memorandum from them which I presume has been laid before your Committee, sir.

By the Chairman:

Q. Would it meet your views if section 10 were amended so as to read, "licensed for the performance in Canada of any musical work." That would clearly cut out the mechanical recording, would it not?—A. It would certainly narrow the effect of the section, and I think would be acceptable.

Mr. BURY: Why, that would cut you people out, the recording people out; it will cut out the other people who reproduce. I mean when a performance includes the creation, the manufacture of a mechanical reproduction, whether the performance includes your work or not, it certainly includes the work of the producers. Now, if you are going to cut out literary, dramatic or artistic work, you are cutting it out not merely for you but for them.

The WITNESS: We would much prefer to have a clause added somewhere saying that the principles of this clause do not apply to cinematograph productions.

By the Chairman:

Q. Or to mechanical productions?—A. I am only speaking for cinematograph.

Mr. BURY: I think the better plan is to alter your definition of "performance".

The CHAIRMAN: As the word "performance" does not include the manufacture of the records, but includes only the representation of the particular work, that is a matter, in view of your representation, we will consider.—A.

May I bring up this point, and if counsel has any suggestions to make, which he thinks will be helpful, he can make them when he—

Q. We will proceed with the rest of your evidence?—A. I would like to say something about the reasonableness. Having expressed our general attitude towards the Bill, I would like to say something about the reasons why the motion picture theatres, in the past, have been slow, and somewhat reluctant, to deal with performing right societies, because that point has been brought out and I think it is just as well for me to clarify it. I may not satisfy the Committee with my explanation, but I will do the best I can.

I will explain some of the differences of the motion picture theatre owners and other users of music with whom I come in contact. They were slow in dealing with the Performing Right Society of Canada, and other performing right associations. I think it is only fair to the people I represent,—I don't suppose any person else is interested in this little bit of history,—but it won't take more than a moment or two, and it answers Mr. Irvine's question.

In about 1924 or 1925, the British society established a branch here known as the Canadian Performing Right Society, and we were rather shocked, because we did not know much about performing rights, and we found a new claim made upon us, and naturally, as business men, we wanted to investigate that claim. We had some conversation with the Canadian Performing Right Society, and also with Mr. Woodhouse, who came over to Canada, and was good enough to come to my office and try to explain to me what the situation was.

By the Chairman:

Q. Is he a representative of the British Performing Right Society?—A. He was the managing director at that time of the British Performing Right Society.

Mr. HAWKES: Comptroller.—A. Comptroller was the official title, which would mean the same thing, pretty near. We examined into their claim and we found that the fees demanded by the British Performing Right Society were equal to, and, in some cases, a little higher than the British Society was charging at home. Naturally, we thought that that required a little explanation, and we endeavoured to get that explanation, and we then—I do not remember just what the explanation was, but they kept us working for a time. Then we suggested to them that we were put in an awkward position; about 75 per cent of the music used in Canada by the people with whom I was connected was American music—at that time we had orchestras—that was before sound pictures came in—I went through our repertoire and found about 75 per cent of the music was American. Of course, that would vary from theatre to theatre, some might use more British and less American, and some might use more American and less British, but, classifying them in a general way, we figured that about 75 per cent of the music came to us from America and about 25 per cent from Great Britain, which would include the French and German music that British Performing Right societies control. So, we said to them, "Now, if we pay you a fee for a theatre, say $100 a year, we must pay another fee three times as large for the American music. The American Society of Composers, Authors and Publishers came down to Ottawa and appeared before the Copyright Committee in 1925 in connection with the Bill introduced by a member of this present Committee, and we know that they will demand from us three times the fee that you are demanding, because we use three times as much of their music; and if we admit that we should pay you $100, we put ourselves in the unfortunate position of finding that we owe the American society of authors, composers and publishers $300." We felt that we were getting on very dangerous ground. We suggested at a meeting, held in my office, attended by Mr. Boosey, one of the directors of the British Performing Right Society, that the two societies should come together. Mr. Mills then—

Q. The two Societies, the American and the English?—A. Yes. Mr. Mills represented the American Society of Composers, Authors and Publishers, and Mr. Boosey represented the British society; Mr. Arthur Cohen and myself represented the users of music in Canada. So, we suggested, as a result of that conference, that there should be one licence, otherwise we were between the upper and nether millstone, because we wanted to deal fairly with everybody, and yet we did not want to pay too much, to pay any more money than we had to; and they received that suggestion very kindly. And I think I might say that Mr. Jamieson received us very courteously and took it into consideration. As a result, last June, the American and the Canadian and British Societies combined in their ownership of the Canadian Performing Right Society; and they then offered to the theatre owners and broadcasters of Canada one licence, and I would like to put on record, sir, that this Performing Right Society deserves a good deal of credit for having got together and tried to give us a reasonable licence. I have quarrelled with various owners, so it won't hurt me to say, at least partially, a kind word for them here, and that has made the situation much easier. We then went on to about October of last year. I thought we were getting along very fine, but we did not get along as well as we might. I thought we were pretty near a solution of this question; and on October 10th I wrote the following letter to Mr. Jamieson of the Canadian Performing Right Society:

OCTOBER 10, 1930.

My dear Jamieson,

Some time ago you and I exchanged letters in which we suggested that we should have a conference about performing right licences when the Musical Protective Society had arrived at a definite policy. I think the time has come when such a conference should be held, if you are still of the same mind.

Yours Sincerely,

(Sgd.) JOHN A. COOPER.

I wrote that on behalf of the Musical Protective Society, and on behalf of the interests which I represent.

Q. Will you tell me what the Musical Protective Society is?—A. That was a Society consisting of broadcasters, hotels, dancing academies, theatre owners, etc. We had to have some association who took an interest in the work we were doing.

Q. Combinations seem to be necessary in this modern world.—A. I got this reply:

Col. JOHN A. COOPER,
Motion Picture Distributors,
Metropolitan Bldg.,
Toronto, Ont.

OCTOBER, 14, 1930

Dear Col. COOPER,—I have received your letter of the 10th inst., but cannot accept your offer. Our negotiations must now be conducted directly with the establishments requiring our licence.

Faithfully yours,

(Sgd.) H. T. JAMIESON,
President.

He was perfectly within his rights in refusing to meet me—I merely wish to show some of the difficulties which we have had.

Q. He refused to deal with you as a representative of a number of——A. Music users. He was quite within his rights, sir, I am just showing some of our difficulties.

Q. Did he insist he would deal only with individual users of music?—A. Yes sir, correct.

Now then, a little later on we met Mr. Rosenthal who was, I might say, quite willing to meet us. Mr. Rosenthal came up from New York and he—Mr. Rosenthal is a director of the American Society of Composers, Authors and Publishers. He came up to Toronto and he and Mr. Jamieson, in spite of Mr. Jamieson's letter, met with Mr. Cohen, Mr. Atkinson of the Toronto Star, who represented the broadcasters, Mr. Waters of the Canadian National Exhibition, who represented the theatres and exhibitions of Canada, and myself; and we had a long talk, and I have a memorandum of what took place. Practically the only difference that lay at that time, after that conference—was a suggestion on our part that they should give us an arbitration clause in their Canadian licences. We have arbitration clauses in all motion picture licences and we suggested that we should have an arbitration clause in all performing right licences.

Q. For what purpose? To determine your rates?—A. When the licence came to be renewed, if a man thought he was being asked too much for his renewal, he could have it arbitrated, to see whether it was a fair increase or not.

By Mr. Bury:

Q. Was that only in the case of renewals, and not in the case of an original contract?—A. No, not in the case of original contracts. They considered that and they decided that they could not grant us arbitration, that they could not put arbitration in the contract, but they did make a concession in it. They offered us contracts, I refer to the theatre owners, I do not know whether it applies to broadcasters or not, for five years.

Q. May I ask you a question. In England they usually make contracts for five years?—A. With the theatres—I have been dealing with the question of why there is a fear in the minds of the theatres that, when they come to renewals even of a five year contract, there might be some difficulty. I want to say finally that the Famous Players Canadian Corporation, which is the largest theatre owning corporation in Canada, accepted the Canadian Performing Right's offer of a five year contract, and they actually took out a licence for all their theatres in Canada at ten cents a seat, I think, and I would like to point out that that ten cents a seat was lower, although it covered the United States' music, it covered other music, it covered whatever rights they have in French and German music—although it covered more music—it is at a lower rate than the Canadian Performing Right Society asked for British rights only five years before.

By the Chairman:

Q. They asked ten cents a seat?—A. Per annum.

Q. Ten cents for each seat of the seating capacity of a theatre?—A. A theatre with one thousand seats would pay one hundred dollars a year. Now, I just want to say that some of our people—while the smaller theatre owners would be a little more timid, the bigger theatre owners have got free from timidity and are paying the fees. I do not want anybody to think, sir, if I may be so bold—I think somebody used the word "pirates." I do not think it was used in any nasty sense, but any person who used that, I think, was unnecessarily reflecting upon the people who use music in Canada, and who would pay their fees, and I rather resented the word "pirates." I am glad I have forgotten who made the remark.

Mr. CHEVRIER: That is very christian like.

The WITNESS: Yes, Sir, that is my characteristic. Now, there is just one other point in connection with this, Sir. In connection with this five year contract in England, the British Performing Right Society had a five year contract with the Cinematograph Exhibitors Association of Great Britain, an organization comprising, I think, about three thousand exhibitors in Great Britain. The agreement, I believe, expired—the five year agreement expired, on April 6, 1930. When it came to be renewed—all the information I have, or most of it, comes to me from the English papers. I have here on my file a clipping from the Cinematographic Weekly of March 20, 1930, and it gives the reports of the Cinematograph exhibitors, the CEA Committee, on their negotiations with the British Performing Right Society, and I would like to read the opening paragraph, if I may, Sir:—

> Your Committee has met the P.R.S. and discussed at very great length a new agreement. The P.R.S. pointed out to us that since the last agreement was negotiated, all the popular music publishers had joined their Society, and that for practical purposes they were one hundred per cent strong. They asked for increased fees which we calculated would, in bulk, amount to an increase of about 600 per cent. This your Committee flatly declined to pay.

Now, I am not saying that this demand of the P.R.S. of Great Britain was wrong, because I do not know; but I am just pointing out to you that if the theatre owners, and other users in Canada have been slow about paying for the performing rights, it will not be charged to us necessarily that we are pirates; they have had some reason for their timidity. I would also like to read an editorial in the same paper, which is a well known paper published over there, I think the leading weekly in England—

The CHAIRMAN: I wonder now whether we should go into these things, because any person who is interested will look at the debates of the House of Commons in England of 22nd November, 1929, and will see these matters discussed. Newspaper comment is hardly evidence.

The WITNESS: All right, Sir. Now, I would like to make just one further point. On page 4 of Memo. "A" submitted by the Performing Right Society, it reads there that, I think, theatres are only asked to pay three or four dollars a week. Is that correct?

Mr. ERNST: Yes. Large theatres.

The WITNESS: That may be true.

Mr. ERNST: It appears about seven lines from the bottom of that page.

The WITNESS: I have here in my hand a list of the fees for licences charged in England which I will be glad to file as an exhibit

The CHAIRMAN: I wish you would file it, as it may be important.

The WITNESS: Yes, Sir. May I on this point say that on a theatre such as they describe on page 4, the fee in England is £312 per annum, or fifteen hundred dollars per year, which would mean thirty dollars a week.

By Mr. Bury:

Q. That is the annual fee?—A. Yes, that does not say they are paying that in Canada.

By Mr. Chevrier:

Q. What is the Canadian fee?—A. I do not know, Sir. I am only showing you why we have timidity.

Q. What have you been paying in the past?—A. We have paid just as much in Canada as the United States has paid to Great Britain for performing

rights in the last ten years, although the United States is ten times more populous than we are—twelve times.

Q. Your contention is that subsection (*b*) of section 1, section 10—that if that was embodied in the law that would be your protection; that would solve your difficulties?—A. I want to show you that there is another side to this question.

Q. Is that the remedy that you are suggesting?—A. I am not suggesting any remedy.

Q. What do you say as to subsection (*b*). Do you want it or do you not want it?—A. I thought we had finished with that.

Q. No, you have raised that point.

By Mr. Ernst:

Q. I would like to have the views of the witness, who is a practical man, because we have had the opposite view as to what has been done, whether he thinks subsection (*b*) is practicable. I ask for a frank opinion of it?—A. "A statement of all fees, charges or royalties. . ." is that the question?

Q. Yes.—A. What I would say about that is that we should have a statement of their tariffs.

Q. You mean blanket tariffs, not individual tariffs?—A. Not individual tariffs. They have already filed a tariff of fees here. I think they could do that, and I think that should be accepted as satisfactory. I think the idea of asking—I am not expressing a personal opinion—the idea of asking them to file a fee for individual pieces of music is hardly wise.

Q. I am very grateful for that frank expression. Now, let us go a step further and take subsection 2. If you cannot speak for those whom you represent, can you speak personally as to subsection 2 of section 10?—A. You mean the right of the Governor in Council?

Q. Do you think the Governor in Council should be the tribunal?—A. As a Canadian, I have been taught to trust the government of the day, and I have no reason to find any fault with it.

Q. That is an answer in principle rather than in practice. My question is this: do you, from your experience in matters of this nature, believe that the Governor in Council is a tribunal of such constitution that it can properly deal with these matters?

The CHAIRMAN: It depends on how Council deals with them.

Mr. ERNST: I feel that it means setting up in the Secretary of State's Department something of the type of a Tariff Board of experts. I do not see how else it will be dealt with.

The CHAIRMAN: The witness does not know; but it will probably be dealt with by the appointment of an independent commissioner to hear the evidence and report to the Governor in Council who will decide the same.

Mr. ERNST: I am very grateful for that.

Mr. CHEVRIER: I would like to hear the answer.

By Mr. Ernst:

Q. I would like to hear that. I do not want to know what they do somewhere else; I want your personal opinion?—A. I cannot give you my personal opinion. As the Minister says, I do not know anything about it.

Q. I do not think the Minister meant to preclude you from giving your personal opinion. We will take it for what it is worth?—A. I am going to stand between the Minister and yourself by saying that I like the suggestion that was made by the Minister of Justice in South Africa. I think I have it on file. That

was—it has never been made law, but it struck me as a pretty fair suggestion—that on November of each year the Performing Right Society should file a list of the tariffs that they will charge during the following year, and that this tariff should be published sufficiently to give all the people who have to pay a chance to know what the tariffs would be, and to make any protest they desired against those tariffs, and at the end of that time, at the end of thirty days, three gentlemen, one a government official, one, I think, representing the Performing Right Society, and someone else, a lawyer it is stipulated—

The CHAIRMAN: A third arbitrator appointed by the government.

The WITNESS: An arbitrator appointed by the government should fix the fees and they should be promulgated by order in council, and those should be the fees for the following year. It struck me that that was a very fair way of arriving at it, because it gave to everybody a chance, and it was fixed only for one year.

By Mr. Chevrier:

Q. Now, let us follow that through. Let me put this question to you. As long as the motion pictures are protected by copyright, are you, the distributors which you represent, willing to let the Governor in Council, or any other body under government control, order that you file the charges at which you shall render your copyright on films to the motion picture exhibitors?—A. Personally, I could not say.

Q. What is sauce for the goose ought to be sauce for the gander?—A. I am not going to admit that we are a gander. In the British Committee, where they dealt with the regulation of rates, clause 18, page 5—may I read that section, sir? You read it, I think, this morning.

Q. Is that an answer to the question I put to you?—A. Yes, I think so. "Your Committee consider that such a super-monopoly can abuse its powers by refusing to grant licences upon reasonable terms so as to prejudice the trade or industry of persons carrying on business in this country, and to be contrary to the public interest and that it should be open to those persons to obtain relief in respect of such abuse by appeal to arbitration or to some other tribunal. This should apply only in those cases where the ownership or control of copyright has been transferred to an association." That is my answer.

Q. My question is—you can say yes or no to this question—you have the motion picture and they are protected by copyright. Are you, as distributors, willing to let the Governor in Council or any other body under government control—I was going to ask you to regulate the price—but now we have changed it—are you willing to let that body order the filing of tariffs at which you should render your copyrighted films to motion picture exhibitors? I want to know yes or no?—A. Mr. Chairman, at the present time there is a report on this subject before the Minister of Labour.

The CHAIRMAN: I quite agree with that. The matter is now before the government.

The WITNESS: I do not think I should be asked—

The CHAIRMAN: There has been an investigation made under the Combines Investigation Act, and it is now pending, before a department of government for report to the governor in council, for such action as it may be deemed advisable to take in respect of an alleged combine; and, therefore, inasmuch as the witness is a party to this investigation, I do not think that he should be called upon, in a matter which does not concern this Bill, except incidentally, to give an opinion with respect to a matter now pending against him.

Mr. CHEVRIER: It is not going to prejudice him at all. The evidence on that investigation, Mr. Chairman, is all in. I understand it may be tabled in a very short while. It is a very fair question.

The CHAIRMAN: I have always had an objection to compelling people who are susceptible to criminal prosecution to make such answers on oath as might lead to their condemnation.

Mr. CHEVRIER: I ask him now if, on behalf of exhibitors, he is willing to submit to the same test that he wants others to be submitted to.

The CHAIRMAN: That implies that they are in exactly the same position, which undoubtedly they are not.

Mr. CHEVRIER: There may be something special about it, but, this I submit, is a very fair question.

The CHAIRMAN: Unless the Film Producers are a combination such as the evidence shows the Canadian Performing Right Society to be, why, I do not think that you can demand an answer yes or no to that question, and I do not think that it is the privilege of this Committee, at the present time, to determine whether such a combination exists or not.

Mr. CHEVRIER: I am not suggesting that it does exist at all. I am simply asking him whether he is satisfied to have those same tariffs filed so that they may be regulated by the Governor in Council, subject to the other proceedings that the Chairman has just enunciated.

The CHAIRMAN: I rule the question out of order. I do not think the witness should be compelled, on oath, to answer.

Mr. CHEVRIER: I insist that it is a very proper question, and I do not think it is fair for you to rule against it.

The WITNESS: May I say this: perhaps Mr. Chevrier may not be aware that the report which is now before the government is termed an interim report.

Mr. CHEVRIER: This answer cannot interfere in any way with that. However, the Chairman has ruled against it.

The WITNESS: I am sorry. But I might add this about tariffs without giving the answer to Mr. Chevrier, that there are no tariffs among distributors of motion pictures. There might possibly be a tariff—

By Mr. Bury:

Q. You mean that there is no fixed flat definite rate.—A. No fixed rate.

Mr. CHEVRIER: The same principle applies as in the performing rights. Your picture may be good in one centre and it may not be good in another, just as a song may be good in one centre and not in another.

By Mr. Irvine:

Q. How many organizations or companies are in this association called the Motion Picture Distributors and Exhibitors Association of Canada.—A. There are about ten companies, sir. In addition, we had some exhibitor members but we dropped them and we are now only a distributor organization.

By Mr. Ernst:

Q. What percentage of those are operating in Canada.—A. Ninety-nine per cent, I mean 99 per cent of the product is handled by them, practically unanimous.

By the Chairman:

Q. But the evidence is, as I understand it, that the members of this association are competitors.—A. Correct, sir.

By Mr. Bury:

Q. Is there any difficulty about filing the fees, or scale of fees as they exist now.—A. Not if you asked us to just file the range of fees. For instance, the

range of fees in the city of Ottawa would run from about $25 up to $3,000 or $4,000.

By Mr. Chevrier:

Q. For what length of time.—A. For one showing.

Q. That would be one day.—A. According to the theatre. In some theatres it would be three days and, in other theatres, six days. In the Keith theatre for, example, it would be six days.

Q. Six days for $3,000.—A. Yes, depending upon picture.

By Mr. Bury:

Q. What I want to know is this: Have you any diffidence about filing the rates as you have them now, your present rates.—A. We could file the fees that we have charged in the past six months but you cannot file them in advance.

Q. But those are the fees that you charge in advance.—A. For instance, we could do this: We could show the government, if it so desired, that first run picture is shown in one large theatre in each large centre, and that the price paid for the first run picture will vary from $1,000 up to $5,000. I know of one case where it ran $8,000 or $9,000. In the case of "Rio Rita" it ran in the Capitol Theatre of Montreal—

The CHAIRMAN: I would suggest this enquiry is quite beyond the scope of this Bill.

Mr. BURY: What I am getting at is this, here is clause (*b*), "a statement of all fees, charges and royalties."

The CHAIRMAN: Which does not apply to this company at all.

Mr. CHEVRIER: But he objects to the principle, Mr. Chairman.

The WITNESS: We did not say so. We did not say that we objected to the principle.

By Hon. Mr. Rinfret:

Q. You have just mentioned "Rio Rita." I do not think you will deny that the music was the main part of that motion picture.—A. I have never seen the motion picture.

Q. The main interest that the public took in that picture was in the music.

By Mr. Chevrier:

Q. Would it not be possible for your company to say in advance what should be charged on a motion picture of that kind.—A. Not until it is shown in the bigger centres.

Q. Why do you expect the composer to know in advance.

The CHAIRMAN: There is nothing in this Act which fixes the fee that a composer may charge, and there is no intention in this Act to fix such a fee.

Mr. CHEVRIER: We are only playing on words.

The WITNESS: I have already said in my evidence—

Hon. Mr. RINFRET: We had a witness this morning who said in so many words that it was impossible for a composer to collect his fees, that he had to go to some company and ask the company to do it for him.

The CHAIRMAN: I know, but I accepted that with a very large limitation.

Mr. CHEVRIER: What is the difference there between a company, an association, giving a statement of all fees, charges of royalties that such society, association or company proposes to collect in compensation for the issue or grant

of licence in respect of the performance on each of said works, where is the difference so far as Mr. Cooper is concerned? Mr. Cooper says that they cannot tell beforehand what the charges will be.

Mr. BURY: But, if the Chirman is correct, and this thing has nothing to do with Mr. Cooper's business, then what business has he to be giving evidence on it.

Hon. Mr. RINFRET: Except, Mr. Bury, by comparison. We are asking the Performing Right Society for something that no one can do.

The CHAIRMAN: That is a matter for discussion later.

Mr. CHEVRIER: I cannot see a distinction in the principle. If you start off with A or B, it does not make a bit of difference whether it is X Y Z in the first instance, or A B in the second instance; if Mr. Cooper's interests cannot say beforehand what they can charge for a motion picture, then nobody else can.

The CHAIRMAN: Mr. Cooper has said that he does fix a charge at the outset, that as the picture becomes more in use they decrease that charge. He has not said that they cannot fix a charge. He has declared that they fix it in every case.

Mr. BURY: And I understood him to say that he could file his charges.

The WITNESS: The companies could file the charges that they have made for certain pictures. It is only a theoretical question, because, as I understand it the motion pictures do not come under this.

By the Chairman:

Q. Have you anything further to say, Mr. Cooper?—A. That is my case, sir. I would just like to put in an exhibit, if I may.

Q. What is the nature of the exhibit?—A. This is a personal thing. It is an investigation that was made when I was on a committee of the Canadian Authors' Association, with regard to Canadian composers.

Q. I do not think that should be filed as an exhibit. Have you copies of that for the information of the members?—A. I thought it would be interesting.

Q. Well, I do not think we should undertake to republish that in our proceedings.—A. Well, may I give this to the Chairman for his personal information?

Q. Give us each one, if you have copies.—A. It is a list of Canadian composers, to show that there are large musical interests in Canada which have not yet been recognized, and which I think might be recognized.

Q. Do you mean to say that this list of Canadian composers comprises composers who are not within the combination represented by the Canadian Performing Right Society?—A.With one or two exceptions, yes. I compiled, three or four years ago, this list of Canadian composers who had already published music; and I think, out of this 200, not more than one or two of them have ever been on the list of any Performing Right Association.

The CHAIRMAN: That is relevant, I suppose.

The WITNESS: And what I was pointing out, the list could be increased considerably now.

Mr. ERNST: As a matter of fact, they have a representative of their own who intends to appear before the Committee.

By Mr. Bury:

Q. Have the authors formed an association of their own?—A. I think they formed an association recently, some of them. I do not think it is in shape yet. But I have been interested for a great many years in the development of Canadian literature and Canadian art. At one time, I was editor of the Cana-

dian Magazine. I was also Art Director, Canadian National Exhibition. But I have also been interested in the development of Canadian music, and I think something should be done to help the Canadian composer to get on his feet. The Canadian artist is on his feet. The Canadian literary man is on his feet, but I think the Canadian composer should be given consideration. I do not know whether it properly comes before your Committee or not, but I make the suggestion on my own initiative as a citizen, and not as a representative of the Motion Picture Association.

Witness retired.

GORDON V. THOMPSON, called and sworn.

By Mr. Irvine:

Q. Whom do you represent here, Mr. Thompson.—A. I was asked to come down to speak on behalf of the Authors' and Composers' Association of Canada. The organization of that Association is as follows: Honorary President, Mr. Hector Charlesworth, of Toronto "Saturday Night;" Honorary Vice-President, Albert Ham, D. Mus.; President, Dr. Ernest MacMillan, Principal of the Toronto Conservatory of Music; Vice-President, Donald Heins, formerly Director of Conservatory of Music, in Ottawa, I believe; Secretary-Treasurer, Peter C. Kennedy, 65 Lascelles Blvd., Toronto. And then the Executive Committee is listed here and a number of musicians and composers.

By the Chairman:

Q. Is your statement printed.—A. Yes, Sir. Unfortunately, gentlemen, I was asked to come down to represent this Association about an hour before train time and I have no prepared statement to make on behalf of that Society, other than this printed memo., which is the only official statement which I should really make on behalf of that Association. We have sent that to several members of the Committee.

I might just say this, that I was the first President and Organizer of the Authors' and Composers' Association, in 1919. I have written a great many war songs that have had extreme popularity. I had the same experience as Lieutenant Gitz Rice with a great many of my rights. Therefore, at one time in my life, I had a chance to make a real winning, as the result of writing popular songs such as "When We Wind Up The Watch on The Rhine" and "When Your Boy Comes Back To You" and several other war songs, which had a sale up to around a million copies. I got no protection in the United States, because of the absence of reciprocal clauses in the American Act, which did not give me protection, because I was a Canadian and we did not give protection to Americans in Canada. Some of the members of this Committee will recall that incident. After making an effort to sell my Canadian war songs in the United States, I came back very much vexed and cross that I was put in that peculiar position of being driven out of my own country, in order to get my rights, and have to become a resident of the United States. But I absolutely refused to do that. I came back and organized an Association in Canada. As I say, I was the first President. Then I went into the publishing business, representing an American concern, and at that time I resigned the presidency of the Association and new officers were elected. Meetings were called for a while and then it dropped into a state of coma for several years. The constitution provided for its continuation until new officers were elected. We had a reorganization meeting recently and elected those officers, Sir. We have appointed a Copyright Committee. We have discussed this subject of copyright. The memorandum that we submit there is submitted on behalf of these Canadians who, perhaps, have not the experience to deal with the subject of copyright to the detailed extent

that the representatives of the Performing Right Society have. But we are, in general, taking this position, that we feel that a Canadian writing under the present law has protection for his performing right. He has the same protection that the writer in Britain has. He has even more protection than the writer in the United States has. He does not want that right diminished.

The CHAIRMAN: Just a moment. You are leading us into a long discussion. But you say here, if I may quote your paragraph 17:

> Some objection has been taken to the Canadian Performing Right Society. We are not affiliated with that, or any other Society, but we submit that some association or agency must be in existence to protect authors' rights in all parts of the country. If one of our Montreal members writes a song, who deals with an infringement of his rights in Winnipeg, or Vancouver, except a local agent or representative of some such Society? Similarly, an agent is necessary to protect such copyright in England, or foreign countries Therefore, whatever is done to embarrass such associations cripples and embarrasses, to the same extent, our Canadian authors and composers.

You do not object to that.—A. No.

Q. But you do not undertake, unless as a Society—Authors and Composers Association in Canada, to yourselves receiving assignments of Performing Rights, and unless you as an Association grant licences for performing rights and receive compensation therefor, I do not think you come within this Bill, and if you do come within the Bill, in those circumstances I am perfectly prepared to consider favourably, with my associates on this Committee, introducing such words into the Bill as would exclude you, so long as you did not enter into the general business. I think you are perfectly right in promoting an organization to protect your rights.—A. We are looking for the protection of Canadian authors. We want to produce works; we want to have them produced.

Q. Quite so. I am not now dealing with your Association. Insofar as you confine the work of your association to this memorandum, it is my opinion you do not come within the scope of this Bill, and it is not the intention that you should come within the section.

By Mr. Bury:

Q. You do not take assignments of copyright. Your Association does not take assignments of copyright?—A. It has not, so far

Q. Does it intend to do so?—A. We intend to some day, if there is any way in which Canadians can be protected or get a fair share of any remuneration that may come as a result of performing fees, we are very interested in that, sir.

By the Chairman:

Q. I do not think we interfere with that.—A. I just want to say we have an opportunity in Canada by licensing performing rights to get revenue for Canadian composers.

Q. Quite so, and we feel your memorandum should not be printed in our proceedings, but kept for the guidance of the members of the Committee in their own discussion with regard to modification of this Bill.—A. Sir, we feel that when we leave our case in the hands of the Committee, we feel that you gentlemen, who are Canadians, will be interested in the development of Canadian art and songs in Canada, and that you will protect our interests; and all we ask is that our rights be not diminished until, and unless, practice shows that it is necessary to take such a step.

[Mr. Gordon V. Thompson.]

Q. We are not diminishing any rights that you exercise at present, anyway. —A. Our statement of the case is there with you, and we would like to have it printed in the record.

Q. It is distributed to every member of the House, and the reason it is not printed is because we are endeavouring to keep down printing bills, and not to exceed the Committees' Branch appropriation.

By Mr. Bury:

Q. The moment authors and composers start the business of acquiring assignments and licensing copyright you come within the Bill?—A. Certainly, sir; and it might diminish our rights. That is what we are afraid of.

Q. That is your own business.

By Mr. Irvine:

Q. There will be no diminution unless you come under the Act. It will be up to yourself, whether you do or not.—A It would, if our rights were assigned to performing right societies. I can give you an example.

The CHAIRMAN: Quite so.—A. I will give you my own experience, Sir. I sold a song in the United States to the biggest publisher in the United States, Leo Feist, "When We Wind Up the Watch on the Rhine." They took it and told me they were going to make it their outstanding song, were going to put all their energy behind it, and later they found out that I as a Canadian, did not have equal rights with an American, I didn't have the mechanical rights in that song, and they dropped the song. I got $1,000 royalty instead of, probably, $10,000 or $20,000, and, therefore, I am very much interested, as a song writer, in the rights of the people to whom I assign songs, because they have no rights except what I give them.

By Mr. Ernst:

Q. Is it your opinion that you can continue as an individual and compete? —A. No, sir.

Q. Do you consider it necessary to combine in some way with your fellow composers?—A. Yes, sir. I might want to assign my rights to the Performing Right Society, and I want the full privilege of my rights that a British author has under the British law in Great Britain. I am a British citizen and as such I claim an equal right under the British law as the composer in Great Britain has under the performing rights there.

Q. Then, to carry it a step further. Do you consider your Association can do efficient work for its members, unless it widens its scope of activities along the line suggested?—A. I think ultimately we will have to make some such arrangement.

The CHAIRMAN: That is problematical.

Mr. ERNST: I am asking about his experience.

The CHAIRMAN: He is simply making a supposition.—A. We have got to look at that in that light. That is the trouble in Canada, we have not been looking ahead.

Q. We are looking ahead now.—A. If you look ahead, on behalf of Canadian authors, we are very happy to leave it with you, sir.

The CHAIRMAN: This committee will now adjourn.

Discussion followed and, after discussion, committee adjourned at 6.10 p.m. until 10.30 o'clock a.m. Wednesday.

HOUSE OF COMMONS, ROOM 268,

WEDNESDAY, May 20, 1931.

The Select Standing Committee on Bill No. 4, an Act to amend the Copyright Act, met at 10.30 o'clock a.m.

Mr. BURY (*Acting Chairman*):

The ACTING CHAIRMAN: We have a quorum, gentlemen, and we will proceed with the business of the Committee. The Secretary of State has been called to a meeting of Council and may not be with us this morning, and has asked me to take the Chair in his absence.

Minutes of previous meeting read and approved.

The ACTING CHAIRMAN: Who is our first witness?

Mr. CHEVRIER: The suggestion was made that Mr. Kennedy and Mr. Sandwell will be with us this morning, but they are suggesting that they are not represented by counsel, and, if the Committee agrees, they would like to hear the evidence of others. They are willing to stay for a time. Mr. Robertson is here and he is willing to go on.

The ACTING CHAIRMAN: Were these two supposed to go on first?

Mr. CHEVRIER: Yes, that was the suggestion.

E. BLAKE ROBERTSON, called and sworn.

By the Acting Chairman:

Q. Please give your name and address.—A. My name is E. Blake Robertson, 305 Victoria Building, Ottawa. I appear before this Committee in connection with the request of the Fairs and Exhibition Associations of Canada that they be allowed to use, free of charge, at their fairs and exhibitions, music, copyright or otherwise, and I will submit in connection—

Hon. Mr. RINFRET: We are to expect you to give fair testimony.

The ACTING CHAIRMAN: You are dealing with section 11 mostly?

The WITNESS: Yes.

By Mr. Ernst:

Q. You want section 11 enlarged to include fairs and exhibitions?—A. Yes, that is right. There are roughly 800 exhibitions in Canada and they are all operated on a non-profit basis, according to my instructions.

By Mr. Chevrier:

Q. In every centre?—A. According to my instructions, yes.

Q. Would that include the Ottawa Fair and the Toronto Exhibition?—A. Yes. My instructions are that since the exhibitions started, no dividends have been paid at any time to any shareholder in any exhibition in Canada, including Toronto Fair. Some, of course, come nearer balancing their budget than others; but that is my instruction, that there is no profit.

By Mr. Cowan:

Q. By exhibitions, do you mean ordinary agricultural fairs in the smaller towns?—A. Yes.

Mr. ERNST: You mean more than that.

WITNESS: Small and large.

Mr. ERNST: You take in the Canadian National Exhibition at Toronto as well as, say, the small agricultural fair at some little place like North Queens, in my constitutuency?—A. Certainly.

The ACTING CHAIRMAN: And there are over 800 of these?

The WITNESS: There are over 800 in Canada. When Mr. Nathan Burkan was giving his evidence, the day before yesterday, he mentioned that in the United States no charge was made by the American Society of Authors, Composers and Publishers for the music used by fairs in the United States. We think if they give their music gratis in the United States they should likewise give their music gratis in Canada.

Mr. CHEVRIER: That is, as soon as the United States do something that might be in your favour you want that kept, but if they do something that is in favour of somebody else—

The WITNESS: I did not say so. If they grant it in the United States, they should grant it likewise here.

Hon. Mr. RINFRET: Mr. Chevrier wants to establish that you cannot take the United States as an example for certain things, if you disprove of them on other grounds. I might even argue this—that in a country where the authors have a legal recourse to collect their fees, they may be more generous, and they may be likely to accept a proposition, such as Mr. Robertson makes this morning, about the fairs. If I know that the law protects me to the fullest extent on certain grounds, then I might say, "all right, I will give my music to the fair."

The WITNESS: That was a new argument.

Hon. Mr. RINFRET: I think it is quite correct for the witness to mention these things and later on we will argue the point.

Mr. ERNST: If the Committee desired to go part way with you, could you draw any line of demarcation between the different classes of fairs—any definite line of demarcation.

The WITNESS: The Federal Government, the provincial governments and the various municipalities, issue grants to the fairs in the respective levels.

Mr. ERNST: Class A and Class B fairs, I believe they are called, are they not?

The WITNESS: Yes, they are, but I do not think that has any real bearing on the subject. These fairs are supported by public contributions, and, to a certain extent, by private contributions. They are not profit-making exhibitions. If they were run for profit, or on behalf of a profit paid to the shareholders, it would be a different thing.

By Mr. Chevrier:

Q. How do you bring the fairs in under this section?

The ACTING CHAIRMAN: He does not, he wants the section enlarged. He wants the amendment amended so as to take fairs in.

Hon. Mr. RINFRET: I understood you to say that in the United States, fairs were included. That is to say, there is no prohibition of performers' works at fairs. Can you give us more detail on that fact?

The WITNESS: When Mr. Nathan Burkan, who is general counsel for the American Society of Authors, Publishers—

Hon. Mr. RINFRET: Could you, for instance, give us the text of the section in the American law which covers that?

The ACTING CHAIRMAN: Is that a provision of the American Statute, or is it a voluntary concession by the Authors' Society itself?

The WITNESS: At the present time, it is a voluntary concession, but, on February 28, an amendment was introduced to the Copyright Bill, which Bill did not pass in the American Congress.

Mr. CHEVRIER: It is not sanctioned yet.

The WITNESS: It was not sanctioned.

The ACTING CHAIRMAN: Congress adjourned before the Bill was passed.

The WITNESS: They did introduce a section making music at fairs free.

The ACTING CHAIRMAN: But that Bill is not yet a statute of the United States.

Mr. ERNST: It is just as the Chairman said the other day, it passed the House of Representatives and was up for its final reading, I understand, and was eliminated by the question of time only.

The WITNESS: It passed as much as anything else passed.

The ACTING CHAIRMAN: The legislatures approved of them, in point of fact, but it was ruled out, just as Mr. Ernst says, by the question of time.

The WITNESS: Well, as a matter of practice, they have given to all fairs free music.

By Hon. Mr. Rinfret:

Q. You mean by statute.—A. No, not by statute.

By the Acting Chairman:

Q. As a matter of practice, the Performing Right people give to fairs in the United States.—A. The American Society of Composers, Authors and Publishers.

By Hon. Mr. Rinfret:

Q. If it was not given by statute, then, by what authority was it given?—A. They own it and they give it.

Q. But practice cannot be established in that way.

By Mr. Irvine:

Q. Would it not be better, Mr. Robertson, for the fairs to make application to the Performing Right Society of Canada for that, gratis?—A My instructions are that in the applications to the American Society of Authors, Composers and Publishers, the answers they received showed that the giving away of rights rested with the Canadian Performing Right Society.

By the Acting Chairman:

Q. In other words, they will not give.—A. They will not give.

By Mr. Chevrier:

Q. Well, do you object to the fact that a man should give up the use of his property without due remuneration?—A. The whole right, Mr. Chevrier, in connection with copyright, rests in the statutory enactment, and it may be limited. It is limited in other respects.

Q. Have you got to go by statute? This is a statutory enactment and it can be limited, but if you keep on encroaching by statute on the little that you are giving, then there will be nothing left.—A. Before that time comes Parliament will stop it.

The ACTING CHAIRMAN: It is not an objection to the principle of limiting. It is a question of how far your principle should be applied, and Mr. Chevrier thinks that the principle would be pushed too far, if it was extended to fairs. He is not quarreling with the principle that copyright is the creation of statute, and that the statute, or the Parliament that created the right, has a right to put a limitation upon it. He does not quarrel with that, but he simply says, or suggests, that it is going too far, when you limit it to the extent of giving it to fairs.

The WITNESS: My contention is that it is not going too far, when you give the right to non-profit organizations—

By Mr. Chevrier:

Q. 800, you said, were non-profit organizations.—A. I said my instructions were—

Q. Keep to your instructions. You said a moment ago that there were 800 fairs in Canada all of whom were non-profit making, and now you say that this statutory privilege ought to be extended to all of the fairs that were non-profit making. You started out by saying that there were 800 non-profit making fairs.—A. My instructions are there have been no dividends paid on fairs operating from the Atlantic to the Pacific.

By Hon. Mr. Rinfret:

Q. Do those fairs pay for something else.—A. Sure. They pay the charwomen—

Q. And they pay for different things that they use.—A. As Mr. Cahan said yesterday—

Q. Do they not pay for the instruments that the musicians use? What is the difference between all those commodities and the performing rights.—A. Well, Mr. Rinfret, you give the monopoly to a man who writes a piece of music.

By Mr. Chevrier:

Q. You mean his copyright.—A. Property. But in giving him that, and in surrounding his rights by statutory enactments, you are perfectly within your jurisdiction in limiting the extent.

The ACTING CHAIRMAN: As I understand Mr. Robertson's answer to your question—and it is a pertinent question—you say that fairs pay their bands, they pay their charwomen, and they pay all the people that are working on the staff at fairs—the gate keepers, ticket collectors, and so on and so on—and the artists, the troupes that come and perform for the people, they pay all them; and why should not they pay for the music that is put on belonging to, or rather the rights of which belong to, the Performing Right Society? His answer to that is this, and I think that we ought to recognize whatever force there is in it: charwomen have no statutory right; troupes performing there have no statutory right; ticket collectors and the whole staff have no statutory right. The Performing Right people go on to the fair ground under the protection of certain statutory right, copyright or performing right granted by statute, and therefore, he suggests, they are not quite in the same category as your charwomen. Is that right, Mr. Robertson?

The WITNESS: That is my contention.

Hon. Mr. RINFRET: These institutions are not profit-making institutions. My answer to that is that, although they make no profit, they pay for quite a number of things, and the real fact that they make no profit is no argument why they should not pay for the rights. The same argument would apply to theatres, or any other institution using the rights. I do say that the argument that these institutions are not making profit is no argument at all against their paying for the performing right, because they are meeting other expenditures.

The ACTING CHAIRMAN: That is right, but I was only pointing out the fact that you asked him the question, namely, what is the difference between the charwomen and the Performing Right Society, and the obvious answer, which he gave, is that the charwoman is not the creation of statute, while the Performing Right Societies are. All I am suggesting is that we, as members of the Committee, have to take that into account for whatever it is worth.

Hon. Mr. RINFRET: I admit that, but the fact that these fairs, or fraternal societies, or whatever they are, are not making a profit, is no argument, because they are making other expenditures, and yet they are asking these rights for nothing.

The WITNESS: They do not make a profit. If they lost, they would cease operation.

Hon. Mr. RINFRET: But even if a theatre owner does not make a profit, he has to pay for performing rights.

By Mr. Ernst:

Q. Mr. Robertson, is not there really a fundamental difference, not whether the exhibition makes a profit or not, but whether its object is to make a profit? If you can give us a list of those exhibitions in Canada which do not aim to make or pay dividends, then I would be much more sympathetic.—A. My instructions are that no exhibition from the Atlantic to the Pacific has ever made a profit, and, repeatedly, they have had to dip down into their shareholders' pockets, and go to people like yourself, and Mr. Bury and Mr. Rinfret, to make up the deficit.

Q. I, unfortunately, have invested in shares in companies which have never paid a dividend, or which have never made a dividend, but their object was to make a dividend. You said there were 800 exhibitions. There must be a great deal of difference in their constitution, and, if we could be supplied with that information, it might be helpful in considering the problem, that is, those who aim to make a profit and those who are more or less for the co-operative benefit of the community.—A. All of the large exhibitions are joint stock institutions. They issue shares. Mr. Bury, you are more familiar with it than I am. I think you are a shareholder in one.

The Acting Chairman:

I had one share in one exhibition association in Edmonton.

The WITNESS: Did you ever receive a dividend?

The Acting Chairman:

Oh, no. I never expected to.

The WITNESS: That is my contention.

The Acting Chairman:

Q. But Mr. Ernst's question is this, can you tell the Committee whether or not, among the 800 odd fairs in Canada, there are any that are formed for the purpose of making profit for the shareholder?—A. My instructions are there are none. What they do is to increase their prizes, or decrease their entrance fees. What they want to do is to break even.

By Mr. Chevrier:

Q. Just in order to get along a little faster, you know about the Performing Right Society, you know that the rights are vested in them?—A. Yes.

Q. Now, why cannot these associations go to the Performing Right Society and ask them for the use of the music, and supposing that the Performing Right Society says, "here is a fair, a small fair, away out in this county, we will not

charge it anything," but if they say, "here is the Toronto fair, the Ottawa fair, the Hamilton fair, or other large fairs, where they spend a lot of money," what is the objection to the Performing Right Society, who bargain with you, charging a fee in those latter instances.—A. The evidence given was, or the evidence so far, divulges the fact, that of the receipts that go to the Canadian Performing Right Society 50 per cent goes to the United States and 50 per cent goes to England. Nothing goes to Canada.

Mr. ERNST: But, if the man who composes that music resides in England, or the United States, why should the question of his nationality affect the matter of his being paid for his right?

The Acting Chairman:

It does not matter where the money goes. The question is whether they should be debarred from their rights to charge or not.

The WITNESS: Mr. Gene Buck appeared before this Committee, and he gave a very apt illustration. He says that Parliament does not legislate regarding this chair, a manufacturer makes it and sells it. Now, I don't know, possibly an industrial registration rests upon this chair. If it does, it will last for five years, and the initial registration can be renewed, for five years only, and, at the end of ten years, it falls into the public domain. Mr. Gene Buck also referred to patents.

By Mr. Chevrier:

Q. Well, what is your conclusion?—A. Well, I am not disputing the advisability—

Q. How much percentage of music is used at those fairs?—A. My instructions are it is very largely American.

Q. How much is music? What is the percentage of music in the program at the fairs? Did you ever go to a fair where you did not start with music, in the morning, and end with music, at night—without a stop throughout the day?—A. It is continuous, yes.

Q. Then what percentage of the whole performance is music?—A. I do not know.

Q. Is not music the main attraction? If you had no music you would not have a fair.

By Mr. Irvine:

Q. I would like to ask the witness, or counsel, on what grounds the exhibition companies, or fairs, whichever one chooses to call them, ask Parliament to prevent the Performing Right Society from charging? What are the grounds upon which they expect this legislation?—A. Mr. Irvine, by your vote, or by the vote of your predecessors, rights were granted to the Performing Right Society to collect something which they could not have collected otherwise than by your vote and other votes.

Q. Yes.—A. In Wetaskiwin, you have a fair. The chances are, in that case, the band is not paid. The chances are it operates free.

Q. Go ahead, Mr. Robertson, I think you are right.—A. Supposing they give their services free, would it not be a just action on the part of Parliament, granting a monopoly as they do to those people who produce the product of their brain, to say, we will except, or will set apart the fairs, and the fairs shall have their music free. Now, Parliament has done it already. Many countries have done it already. The English Parliament has done it. If you will turn to section 17 of the Canadian Act, which corresponds to a section in the English Act, you will find that in connection with text books I can get out an educational text book and I can take one extract from each author and put it in my text book without charge. Should I be an elocutionist, I could go and give one

extract from twenty different works, and I could go and recite "Gunga Din" without any charge, according to the English Act, the Australian, New Zealand and Canadian Acts.

By Mr. Chevrier:

Q. That is all very fine, Mr. Robertson, but that is only an extract from a book. However, when you come to a fair, and you have music, which is a considerable part of the program, how do you compare it with an extract from a book?—A. It is an extract from the repertoire of any publisher.

Q. No, it is an extract—you have the right under the law to use an extract for the purpose of putting it into a book, for educational purposes, and that is a very good principle indeed; but, when you take music, and you place that music in a program for the day, or for the week, then it ceases to bear the same proportion to the program of the fair as the extract bears to the book that you are writing.—A. If I play one selection from Gilbert and Sullivan Operas, and one selection from a dozen others, and if I stand up in the theatre and recite one piece from each one of twenty or thirty authors in Canada, or any other country—

Mr. IRVINE: There will be a charge of the audience against you if you did that. Well, Mr. Robertson, if I understand you then, the basis upon which you ask that in clause 11 the rights of fairs to use music gratis may be provided for is that the Performing Right Society have statutory privileges which enable them to collect, and in return for that they should give musical performing rights gratis to fairs and exhibitions. Now, is it not so that we have already, in the same statute, made it possible for the Governor in Council to safeguard the public from any extra charges which might possibly be put on by this Performing Right Society, so that the public has been safeguarded against any extra charge.

The ACTING CHAIRMAN: That is, assuming that that section passes.

Mr. IRVINE: Yes. Then the statutory right is to allow them to collect. Then you suggest, in section 11, that we should prevent them from collecting.

The WITNESS: Right.

By Mr. Irvine:

Q. That is, taking back the thing that we have already given them, insofar as fairs are concerned.—A. Right.

Q. I cannot see why we should do that. The C.P.R. has statutory rights in this country, and I expect that every bull and cow that goes into a fair pays the rates.—A. Mr. Irvine, they can no longer charge what the traffic will bear. Originally they charged what the traffic would bear, but now the Railway Commission regulates the rates.

Mr. CHEVRIER: That is a public utility corporation. That is a different proposition altogether. You can take the music or leave it.

By Hon. Mr. Rinfret:

Q. By the way, Mr. Robertson, the argument seems to have gone this way, that section 11 deals with the Performing Right Society, but, as it reads in the Bill, it does not make any distinction Would you be in favour of restricting section 11, making it apply only to music controlled by certain Performing Right Societies.—A. My idea, personally, is that section 11 is not well drawn. Section 11, being as it is—an amendment to section 17 of the Copyright Act—I think we should start out with purporting to amend section 17.

The ACTING CHAIRMAN: That is the form of the Act, and all of these sections are wrong; 10, 11 and 12 are all wrong in that respect. That has not been overlooked. The main point is the essence of the thing.

The WITNESS: Well, the essence of my request is that there should be free music for agricultural fairs,—agricultural, horticultural and livestock exhibitions.

By Mr. Chevrier:

Q. That would not apply, then, to the 800 with which you started off?—A. Yes, it would; to about 800, yes. There are not many livestock exhibitions. 808 is the exact number of all.

Q. I have a certain amount of sympathy for what you say, but I would like to get the exact number. Now, you limit that. First of all, you started off by saying there were 800 fairs. Do you mean 800 agricultural fairs, or fairs of all kinds?—A. 808 is my information; agricultural fairs, and a slightly larger number, when you include horticultural and livestock exhibitions.

Q. Undoubtedly there must be some that are just very small ones, in very small communities. Now, starting from that again, surely there ought to be some distinction between the large exhibitions and the small fairs.—A. Well, there would be the Canadian National Exhibition and the Wetaskiwin Exhibition.

Q. Well, that would be a very small fair. I am not casting any reflection upon any of them.—A. It is the principle.

Q. There may be a lot of merit in what you say as to the smaller fairs, and if you can convince me on that, I am open to be convinced. But I am not yet convinced, and I still say that there must, surely, be some distinction between the large exhibitions and the small fairs.—A. Well, of the larger fairs there is the Central Canada and the Canadian National.

Q. Why should not they pay?—A. Well, they have never declared a dividend.

By Mr. Ernst:

Q. Supposing they put the money back into plant?—A. They do that, and into larger prizes, and so on. They are educational institutions.

The ACTING CHAIRMAN: The point Mr. Robertson makes is: even if they put their money back into plant, and give bigger prizes, it is all a public service. If they are agricultural fairs, it is a service to agriculture, a service to livestock, and a service to the country in general. That is the whole essence of the argument.

By Mr. Irvine:

Q. Since it is necessary to have music, and since they are having to absorb their profits in larger prizes, would it not be wise to let some of their profits go to the music producers?—A. Don't you think the prizes are small enough now, Mr. Irvine. They find it difficult enough to operate the fairs as it is.

Q. Yes, but my point is that a music producer is an asset, or his music is an asset—perhaps as great an asset to the nation as anybody who is getting prizes from the fairs.—A. I know, but he has no rights, except the rights you grant to him.

Q. But we must not take the right away from him that we grant to him.—A. To all intents and purposes an exhibition is a state affair.

By Mr. Ernst:

Q. It seems to me that there is some merit in the contention, but I am not convinced that the larger fairs ought to be exempted. Could not we draw some distinction, on the basis of attendance, that is, fairs having an attendance under a certain specified figure to get their music free. That would protect the smaller country fairs.—A. The real desire of all fairs, the real desire of the public, the real desire of the government, is to have the attendances as large

as possible, so that the educational facilities presented at those fairs shall be as wide-spread as possible, and I would be very loath to see the attendance limited, in order to escape some possible charge.

Q. I do not suggest limiting the attendance, but I suggest that, possibly, some line of demarcation might be made by attendance.

Mr. CHEVRIER: These fairs are supported federally, provincially and municipally. I think it is a very reasonable thing to say that we should limit this right to the extent that they could give free for all classes.

By Mr. Irvine:

Q. I was just going to ask Mr. Robertson if he thought that some of our larger fairs in Canada would not be well advised to offer a very substantial prize each year for the best Canadian musical composition?—A. I cannot answer that. It has not been done.

Q. I mean, if they are going to expect to get the music free it would be reasonable to expect a recognition of that sort.—A. The same class of people who support the fairs have made the same kind of offers for musical, literary and dramatic works.

By the Acting Chairman:

Q. Have you any idea of how much music would be used, say, in any of the fairs that you know of, in any of the larger fairs, how much music would be used and what would be the fee, the normal fee to expect from a fair?—A. Mr. Bury, it is so wide.

By Mr. Chevrier:

Q. Did you ever make a demand for permission to play music at one of the large fairs?—A. I have asked for a number of suggestions.

Q. What answer did you get?—A. Nothing doing.

Q. Why.—A. It will be—

Q. How much were you asked?—A. I had in mind 150 pieces.

Q. What fair was that?—A. The whole catalogue.

Q. What fair was that for?—A. It was not for a fair.

Q. At any time that you had to do with a fair, did you on any occasion have anything to do with a fair, and did you go to the Performing Right Society and ask them to use their music; did you ever do that?—A. I have had no connection with fairs outside of—

Q. Did you ever do that?—A. —being a moderate shareholder in a fair.

Q. If you will not answer the question it may recoil to your disadvantage. I am asking you if you ever, on behalf of some fair, went to the Performing Right Society and asked for the right to use some of their music?—A. Mr. Chevrier, my connection with fairs is that of a shareholder.

Mr. CHEVRIER: We are not concerned with that.—A. I am an attendant; I am interested, from an educational standpoint, in fairs. The fair people came to me and said they were too poor to come here and sit around for four or five weeks—that is what they said, four or five weeks—following this Copyright Committee, and they said, "Will you look after our interests?" I said, "I am not very conversant with fairs, but I will do the best I can for you."

Q. Why didn't you send somebody who is? I ask you this question: Do you know of any circumstance, or of any occasion, when you yourself, or anybody on your behalf, or on the behalf of any fair, went to the Performing Right Society and asked them for the use of free music; do you know of any occasion of that kind? Say, "yes," or "no." If you say "no", that you do not know, I am through.—A. Each year, I am instructed, the Canadian National

Exhibition addresses letters to Mr. Jamieson asking, in pointed language, "what numbers do you control, so that we will know what we may, or may not, use, without infringing on your repertoire."

Q. There was an answer. What was the answer, do you know?—A. I am instructed that the answer is they will not furnish a list of their repertoire.

By the Acting Chairman:

Q. Were they ever asked, to your knowledge, whether they would allow any of their works to be performed free at the fairs, or any fairs?—A. I am instructed that Mr. Woodhouse—I think it was Mr. Woodhouse, or some other official of the Performing Right Society, in Regina, possibly five years ago—about five years ago—at a meeting, made a very pointed statement that the rights of the Society—

Mr. CHEVRIER: I want to give the witness all the latitude possible, but he is under oath, and he says he is instructed.

Mr. ERNST: It is only worth that much.

The ACTING CHAIRMAN: He is telling the truth.

Mr. CHEVRIER: I am not challenging that. On the first day, Mr. Bury, the Chairman ruled that there was going to be personal knowledge of any evidence given by witnesses. The Chairman made a ruling, and quite properly so, that the evidence that we were to hear here was to be evidence that was within the absolute knowledge of the witnesses. Now, let us restrict ourselves to that.—A. My evidence is there are roughly 808 agricultural exhibitions in Canada and they wish free music.

Q. That is hardly on the point.

By the Acting Chairman:

Q. Can you give us, of your own knowledge, an answer to the question whether the fairs, or any of them, have ever approached the Performing Right Society with a request to be allowed to use their works, or some of them, free? Do you know of your own knowledge whether that has ever happened?—A. I know they have been approached, and you know— .

Q. I do not know.—A. Excuse me.

Q. That is what I want to find out.—A. The city of Edmonton, according to my instructions—

Mr. ERNST: That is all hearsay.

Mr. CHEVRIER: We will take it, subject to that objection.

The WITNESS: Naturally, I cannot speak for each individual fair. I say, according to my instructions, Mr. Bury, that the City of Edmonton asked the American Society of Composers, Authors and Publishers if it might use their repertoire at Edmonton fair. The answer was that the matter rested entirely with the Canadian Performing Right Society.

By the Acting Chairman:

Q. Was an application then made to the Canadian Performing Right Society, to which they had been referred?—A. In a public speech, Mr. Woodhouse, or some other official of the Canadian Performing Right Society, stated, in Regina—

Q. Let me interrupt. Are there any representatives of the Canadian Performing Right Society here?

Mr. JAMIESON: Yes.

The ACTING CHAIRMAN: Well, we should get evidence from them.—A. Mr. Woodhouse stated in Regina—

Q. You know, unless it is your own knowledge, you need not give it.—A. —that any exhibition that used their music was subject to a licensing fee, or to criminal prosecution, for failing to pay that fee. The then Minister of Agriculture came back to Ottawa, and he submitted the question to the Department of Justice. The Department of Justice stated, I am told, and I think somebody moved for the production of papers, that the exhibition might use music without paying the fee. Most of the fairs with whom I am connected have been advised by their solicitors that such opinion of the Justice Department is not sound. I am quite free to admit in my opinion it is not sound.

By the Acting Chairman:

Q. Have you anything more to say in support of the suggestion that you made?—A. The only thing I have to say is that I would request the Committee to amend the Bill so as to provide for free music for agricultural, horticultural, live stock exhibitions and fairs.

By Mr. Irvine:

Q. May I ask you, Mr. Robertson, before you go away, you do not think that section 11 provides for that now?—A. In my opinion, no.

Mr. CHEVRIER: That is a question of law.—A. It is largely, yes.

The ACTING CHAIRMAN: Mr. Robertson would not be in a position to say that. Are there any other questions?

By Mr. Chevrier:

Q. Mr. Robertson, are you responsible for those circulars that have been sent around, on behalf of the Canadian exhibitions; is this one of your circulars?—A. It is. When I was asked by the larger fairs to deal with the question, I wrote a letter to each fair asking for an opinion, if it was a fair demand to make upon Parliament. I have not received replies yet other than it was a fair demand, in their opinion.

Q. I have demands, as a result of that circular to kill the bill.—A. Well, you know, copyright is a pretty complicated question and some people might misunderstand it. As the Copyright Act stands, it might mean a fair is quite safe in performing music in any repertoire, because there is no jurisdiction that would enable them to take Canadian—

Hon. Mr. RINFRET: I suppose you are doing your best to clarify this complication? That is why you sent circulars around?—A. Naturally.

Q. What is the exact amendment that you suggest to section 11 in this amending Bill. How do you think the Bill should be amended to express your wishes?

The ACTING CHAIRMAN: He has answered that. He says "Agricultural, horticultural and live stock fairs."

By Hon. Mr. Rinfret:

Q. Are you sure that will cover everything you have in mind?—A. If I get that I will be satisfied.

Witness retired.

Hon. Mr. CAHAN resumed the chair.

The CHAIRMAN: Who is the next witness?

[Mr. E. Blake Robertson.]

HOWARD ANGUS KENNEDY, called and sworn.

The CHAIRMAN: Q. Will you please give your name and address?—A. Howard Angus Kennedy, Montreal, secretary of the—

Q. Speak loudly so we all can hear you.—A. You want my occupation?

Q. I am not particular. You appear as secretary of some Association.—A. I was going to say I appear both as a writer and as a farmer. You can put that down, it is quite true. At the present time, not having to depend on my farm, I hope, I am National Secretary of the Canadian Authors' Association, an association which, I suppose I should explain, consists of 850 members, in 12 branches, from Nova Scotia to British Columbia—besides an entirely French section in the Province of Quebec.

The Association was formed ten years ago, largely to promote and to obtain a just Copyright Act for the Dominion, although for other purposes also. Speaking for myself, not as a joke, when I said I was a farmer, I am a farmer in Mr. Irvine's constituency of Wetaskiwin, and not altogether independent of agriculture either. But I am also an author. I have been writing very largely for the benefit of Canada. I do not claim remuneration or particular credit for that, but, for the last fifty years, and it is just fifty years last week since I became a writer in Canada—I have devoted myself very largely to Canadian subjects and also, very largely, to the spreading of knowledge and appreciation of Canada in other countries, especially in the Old Country, Great Britain and Ireland.

Q. Now, would you please proceed with the Bill?—A. Yes sir. I wanted to thank you, on our behalf, for the attitude which you have taken in opening the proceedings, showing that you are not unwilling to consider modifications of this Bill; otherwise, of course, it would be useless for us to come here. It would be relevant, I think, to point out any defects in the Bill, defects of omission as well as commission.

Q. We prefer not to go into the omissions now; they will undoubtedly come before another Committee, at another time.—A. Yes, sir. It simply deals with a part of the matter of copyright, and we have been content to accept the Bill in that sense, although we yearly protest against the failure of Parliament to give us better legislation in points that are not concerned in this Bill. We avoided any protest on this occasion, because we are as anxious as the Chairman is to get speed in this matter and to get this Bill put through, bringing us thoroughly and entirely into the Rome Convention. We are chiefly concerned in getting our country into the Rome Convention in spirit as well as in letter; and it is one of our objections to the present Bill that we think that even if it gets within the Rome Convention in the letter as a matter of law, it certainly contravenes the spirit; whether it contravenes the letter, is evidently one of the questions which are difficult to decide, and which you or somebody will presently find means of deciding. A suggestion has been made to the President of our Association as, I am afraid I must say it, a bribe to procure our refraining from opposition to certain sections—

Q. What is that, a "bribe"?—A. A bribe, to procure—

Q. Are you using the word "b-r-i-b-e"?—A. I am using the word "b-r-i-b-e,"—to procure our cessation of opposition, shall I say, by some provision to tax outside composers for the profit of our own Canadian composers. Discussion is almost entirely on the question of musical composition. I merely mention that matter. Of course, we have not even replied to such a suggestion. It is most dishonourable. I consider it, as an author, most dishonourable.

By the Chairman:

Q. Who made that suggestion?—A. I refer to Col. Cooper's recent letter to Dr. Lighthall, the President of the Association.

Q. Do not bring in private correspondence in this matter.—It was addressed to the President.

Q. We are dealing now, before this Committee, Mr. Kennedy, with certain sections of the Act, so please leave out any reference to private correspondence or private works.—A. If you consider that letter private, I will leave it out, and I will say no more about it.

I should say that it seems to me, Sir, that the amendments to the Act, especially those contained in sections 10, and 11, that have been spoken so much about, would allow those who have no respect for the Berne Convention, as you have, Sir, and do not care one snap about it, to drive a coach and four through it. That, we are deeply concerned with preventing; but we are also concerned with other things—we are local people; we are Canadian people—I have a book here, one of my books to which a sequel has just been written—I have just got the proofs. It is a book of stories. I have been asked to turn some of those stories into musical plays for children. I will at once come under two of the sections of this Bill. I would be practically compelled, if I wanted to get anything out of it, to put my interests in the hands of either the Performing Right Society, Mr. Thompson's new Society, or our own Association, which might quite conceivably branch out into those lines and take the interests of its musician members in charge, and would immediately be one of the associations against which your section 10 is aimed. Mr. B. K. Sandwell, who will be our principal witness, is here at present and will go more into that question, and into any other questions about which you desire to ask in detail. But our Association, in that case, and the Performing Right Society, in the present case, if not a monopoly—the word has been used—is almost a monopoly, for they control nine-tenths of the modern popular music,—almost a monopoly, so far as that is concerned. We also would become a monopoly, and then the question comes up whether Parliament should indulge in price fixing in the case of such a monopoly. Reference was made by you, Sir, as Chairman, yesterday, and incidentally, to railways, doctors, and lawyers. I take it that the difference between a railway company, with its special privileges, and so on, and ourselves, or an association like the Performing Right Society, is sufficiently obvious; but doctors and lawyers—was it suggested that they are limited in their fees?

The CHAIRMAN: I did not suggest lawyers; I did not suggest doctors.

The WITNESS: You referred to doctors, Sir.

The CHAIRMAN: Did I refer to doctors?—A. You mentioned doctors and lawyers, and, I thought, in that connection. But, Sir, it is a part of my statement that doctors who may be subject to limitations of one kind or another; and lawyers, I suppose, you would say, are subject to limitations in the matter of fees for certain cases and for certain services; but, whether they are, or are not, they are monopolies obviously. I do not need to go into details to say that doctors, along with lawyers, are essentially a circle of people who constitute a monopoly and nobody outside of that circle can come in and practise.

Then, we have an actual monopoly in the shape of the organization which a previous witness has represented—my friend, Col. Cooper, if he will not refuse the title of friend after what I have said. He controls, or his Association controls, ninety-nine per cent of the theatres in Canada. You can hardly—

Q. I think he was disinclined to admit that he controlled them.—A. I would not say that he controls them, but I would say his Association controls them.

Mr. ERNST: I think it is ninety-nine per cent of the film distribution in Canada.

The WITNESS: I think the authors, or a very large proportion, we will say—

Col. COOPER: It is about as accurate as an author usually gets.

The WITNESS: We hear of independent theatres, but even the independent theatres may join Associations, when there is a question of getting something for nothing, or getting something for as little as possible.

The CHAIRMAN: We can all be roped into a situation of that kind.

The WITNESS: I am giving an example of people who refuse to be roped in, Mr. Chairman, a little later on. But at any rate theatre people have been trying to come under that heading, and the exhibition people as well.

Q. Please do not be too discursive, because our time is limited. We have many more activities.—A. Do you think, sir, that what I am saying is irrevelant?

Q. No.—A. I am pointing out to you the situation, in general terms, as we have no counsel, expecting that Prof. Sandwell will go into the details, if you will allow him. We are to be subject to price fixing, and we ask why we should be discriminated against, and why should you not subject to price fixing your butcher, baker or candlestick maker, your theatre, your dealer, everybody?

I spoke of myself as a farmer. I am interested in wheat. The question of price-fixing is constantly coming up in relation to wheat. You had the fixing of price, during the war, to a maximum beyond which we should not go.

Q. Mr. Kennedy, that has no connection with us. We have heard discussion about that day after day and day after day. Confine yourself to such matters as will give the Committee some new information in the matter beyond that which has been submitted by other people.—A. I might not give the information by putting the question, I suppose, but I will put the question. I have already put it. Why fasten upon us—and I would put another question—who is it that asks this discrimination against us?

Q. Rhetorical questions are always in order, but never answered.—A. They have been practically answered, you know, by the owners of those theatres, which compose the monopoly and for whose benefit this has been asked.

Q. I wish to state distinctly, upon my word of honour, that no such request was ever made to me, and no representations of that kind were made to me, in respect of this Bill. It has been drafted at the request of no individual, of no Association, of no Company.—A. I have not been impertinent enough, sir, to ask you, but if nobody has asked you for this legislation, the people who might have asked for it, and who have been working for it, and who are asking for it now, are those people who are most opposed to the authors' claim for justice.

Q. That is a matter of opinion.—A. It is a matter of opinion, naturally. Now section 11 is extremely objectionable and is a section, as you see, difficult to object to on account of our sympathy necessarily with the objects of the institutions which you deal with there; but I do want to say, and you must allow me to put that much of argument into my statement, that all the analogies are very strongly against us granting any such discriminating privilege. If I have a farm, as I have, and a tramp comes to my door, a hungry tramp, I may feed him, and I probably will, but should I to be compelled by law to feed him? That is what you are doing now, in the case of the church, which is supposed to be in need of money. It comes to me and, if I choose, I can give it the money as a gift. Now, you propose by this Bill to declare that I must make the gift. Talk about forced loans of the old times! This is a forced gift, and we object most strongly to it, Sir. I think that is all I need say, Sir, but I should like to ask who has asked for this special privilege. You were speaking, Sir, most pathetically of that little village community hall—

Q. Well, I shall tell you, if you want to know. With a few exceptions, I think the members who represent agricultural districts have suggested some such amendment, and a number of letters have been received from time to time by the State Department, before my day—and since I came here—to which I have had access, suggesting that. There is no particular party to whom you can impute the origin of that section.—A. I am not going to make any inquiries into the origin of the section, but I know we have—

Q. The origin does not affect it at all. The origin of this section is the Secretary of State and his Department, so far as you are concerned.—A. Yes; but it is a relevant question, who supports this thing? This demand having been originated by churches, fraternal and educational institutions—

Q. You are here to give evidence, and you are not to cross examine this Committee. If you will restrict your questions to rhetorical questions to which you may expect no answers, well and good.—A. You misunderstand me, Sir, if you will excuse me for saying so. It was necessary for us to discover who it was wanted this change. We took means—we sent out a letter a few weeks ago to 300 of the leaders in the churches, to all the churches, and to educational institutions, and so on, in this country. We are continuing to get replies.

By the Chairman:

Q. Do you think that affects the merits of this Bill? Will you please confine yourself to your objection to this Bill, and any evidence which you wish to adduce against the section, or by way of suggestion and modifications thereto? —A. We suggest that it should be cancelled, and we ask that you will cancel it. I state that not only we as an Association object to it, but that it is strongly objected to—I have already heard from sixty-two leading bishops and clergy—

Q. If you have any such evidence to adduce, we will accept it, but such statements as those, as evidence, are oral on your part; we should have the correspondence.—A. I will give the writings. I enclosed a post card for reply in every case and I have those post cards in my bag. I have kept out several of them, and I am willing to submit the original documents.

Q. If you will submit them, we will accept them.—A. One of them, the Bishop of Pembroke, considers it "most unjust", and the Superintendent of the University Hospital at Edmonton says he considers it "simply highway robbery".

Q. Will you please submit these?—A. I will, Sir, later on.

Q. Before you discuss what they have said, please submit the documents; they will speak for themselves.—A. I will, Sir. These gentlemen having said all that, it is quite unnecessary for me to say another word.

By Mr. Cowan:

Q. Did you say you wanted Section 11 deleted from the Bill altogether?— A. That is my suggestion, sir. A reference was made to this being a copy of an American section. I made special inquiry about that, and I am informed— you can check me up on it—that the section of the Bill as it was presented to Congress, included a special provision. Of course I know the position in the United States. The poor people have been fighting for a decent Copyright Act for years. They had to tolerate many features, and one of these was the special privilege to these institutions, but with the special provision that they charged no fees for admission.

The CHAIRMAN: We will be able to place that section. We have the whole proceedings that you have referred to. It is true that this section is the American section, in a slightly modified form.

The WITNESS: First, I thought it was necessary—

By Mr. Ernst:

Q. Putting it briefly, your objections to the Bill are two: first, against price fixing, and, secondly, against Section 11?—A. Yes.

Q. Have you anything to say on the subject of registration?—A. I understood that that is settled so far as the Bill is concerned.

By Mr. Bury:

Q. It does not affect copyright holders?—A. Registration is cut out. That is one of the things for which we are thankful.

By Mr. Ernst:

Q. As I understand it, you are convinced that the authors will have to associate in some form of combination, in order to protect their rights?—A. Certainly. The authors have felt the necessity, and have associated, and we are the Association. As I have said, if I produce, as I intend to produce, a musical play from any of my stories, I will be bound to go into some such Association as will come under Section 10.

Q. You mean it will be necessary for you to assign performing rights to some society?—A. Yes.

By Mr. Bury:

Q. You represent the comparatively newly formed Canadian Authors' and Composers' Association?—A. No, the Canadian Authors' Association, formed in 1921.

Q. They are two distinct associations?—A. The other was formed before us and lapsed into inactivity, and has been recently revived.

By Mr. Irvine:

Q. I understand from your statement that the authors are not entirely satisfied with the Bill, and you have mentioned sections 10 and 11. Would you care to say whether or not you think the Bill, even with sections 10 and 11 as they are, is a considerable improvement to the position authors in this country previously had?—A. It would involve such a difficult calculation that I should not be prepared to say. Mr. Sandwell may have information on this.

By Mr. Ernst:

Q. Have you any information to offer—to give on the question of the copyrighting of titles?—A. Evidence as to fact? I am not allowed to give opinions, but I would make no demand for copyrights in titles. I am thinking now mostly of printed books. I understand that there is no copyright in titles, either here or in the old country, is that not so?

Mr. BURY: The title is included.

Mr. CHEVRIER: As a matter of information, Mr. Kennedy—tell me whether I am right or not—I remember a case where a book had been written with a very fine title. The rights were sold and then the purchaser of the book immediately proceeded to turn that book into a moving picture, retaining the title and the name, but using an altogether different theme, altogether foreign to what the book had been in the first place. Would you have any objection to your works being handled in that way?

The WITNESS: I say that is an outrage. Everybody knows it to be an outrage.

Mr. ERNST: Does not Section 5 protect the author against that?

Mr. CHEVRIER: That is mutilation, and the title is an integral part of the work, because you cannot publish a work unless you publish the title and the name. So that the title is absolutely copyrighted. Every portion of it is copyrighted. One of the vital things is the title itself.

The WITNESS: I was going to mention that. I want you to ask Mr. Sandwell about that when he takes the stand.

Mr. CHEVRIER: I cannot give evidence, but there is somebody else who can give evidence on that.

The WITNESS: Instances like this occur in regard to titles—

The CHAIRMAN: Would you please address yourself to section 2, subsection (*v*)?

Mr. BURY: That is the Bill, not the Act.

The WITNESS: "'Work' shall include the title thereof, when such title has other than a general, geographical, descriptive or commonplace meaning."

By Mr. Bury:

Q. Have you any objection to that?—A. I have not studied the question, sir. I do not see any objection at the present moment.

Q. It makes the title part of the copyright.—A. I was going to give titles which have been objected, to, as not subject to copyright, but which have been more or less of a geographical nature. This is a book of my own published thirty-four years ago. It was called "The Story of Canada." Now, two years ago, a Toronto publisher got out a book under the same heading. As a matter of fact, he apologized to me for so doing. He had known, but had forgotten, this book. But I did not claim, and I could not claim, that a title of that kind could be any monopoly of mine. But, as a matter of fact, no decent publisher would publish a book under a title that was already in use.

By Hon. Mr. Rinfret:

Q. If you are through with the subject of title, I would like to bring you back to section 11. That is the section about churches, colleges *et cetera.* I want to understand your stand properly. I surmise that you do not object to the fact that churches, colleges and other associations might be granted the free use of music, but the stand you take is that if they are going to have the free use of music the choice should be left to the composer himself, and that privilege should not be granted by statute?—A. Exactly. We have every desire, and every author, as far as I know, every composer, as well as performing musician, is in the habit of giving the use of his work, not as an actual performance—the performers give their actual performance to churches, charities and all that sort of thing. What I object to is being held down on the ground of having this dragged out of me by force of law.

Mr. BURY: Here is the trouble I see: Assume that one society is a single entity—has, in itself, all the performing rights. In that case a church is not dealing with an individual charitable minded single author or composer who says, "Certainly, I will be very glad to let the church use this." But the church is dealing with a society to whom, or to which, that author has passed on his rights, and he would have no right, no matter how charitably disposed he was, or how ecclesiastically minded he was, to say to a church, "You can do this free". It would lie with the Association.

Mr. CHEVRIER: I can see your difficulty. It could be arranged. The author could give directions. It is a matter of contract, and it might be a good thing, now that Mr. Bury has taken that view, that, whenever the author assigns certain rights of that kind, he stipulate that, for religious purposes, or educational purposes, they consent to this.

The WITNESS: That would be very interesting, and I, personally, would be glad to do it. It remains to be seen—

Mr. CHEVRIER: It is a matter of contract.

The WITNESS: —whether the Performing Right Society would accept any such limited assignment; and another point is that we were told—I think by Mr. Jamieson, the other day—that it is their practice not to charge.

Mr. BURY: It does not meet my point to say that it is a matter of contract, and that the Association may do it. That does not meet my point. We do not know whether the Association will do it or not. Where you are leaving it to the individual power of the author you know what fifty per cent or sixty per cent

or seventy per cent of the authors will do in respect of their works, but where you have divested yourself of all other authority over performing rights, that is a different matter. It is not all plain sailing.

By Mr. Irvine:

Q. Is not the church an organization, under the charter of this government, the same as the performing right society, and is it not one society dealing with another? Let them scrap it out?—A. Allow me to point out, Sir, that it is "performances" that you are dealing with. Though nominally for religious, charitable or fraternal purposes and so on, they are also for the benefit and profit of the people who give these shows. It is quite common for a professional company to go to a church, or charity, and say, "Let us get up a show for you; you need money. We will get the money for you and we will give you so much per cent." The thing is advertised, not for the benefit of these people who are going to profit financially, but it is advertised for the charity.

By the Chairman:

Q. If that were eliminated by apt words—if that sort of promotion of a charity for personal advantage or profit were eliminated by apt modification of this section, your objection would be removed?—A. My objection would be partly, largely, removed—not my objection on principle, being forced to give what we are generally willing to give voluntarily. That is most dangerous. But you are not incapable, sir, of drafting such a modification as you suggest.

Q. This Committee will have to consider every suggestion.—A. I would certainly not back it up, or not be willing to accept it, unless it were perfectly clear that the contributor—that we as the contributors of our brains and of our music, or whatnot, were put on the same footing as the contributor of the actual singing that you hear.

BERNARD K. SANDWELL, called and sworn.

By the Chairman:

Q. Give your name and address?—A. Bernard K. Sandwell, resident in Montreal, born in England, but continuously resident in Canada for the last forty-two years. I am chairman of the Copyright Committee of the Canadian Authors' Association. I was one of the original founders of the Association and was its first secretary for several years.

Q. When was it founded, Mr. Sandwell?—A. Just before the enactment of the first Canadian Copyright Law, after 1921. It was founded, I think, in 1921 for the purposes of representing the interests of Canadian authors in legislative proceedings. I should explain, I think, that it is purely a professional Association; it does not engage in the business of dealing in copyright property of any kind. It is also a very poor Association. It lives on an annual fee of five dollars from each member. It has about 850 members, so that its annual revenue is not large. We have never had enough money to be able to engage the services of a remunerated lawyer. We haven't enough money to do so on this occasion. It is possible that for that reason, I may have to touch a little upon what might be considered legal points. I hope, if my law becomes too obviously foolish, Mr. Chairman, you will check me up.

The CHAIRMAN: I have heard you argue legal questions before with efficiency.

The WITNESS: At any rate, the Committee will not have to listen to any legal argument from any legal gentleman on our account, after we are through. We are also a parallel association to that which was represented here, at the last minute, yesterday, by Mr. Gordon Thompson. His association is, I think,

The Authors' and Composers' Association of Canada. It is exactly parallel to ours. Both Associations, by their constitution, aim to include membership of creators of both literary and musical material, but, in actual practice, we have found it difficult to associate with ourselves any large number of producers of musical material. When we hold our meetings we discuss questions that do not interest them, and they have tended to drift into Mr. Thompson's Association. As regards questions of this kind, of course, Mr. Thompson's Association, and ours, are in perfect unanimity. I am quite sure we endorse all his representations, and I feel quite confident that his society would endorse all ours. We have very few musical composers included in our membership. Our membership consists almost entirely of persons engaged in the operation of literary copyrightable material. I think I may safely say that we include in our membership the owners of from four-fifths to nine-tenths—from eighty to ninety per cent, of the royalties owned by Canadian authors. Our membership includes almost all of the prominent Canadian writers of literary material. You may wonder why our Association, consisting almost entirely of literary people, should be so interested in a Bill which, apart from the non-contentious questions, deals almost entirely with musical performing rights. I may say, at once, that we have not very much to do, or say, about musical performing rights. We are quite willing to leave that to Mr. Thompson's Society. But there is an aspect of the Bill which interests us materially. At least fifty, and perhaps one hundred, of our members possess valuable copyrights in foreign countries and are constantly adding to those copyrights by new production. Their right to obtain these copyrights rests in most of the countries of the world entirely upon our treaty relations with those countries through the Convention of Berlin, or the Convention of Rome, after we join. In addition to those members, all our younger members, I am quite confident, hope that they will, in time, produce material which will have a copyright value in those foreign countries. I do not suggest that all of them will have their hopes realized. These copyrights relate not to books alone, Sir; they relate to dramatic performing rights, and they relate, in particular, to the most valuable international rights, the right of reproduction on the cinematograph screen. To be of any value at the present time, for moving pictures, a composition must be able to hold copyright in all parts of the world, and, if anything should occur as the result of which our Canadian authors of material suitable for the screen should be unable to hold their copyrights in the countries of the International Copyright Union, their ability to sell them for movie production would be practically destroyed. There are other international rights of importance, but these are the chief ones. I understand that movie producers now insist upon obtaining a complete delivery of copyright rights in the whole world before they will consider the manufacture of a film.

By the Chairman:

Q. Do they insist, as the publishers usually do, upon an assignment of the entire copyright rights?—A. I do not suggest, Sir, that they insist on the assignment, but they insist upon an assurance that the film shall be able to hold copyright, not necessarily in the name—possibly in the name of the author—but in contract.

Q. Is it not a universal practice that they do not leave it in the name of the author?—A. Practically universal. I do not know whether I ought to take up the time of this Committee be reminding it of the fact that there are a large number of Canadian authors with valuable international rights, but it is a point which has not been mentioned so far in these proceedings. We have always had, in Canada, authors with valuable international rights. They have not always been able to assert them. Judge Haliburton produced a work which

was translated into practically every language in Europe. Owing to the condition of the copyright law at that time, Judge Haliburton, I imagine, received no remuneration whatever from most of those rights.

Q. Most of it was not even copyrighted.—A. No, I suppose not. But fortunately, being a lawyer and a judge, he was independent. Mr. de Mille, at a later stage, had a very valuable international copyright. At that time our membership—

Q. He is one of my own fraternity. He was unable to obtain copyright abroad?—A. I believe so, but his books had value abroad.

Q. Undoubtedly.—A. The present works of Professor Leacock, Ralph Connor, Mr. Packard, Miss Marshall Saunders, and quite a number of other members, have a substantial following abroad. In fact, all these rights are a part of the important invisible exports and do, to some slight extent, add to our favourable balance of trade. I mentioned that these rights depend entirely upon our being members of the International Copyright Union. If we ceased to be members of the International Copyright Union, it would be necessary, I understand, for us to formulate individual and separate treaties with all these countries, in order that Canadians might continue to acquire these rights as their new works are produced. It would be an extremely difficult and, I fear, a slow process. It follows, therefore, that either of two things can destroy our present ability to obtain future copyrights in these foreign countries. I do not suggest that anything can destroy the copyrights that we already hold in any union country, because, even if we withdrew from the union, no country would cancel or even, I think, restrict any existing right. There are, I say, two things that could destroy that power which we value very highly. One is our withdrawal, the other is getting kicked out of the Union.

By the Chairman:

Q. What do you mean?—A. There is no authority by which a nation can be expelled from the Union.

Q. If I may be allowed to suggest, the only way in which any act of ours can be called in question is before the International High Court of Justice. —A. The International High Court of Justice.

Q. The International High Court of Justice. At least, I am so advised by the Law Officers of the Crown in Great Britain.—A. I thank you very much. If we had the right to determine what course of action does, or does not, constitute remaining within the terms of the Convention—to determine for ourselves whether we are remaining in it or not, any other nation in the Union has an equal right to determine—

Q. No, no. No other nation has the right to raise the question before the International High Court as to whether we infringe an International Convention.

Mr. ERNST: Further than that, Mr. Chairman, any other nation would have the right to take such legislative action within its own dominion.

The CHAIRMAN: But only after an international decision has been given.

Mr. CHEVRIER: I do not want to argue that at the moment.

The CHAIRMAN: I am simply saying I am so advised—and I am putting that in that broad form—I prefer to accept that advice rather than hear opinion, you know, unless it has been very carefully studied by the witness.

The WITNESS: I am very much obliged to the Committee for bearing with me, so far, upon that point, and, as I cannot discuss it with any authority,—not being a lawyer,—we will leave it now. But, yesterday, Mr. Chairman, you spoke of the possibility of our having to withdraw from the Berne Convention, or from the International Copyright Union, if the operations of super-monopolies became too distressing. That is a perfectly legitimate outlook to take, but it is an outlook that alarms us very greatly, and such a possibility as that impels us to make very strong representations to your Committee.

By the Chairman:

Q. Quite so, but should there not be representations along the line of effective compromise, such as will meet with the approval of general public opinion in this country? All I am suggesting is this, that there is such a strong public opinion growing in this country against what they regard as certain excesses that that alternative may have to be considered some day. I think it is a very unfortunate alternative, and, therefore, we as a Committee are endeavouring to keep within what we believe, or what we shall decide, to be our duty under the Berne Convertion, as modified at Berlin, and as modified now by the Rome Convention. But, within those limits, we would like to make some effective compromise between those opposing interests, represented before this Committee, and which have all made independent representations to the government as well.—A. Upon that point, we are in absolute agreement with you, but we say that whatever conclusion you arrive at should be a conclusion which you are certain will be in conformity with the requirements of the Berne Convention, because the risks that you run with our rights, or rather our potential future rights in that matter, if you are not certain of the compatablity of your legislation with the Berne Convention, are very serious.

Q. That is a fair representation to make, and we will have an opportunity to consider it.—A. If I may now deal with one or two of the particular points about which we are alarmed in the matter of conformity to the Berne Convention, may I say that the first and most important of them is one which has been only slightly raised so far before this Committee and which I do want to stress a little further, and that is the retroactive character of the legislation that you are now proposing to enact. You are not only restricting future grants of copyright but you are reducing the area and extent of existing copyrights, which, we feel, are vested property, and which, we also feel, are so regarded by the International Copyright Union.

Q. Would you please explain.—A. I refer, Sir, to the fact that whereas we now,—for example, register a piece of music under the present requirements of your law in Canada—we now have a right to sell the performance, the right to perform that music, to any of the organizations specified in your new clause 11. If that clause is enacted we cease automatically to have any such right.

Q. Would you explain that, because you are a very intelligent man, and certainly I do not understand the application of that remark. Just explain it so that our intellects may grasp it.—A. I am very sorry, Sir, but there is, I understand, nothing in the present Copyright Act which would prohibit us from declining to grant to a church, college, school, or any charitable organization the right to perform a copyright composition, if we own the performing rights in that composition.

Q. That is the reference you make.—A. Absolutely, that is one example.

Q. I understand it now.—A. You were not present at an earlier stage this morning, Mr. Chairman, but I think you would have been interested in the possible explanation of that principle for which application was made this morning and which would have a restrictive effect on that legislation. It is one thing to say that that legislation applied only to future copyright as within the Convention. It is another thing to say that that legislation applied to existing copyrights which are passed from hand to hand as within the Berne Convention.

Mr. BURY: And which might have been purchased with a view to the rights that subsisted in it at the time of the purchase which were not limited at all.

The WITNESS: May I, in that connection, draw to your attention the clause by which, always, we are granted the right to restrict radio distribution of copyright matter. It is the mechanical reproduction clause that I want to draw your attention to, article 13. By that clause it was provided that reservations and conditions could be attached, but it was also provided that the provisions of paragraph 1 shall not be restricted.

By the Chairman:

Q. That is the third subsection you are dealing with.—A. Yes, sir:

"and consequently shall not be applicable in any country of the Union to works which have been lawfully adapted in that country..."

It is to the retroactive point that I am referring.

Q. Subsection 3 of article 13.—A. Yes. A nation very carefully abstains from admitting, because when it changes the conditions, when it begins to limit conditions of future copyright, it very carefully abstains from permitting the restriction of an existing right. May I make the same point in regard to article 6. It was imported from the protocol, and it goes on to say—

Q. Are you dealing with article 6, or article 6 *bis*.—A. Article 6. It goes on to say:—

"No restrictions introduced by virtue of the preceding paragraph shall, in any way, affect the rights which an author may have acquired in respect of a work published in a country of the Union before such restrictions were put in force."

I suggest that those two examples show that it is an established principle of the Convention not to restrict the area, or application, of an existing right, and that principle has not been carefully safeguarded in the drafting of the present law.

Q. I think that suggestion is very appropriate.—A. I am quite sure, I have not the slightest doubt, Mr. Chairman, that you, and your Department, have excellent legal advice to the effect that the provisions of this Bill are in conformity with the Rome Convention. I am quite sure you would not bring in a Bill purporting to authorize the Governor General to adhere to the Rome Convention, unless you were advised that the provisions of that Bill were such as to conform to the Rome Convention.

The CHAIRMAN: I simply state this, with regard to certain sections of the Bill, definitions and other sections which are frequently referred to, that they are provisions for the purpose of bringing our Act into consistent harmony with the Rome Convention. With regard to article 10, we are advised that there is nothing in the Berne Convention either in the express intent, or the spirit of that Convention, which prevents any country from taking such measures as it may deem advisable to protect its people against aggresive monopoly; that is understood with regard to all tariff conventions and all trade conventions, and understood with regard to the Convention with which you are now dealing. Now, that is the extent of the advice which we have received.

Hon. Mr. RINFRET: May I ask the Chairman for information. When he says advised, by whom was he advised.

The CHAIRMAN: Well, we are advised by the very best legal assistance that we can obtain, either in this country, or in England. And I am simply suggesting it as a matter that will have to be dealt with when we discuss at length the various aspects of it.

Hon. Mr. RINFRET: That is quite satisfactory, and I am quite satisfied that under the terms of the Rome Convention what you have said is perfectly true, that, insofar as the Nationals are concerned, we can treat them in any way we like, but we cannot, by our own legislation, treat the Unionists in this country in any other way but in the way in which the Berne Convention asks.

The CHAIRMAN: I am not going to discuss it, because this is not the time. But I am simply suggesting, that I am advised that there is nothing in the Berne Convention which prevents us from dealing with a monopoly established by Nationals of ours; that there is nothing in the Convention which restricts us from dealing with a monopoly established by foreign Nationals, insofar as it operates within our own country.

[Mr. Bernard K. Sandwell.]

Mr. CHEVRIER: I think that is right.

The CHAIRMAN: That is all. I am not saying that this Committee will accept it; I am not saying that Parliament will accept it, but I am simply suggesting that as one of the matters which we must consider.

The WITNESS: In that case, Mr. Chairman, may I make the suggestion that it might be possible to qualify that clause in some such way as to make it clear that it applies only to companies and agencies which are monopolistic in character.

The CHAIRMAN: I quite agree with you, that the Committee, when it comes to consider it, must consider that phase of it, and we have suggested that already.

By Mr. Bury:

Q. You are talking now about section 10 when you are making reference to monopolies.—A. Correct, Sir.

Q. Is there anything else, in section 11, other than the direct retroactive element, or factor that you object to.—A. This is a matter of legal opinion, and, as I say, we have not paid for our legal opinion and I cannot tell you, therefore, what value it has.

By the Chairman:

Q. Just express your opinion clearly.—A. Well, we have legal advice, such as it is, that that might very probably be considered to be a violation of the Convention, inasmuch as it subtracts from the area of the rights enjoyed by the author.

By Mr. Bury:

Q. You are dealing now with the retroactive aspect of it. —A. No, I have dropped that. I think the Committee are inclined to agree with me.

Q. But you say that in relation to future copyrights.—A. Well, I think there is a very strong probability. We ask, in the memorandum. which I shall ask the Committee's permission to file, that that and similar questions be referred to the Supreme Court of Canada, before the Act is put on the statute books.

The CHAIRMAN: You are at perfect liberty to make that request.

The WITNESS: That is all, Sir, that we have in mind.

The CHAIRMAN: As my friend, Mr. Ernst, says, such an opinion, when we once obtain it, would have no practical effect.

Mr. BURY: The Privy Council might accept it.

Mr. ERNST: It is just simply a legal opinion.

The WITNESS: I must admit, Sir, that I was unaware of the fact that an appeal lay to the International High Court of Justice. The fact is not apparent from the terms of the Berne Convention, but, if that is so, is it possible to get an opinion from the International High Court of Justice in advance?

The CHAIRMAN: Well, we obtain a decision from them, not an opinion. It is common ground, I think, that, on a reference to the Supreme Court of Canada, we obtain an opinion which is not binding, and which has no legal effect.

The WITNESS: It is merely that we incline to think it would be a good opinion. And, in that connection, Sir, might I put into the record the concluding recommendations of that very valuable special Report from the Select Committee on the Musical Copyright Bill of Great Britain, which was partially introduced yesterday.

The CHAIRMAN: You can put in the whole Report, if you wish.

Mr. ERNST: I would like to hear the particular portion read.

Mr. CHEVRIER: If there are only a couple of paragraphs, read them.

[Mr. Bernard K. Sandwell.]

The WITNESS: Section 18, referring to the super-monopoly, was read yesterday. Section 19 reads thus:—

"It has been suggested to your Committee that any legislation to give effect to this proposal would be contrary to the terms of the revised Berne Copyright Convention of 1908. There appears, however, to be considerable difference of opinion upon the matter and your Committee recommend that His Majesty's Government should consider whether such legislation would conflict with the Treaty obligations of this country, and if so, should make a reservation or declaration which would permit of such legislation before ratifying the Rome Copyright Convention of 1928.

20. If it should be found that no such legislation is at present possible, your Committee recommend that the Board of Trade should keep in touch with the position with a view to framing a policy for adoption at the next meeting of the International Copyright Union in 1935, which would secure freedom for His Majesty's Government to deal with any abuse of monopoly rights such as that to which reference has been made."

The CHAIRMAN: Well, we have to consider the question.

Mr. BURY: May we have all those sections put in so that we will not have to chase from one part to another.

The CHAIRMAN: If you do not wish to dispose of your copy, we will put in a copy of that report, for reference, but not necessarily for publication of all the sections, so if you will enter the Special Report from the Select Committee on the Musical Copyright Bill, ordered by the House of Commons to be printed 3rd July, 1930, we will put it in for reference.

Mr. BURY: That will not be printed.

The CHAIRMAN: No.

Mr. BURY: It would be very convenient, for members of the Committee, if those paragraphs to which Mr. Sandwell referred, were put in the record.

The CHAIRMAN: Well, he has quoted them.

Mr. BURY: No, he deleted one of them because it was previously quoted.

The CHAIRMAN: Well, it is in the minutes twice already. I have no objection to putting the whole thing in.

Mr. BURY: Put them in together.

The CHAIRMAN: When the reporter puts in the quotation as given by the witness he will quote, literally, sections 18, 19 and 20 of the report.

Sections 18, 19 and 20 of the Special Report from the Select Committee on the Musical Copyright Bill.

18. Your Committee consider that such a super-monopoly can abuse its powers by refusing to grant licences upon reasonable terms so as to prejudice the trade or industry of persons carrying on business in this country and to be contrary to the public interest and that it should be open to those persons to obtain relief in respect of such abuse by appeal to arbitration or to some other tribunal. This should apply only in those cases where the ownership or control of copyright has been transferred to an Association.

19. It has been suggested to your Committee that any legislation to give effect to this proposal would be contrary to the terms of the revised Berne Convention of 1908. There appears, however, to be considerable difference of opinion upon the matter and your Committee recommend that His Majesty's Government should consider whether such legislation would conflict with the Treaty obligations of this country,

and if so, should make a reservation or declaration which would permit of such legislation before ratifying the Rome Copyright Convention of 1928.

20. If it should be found that no such legislation is at present possible, your Committee recommend that the Board of Trade should keep in touch with the position with a view to framing a policy for adoption at the next meeting of the International Copyright Union in 1935, which would secure freedom for His Majesty's Government to deal with any abuse of monopoly rights such as that to which reference has been made.

Mr. BURY: We will have it all there now, without having to trace it up.

The CHAIRMAN: And, may I call your attention, just for a moment, to this: Before the Rome Convention was drawn up, the representative of the British Government asked to have inserted a clause which was agreed to by a number of the countries represented there, but was not unanimous. One or two countries held out, and the question has arisen, in England, because England has not yet ratified the Rome Convention, as to whether that clause should be expressed as a reservation in the acceptance of the Rome Convention, and, in order that it may be before the Committee, too, I would like to read it. It was suggested as an addition to article 11 of the Rome Convention:

> " Nevertheless, the right to regulate the exercise of the right of authorization of public performance so as prevent such abuse of monopoly rights arising from the refusal of the author to grant permission for the public performance of his work upon reasonable terms as would prejudice the trade or industry or any person or class of persons carrying on business in any country to which the convention applies which would be contrary to the public interest is reserved for the Domestic Legislation of each country."

That is one of the reservations which, it has been suggested, the British Government may make, and, when we come to consider the question of reservations, which this Committee will have to consider, before making recommendations. This is one, and perhaps there are others, which we must consider.

Hon. Mr. RINFRET: Would the Chairman care to express an opinion on this: What would be the value of an adherence with a reservation such as that?

The CHAIRMAN: Well, the same value as an adherence which we authorized in the House of Commons a few days ago to the Act to which we adhere in connection with the—

Hon. Mr. RINFRET: I am free to admit that my main annoyance, when I had the responsibility of Copyright in this country, was to find what sanction, or what final authority, could be reached in matters like that.

The CHAIRMAN: Well, all I can say is, if we adhere to the Rome Convention, with reservations, it may be that all the other members of the Rome Convention could refuse to accept our application on that condition, and then we would be out of the Rome Convention and back upon the terms of the Berne Convention. That is my opinion of it.

Hon. Mr. RINFRET: I do not think we can consider the Berne Convention as something different. I think it has been amended, and does not exist separately.

The CHAIRMAN: The Convention which we are under at present is, in effect, the Berne Convention, as revised at Berlin.

Hon. Mr. RINFRET: We would be out of every Convention.

The CHAIRMAN: Oh, no. We would not be out of the Berne Convention, if we did not adhere to the Rome Convention.

The WITNESS: It is quite possible for a country to remain an adherent to the old Berlin Convention for an indefinite period of time. The act of adhering to the Rome Convention transfers it from the one agreement to the other.

Mr. BURY: That answers your question, Mr. Rinfret.

Hon. Mr. RINFRET: It has been very hard to secure any definite decision on those matters.

The WITNESS: I think, Sir, that I have time probably, to run rapidly over those portions of this memorandum, of which, I think, you all have copies, which are still pertinent to the discussion. I do not want to take up your time by reading the whole thing.

By the Chairman:

Q. You have supplied this to each member of Parliament, have you.—A. Yes, I think so:

> "The Canadian Authors' Association desires to express its appreciation of the decision of the government to secure the adherence of Canada to the Revised Convention of Rome of 1928, and of the proposed enactment of clause 14 of this Bill for that purpose, as well as of the amended and additional provisions contained in clauses 2, 3, 4, 5, 6, 7 and 8, insofar as they bring the Copyright Law of Canada further into line with the terms and principles of that Convention."

I want to point out that that does not apply to the sub-section on title. That is not a move to bring our legislation further into conformity with the Rome Convention. I do not think there is any reference to title in the Rome Convention, and our Association is not giving an opinion on the subject of copyright titles.

The CHAIRMAN: Well, so far as I am concerned, I am not wedded to that, but representations may be made that there is very grave doubt as to whether titles formed a part of the copyright—

Mr. CHEVRIER: I must commend that section about titles that you have in the Bill, Sir.

The WITNESS: There is much to be said in its favour. But, on the other hand, there are certain aspects, from our point of view, which are disadvantageous. Our Association has no opinion on that clause.

By Mr. Bury:

Q. Although you endorse clause 2 generally, you expressly omit the question of titles.—A. We endorse them, insofar as they bring our own law into accordance with the terms and principles of the Convention. The second clause has been dealt with by other witnesses, and I understand the Committee to be disposed favourably to some modification.

The CHAIRMAN: With regard to the moral right, the Committee, by the opinions expressed here, I think, are favourable to some modification of that clause.

The WITNESS: We leave that clause in the hands of the committee:

> "The Association approves of the repeal of section 40 of the existing Act, as provided in clause 9 of the Bill, but begs to point out that in its opinion the first clause of the substituted section 40 will have the effect of destroying the validity of an otherwise lawful copyright whenever an alleged, but not lawfully valid, claim to the same right is registered in the Copyright Office. It would appear, from the last eight lines of the clause, that from the time when the unlawful claim is registered to the time when the lawful claimant effects his own registration, the unlawful, but registered, claimant is in full possession of all the rights nominated in the claim, and is not responsible to the lawful claimant for any use that he may make of them."

This goes into considerable legal discussion, which, I think, probably I ought not to raise. It may be raised before you by other counsel. We cannot convince ourselves that the registration of a copyright right, which would not in itself be valid in the courts, may have the effect of precluding the holder of the valid right from appearing in the courts.

By the Chairman:

Q. Give us an example.—A. The outstanding example is that of the man who twice assigns a particular right in his property. The second assignee registers. In law, the first assignee actually has the property.

Q. No, no. The first assignee who registers must be treated as having the property until the second assignee, or some other party or interest, obtains a judicial decision to the effect that that is a fraudulent title.—A. That, sir, we are perfectly satisfied with. That is voluntary registration. We have no objection to it whatever, but we are not satisfied that the real owner—the second person referred to who has not established a registration—we are not satisfied that he can do anything, unless he registers himself.

The CHAIRMAN: I do not intend, at this moment, to give an opinion. The Committee will have to discuss that matter. But, if the first man who registers a patent, for instance, or a trade-mark, if it is registered in fraud or to the prejudice of any person in whom a real right is vested, may always contest that prior registration in the Courts.

Mr. CHEVRIER: Mr. Chairman, I think that is perfectly true. In that case which you cite it would not be necessary for the second one actually to have registered his assignment, in order that he may sue. But, if I appreciate the point that is now being made, it is that, if the first assignment is registered, then someone else comes along with a second assignment in his hand, the point is that he cannot institute any proceedings, unless he has registered that assignment.

The WITNESS: Precisely, sir. But we are not satisfied that under this Bill he can have access to any court.

Mr. CHEVRIER: That is a section that ought to be made clear. I think it would be a hardship if a second man, holding a title, could not be able to sue, unless, and until, he registers that assignment. In other words, if you were assured that the second assignment could not be registered, in order to institute action, then you would be satisfied. However I note the point.

The CHAIRMAN: I see the point, and we will consider it.

The WITNESS: If the point is before the Committee, that is all I want to say. And, if the voluntary nature of registration is preserved, in that manner, we do not particularly care what are the conditions attached to registration, what is the method of registration, or anything of that kind. But, if registration is going to become necessary, in order to affect the right which has been registered against me by someone else, then we would ask for further consideration.

The CHAIRMAN: If you will look at the decision in the Performing Right Society case in the appeal to the Privy Council you will find it is pretty clear about registration.

The WITNESS: Those regulations can be changed from time to time.

By Mr. Bury:

Q. Have you any suggestions as to section 40 (1) in the Bill, section 9. Where do you say the wording is wrong in that? I find it difficult to follow.

The WITNESS: Beginning at line 41.

Q. Yes.—A. "Provided that failure so to register shall not affect the validity of any such instrument;" The instrument is valid, but can it be brought into court.

Mr. BURY: It can be brought into court against the proper registered instruments, that is all.

The CHAIRMAN: Only as against the third party.

By Mr. Bury:

Q. Read on, Mr. Sandwell.—A.:—

"And provided also that no unregistered assignment, grant, licence, or other instrument shall be valid or of any effect against any previously registered assignment,—

Mr. CHEVRIER: That is exactly the point that Mr. Sandwell raised. Should not we, in the Committee, clarify that?

The CHAIRMAN: If that objection is valid, we will consider it.

Hon. Mr. RINFRET: It is not the intention of the Bill.

Mr. BURY: It is utterly impossible for me to follow the argument; I am trying to get from Mr. Sandwell what he objected to.

Mr. CHEVRIER: That is not the point Mr. Sandwell raises; because an unregistered one shall not prevail against a registered one, meaning you cannot sue unless registered.

The CHAIRMAN: That is not the opinion we have.

Mr. CHEVRIER: Should not we take that into consideration? We have that statement.

The CHAIRMAN: That objection is valid, we will consider it.

Hon. Mr. RINFRET: I think the Chairman said it was not the intention--

Mr. BURY: It is utterly impossible for me to follow the argument, if half a dozen gentlemen all talk at once. I was trying to get from Mr. Sandwell what he objected to in the section, as it stands now. As it reads now, it is: "provided also that no unregistered assignment, grant, licence, mortgage or other instrument shall be valid or of any effect against any previously registered assignment, grant, licence, mortgage or instrument to an assignee, grantee, licensee, or other transferee for value and without notice." That simply means, as I understand it, that the first assignment registered in point of time is valid against a subsequent assignment in point of time--

The WITNESS: My point is, sir, that a subsequent assignment—my point is, that the earlier assignment which has not been registered—must be registered, in order that the courts would take cognizance of it, in order to claim its precedence.

The CHAIRMAN: Is that worth while arguing? I do not agree with the witness.

Mr. BURY: I should like, for my own satisfaction, to have it settled.—A. I have no desire sir, to discuss a point of law with you.

Q. I should like you to tell me what this means. You say that the prior assignment, in point of time, which is an assignment unregistered?—A. Yes.

Q. And subject to the making of which a subsequent assignment was registered, is no good, unless it is registered, no good for any purpose?—A. I do not see how it could get into the courts at all.

The CHAIRMAN: You can bring it in under section 40.

Mr. BURY: Allow me to finish what I am trying to say.

The CHAIRMAN: Yes.

WITNESS: Where any such assignment unregistered and where a subsequent register was made—in other words, whether subsequently registered or not, makes no difference.

The CHAIRMAN: So it is valid.

By Mr. Bury:

Q. What is the meaning of "whether subsequently registered or not?" I get it registered to be valid against those prior registrations. It seems to me the section is perfectly right?—A. I bow to your interpretation.

The CHAIRMAN: I know in the Maritime provinces, from which I came, that registration of bills of sale is effected—

Mr. ERNST: And of deeds.

The CHAIRMAN: A bill of sale is not, in itself, valid but I know that the courts always exercise jurisdiction in setting aside the registration.

Mr. ERNST: Take a bill of sale in the province of Nova Scotia, where a bill of sale must be registered and prior registration gives prior title, if a subsequent bill of sale, or if a bill of sale has been given to two persons, and one is registered and the second person comes along, he can go into the courts and, by common law, say that the first bill of sale was an infringement and he can set aside the first registration by order of the court and get absolute registration. I do not know if any court has jurisdiction in the matter; it is a matter of common law.

Mr. CHEVRIER: That is not his point.

WITNESS: I appreciate your point, Mr. Ernst. Does a copyright exist to the same extent, in common law, as a piece of property?

The CHAIRMAN: No, it does not, but once made a piece of property, by common law, it does come under the jurisdiction of the court.

By Mr. Chevrier:

Q. By statute.—A. That is entirely a matter for the Committee.

Mr. ERNST: Of course, we can easily fix that.

Mr. CHEVRIER: His objection is he thinks the two must be registered.

The WITNESS: The Association believes that clause 10 of the bill, by imposing formalities upon certain classes of owners of coypright and by regulating the price which they may charge for their copyright property, is a violation of the Revised Convention of Berlin to which Canada is now adherent, and of the Revised Convention of Rome, to which it is proposed to adhere, and that this clause should not, therefore, be applied to works whose protection in Canada is guaranteed by these Conventions. But there is a special point about that clause which we did not consider, when this memorandum was drafted. So far as I can gather, it is the intention of the Committee that this clause should apply only to musical performances.

The CHAIRMAN: I think, as a matter of fact, there is no Association in Canada, at the present time, which deals with other phases in respect of musical works, and we have that in mind.

WITNESS: If I might say so, Mr. Chairman, practically all dramatic performing rights, that is rights which are available for anybody to take licences upon, are not exclusively held for the purpose of touring companies and owned by the owners of the copyright of the play who are almost always an incorporated company—

Q. If they form a combination?—A. Oh, no, no. But your Bill does not say anything about monopolies or combinations.

Q. I think it does; I think in essence it does.

Mr. BURY: The Chairman suggested we might have to put in something else.

The WITNESS: Of course, because I do not think we contemplate forming any monopoly in dramatic rights, and, of course, that applies not only to dramatic rights, but to any other form of literary creation.

[Mr. Bernard K. Sandwell.]

The CHAIRMAN: Will you allow me to state that the Committee, I think, are of opinion, and have practically decided, that the clause, in its present form, will not directly affect any individual author with respect to his copyright in his work, whether dramatic or otherwise.

The WITNESS: That, I am afraid, does not go far enough to meet our requirements. Probably Section 10 does not touch an individual; but, in order to make a proper and effective use of our property, we must be able to sell it to a corporation.

Q. Certainly.—A. The instant we sell it to a corporation, it falls under clause 10.

Q. Do you think so?—A. I can see no other interpretation.

Mr. BURY: Can you sell to a performing right corporation?

The CHAIRMAN: If it is a publishing company that publishes your work, it certainly does not fall under this section. This applies exclusively to a corporation which enters into the business of buying and selling copyright in a wholesale way, or buying and licensing copyright in a wholesale way.—A. The corporate owners of all plays that they first of all produce, and when they have become exhausted as first run material for a play by first companies, are afterward made available for other companies. Copyright is vested in the corporation.

Q. Quite so.—A. And would certainly come under this clause.

Q. I do not think so.—A. And it appears to me also that the outright sale of the copyright of a book, if the rights that go with the sale include the right to dramatization, also falls under your clause.

Q. Then you have made your objection.—A. Yes. I have nothing further to say about it.

Q. It is a question of clarification.—A. You have an interesting suggestion before you, which was made yesterday, and to which I think I should refer, namely, that the price fixing provisions of Section 10 should apply to recording rights that is, rights for recording of sound, not only by phonograph, but by sound films as well. It is a very interesting suggestion indeed.

Q. That is an extension.—A. That would be an extension of the present Bill. The suggestion was made yesterday. I do not know what the views of the Committee are, about it, but there is a point I want to make. You have undoubtedly under the Copyright Union, the perfect right to regulate the terms of sound recording. It is specifically provided for.

Q. Yes.—A. But Col. Cooper suggested that would result in building up a world wide industry in sound films. Well, as far as that work goes, the article of the Convention which grants to this country the power to regulate prices for sound recordings also says expressly, in Article 13, under sub-section 4, "adaptations made in virtue of paragraphs (2) and (3) of the present article"—these are reserving paragraphs giving to your Parliament the right to fix prices—"adaptations made in virtue of paragraphs (2) and (3) of the present article, and imported without the authority of the interested parties into a country where they would not be lawful, shall be liable to seizure in that country."

The CHAIRMAN: Quite so.

The WITNESS: So any prospect of building a world-wide industry in sound films in Canada, as based on price regulation, seems to me to be rather remote.

Q. I differ from that. There could be no exportation to another country without— —A. Consent.

Q. As such foreign country could seize and destroy the film.—A. The importation must be with the consent of the real owner of the rights, who is not likely to consent, if his control of those rights has been taken from him in Canada. We have nothing further to add to the memorandum.

[Mr. Bernard K. Sandwell.]

Q. Do not let us get too general in our observations. Subsection 4 of Article 13 says:

> "Adaptations made in virtue of paragraphs (2) and (3) of the present article, and imported without the authority of the interested parties into a country where they would not be lawful, shall be liable to seizure in that country."

The penalty would be upon the Canadian company operating in Canada under the price restriction. It could not export to foreign countries and avoid a possibility of seizure in that country.—A. Quite so.

Q. That is all?—A. That is all the representation I want to put before the Committee, sir.

The CHAIRMAN: Gentlemen, I think we shall adjourn now. It is the desire of the Committee that these hearings shall not be indefinitely prolonged. To-morrow we shall hear, among others, Mr. de Montigny. Are there any others who desire to give evidence?

Mr. GUY: I have asked for permission to appear on two clauses of the act.

The CHAIRMAN: Whom do you represent?

Mr. GUY: I represent myself. I do not represent any organization, but there are two clauses that should be given very serious consideration, one deals with registration and the other is in connection with infringement.

The CHAIRMAN: We shall now adjourn until 4 o'clock, with the understanding that we shall proceed this afternoon with the evidence of witnesses other than Mr. de Montigny, who will be summoned for to-morrow morning, and after that it will be a matter of argument by counsel.

Committee adjourned to 4 o'clock.

AFTERNOON SITTING

On resuming at 4 p.m.

LUISE SILLCOX, 242 Calhoun Ave., New York City, called and sworn.

The WITNESS: I am secretary of the Authors' League of America, and the Executive Secretary of the Authors' Guild, and the Executive Secretary of the Dramatists' Guild. All three organizations are organizations in the United States. Our work in the United States is similar to the work of the Canadian Authors' Association, and the general opinions on the Bill, of the authors, were presented this morning by Mr. Sandwell, of the Canadian Authors' Association. I want to endorse what he said on behalf of the Canadian Association, as representing also the authors of the United States. I do not want to duplicate what he said.

I wish, however, to testify as to a few points. There was a discussion this morning on the registration of assignments, and a question as to taking off the record assignments which might be invalid. In this connection, on the chance that it may be of interest to the Committee, I should like to read the wording of a section which was proposed in our country to cover this contingency in a Bill that was before Congress last year.

By Mr. Bury:

Q. That is the Bill that did not pass.—A. Yes, the Bill that did not pass.

Q. It was presented to the House, but, in point of fact, did not pass.—A. It passed the House and was reported unanimously by the Senate, but did not pass the Senate.

> "Sec. 45. Subject to this Act, the Supreme Court of the District of Columbia or a judge thereof, may on the application of any person aggrieved, by writ of mandamus upon due cause shown, order that any registration or record made under this Act may be cancelled, annulled, and expunged or similarly order the correction of any omission, error or any defect in any registration or record or attempted registration or record. An appeal shall lie to the Court of Appeals of the District of Columbia from any final order made under this section."

I cannot tell, because I do not know your courts here, whether such a clause is necessary, but, in case you wanted it, I thought it might be useful.

The statement was also made this morning, by Mr. Robertson, that on February 28, in Congress in our country, the fairs and exhibitions were added to the clause which is similar to your clause 11. Such a suggestion was made but rejected. As proof of that, in this same Bill, which I file, you will find that in the Bill passed by the House and reported unanimously by the Senate fairs and exhibitions were not included and the section reads exactly as your section 11.

Q. The section reads exactly as our proposed 11 does now?—A. Yes. Now, I do not know whether Mr. Sandwell stated definitely on behalf of his Association, but I should like to state definitely, on behalf of our Association, that we are opposed to price-fixing as a principle. The difficulties that we see in clause 10, as drafted here, I should also like to point out from the author's standpoint. I am not going to go into the difficulties, as we see them, from the point of view of the Performing Right Society of the United States, because that has already been covered. I am going to go into the difficulties from the point of view of the individual author who owns a right which he has not assigned. First, you will notice in the beginning of that definition, and later in 10(2), that the Governor in Council "shall have the right to revise, reduce, increase or otherwise prescribe." I want to call your attention to those words "or otherwise." In the amusement industry, in order to preserve our rights, or to make the proper financial use of it, we sometimes find it necessay to delay licences. We anticipate those words might mean that we are obliged to licence.

Q. It says "or otherwise prescribe."—A. Following after the words "revise, reduce or increase, the words "or otherwise" can only mean that a price may be set if you do not set it yourself.

Q. The Governor in Council is given "power from time to time to revise, reduce, increase or otherwise prescribe the fees, charges, or royalties"— —A. "Or otherwise to prescribe." Could it mean that if you did not list the price that you want—

Q. He can fix a price.—A. If you listed the fact that you did not want a price—just let me explain a specific case. The example that we have most frequently is the case of a musical play.

Q. Before you go on to that, subsection 2 deals only with the revising, reducing or increasing the fees to be charged, or the royalties to be charged by a society, association or company, not by an individual author.—A. But let me explain a minute. We have a musical comedy, let us say. Mr. Buck used the example, the other day, of the Zeigfeld Follies. It is customary for him to make his own contract, with Mr. Zeigfeld, an individual contract.

Q. With whom?—A. With a producer, an incorporated company. The contract that is usually made, in the dramatic business, prescribes that such performing rights vest in that manager, so long as he plays that play and gives royalty to the author. So that the author's performing rights for a period, for the length of the lease, vest in Florenz Zeigfeld Incorporated. The author has not parted with his copyright, but with his performing rights at the moment. It is an individual author selling to an individual corporation the right to produce his play.

Q. That is, the author of the play, selling to the producer of the play.—A. The right to play the play in exchange for royalties. He gives him a lease.

Q. Producing rights.—A. Producing rights, yes. But what is the position under this clause? The producer and the author are exceedingly anxious, while this play is running in New York, or Chicago, or some big city, to see that it shall not be played over the radio, or in cabarets, or in other places. If a person can go to a cabaret, and hear all the songs, he will not go to the theatre. Now, our difficulty is that if we have compulsory licensing of this sort, if we do not list the price at which we are selling, or at which we are willing that this song shall be used in Canada, it can be used and we will have no suit against the infringer under this clause.

Q. We are talking about the fee now.—A. If we do not list the fee at which we are willing to have it used, it can be used without our consent.

Q. Where does that occur in the Act? You cannot collect.—A. Well, the same thing. We would have a right, but no remedy. Now, the thing that we are most interested in, is dramatic music. To prevent that being used, except in certain places for a certain number of months thereafter, we are willing that it should be widely used, and we are afraid that under this clause we cannot stop use. That was the other point I did not think that Mr. Sandwell made on the price-fixing difficulty.

Our next difficulty is that, for those authors who live in Canada, or England, or in a part of the States not near the metropolitan centres, it has been customary to use an agent who is resident in the metropolitan centre. For instance, a Canadian author will use an agent, quite often, who is resident in London, or New York. That agent is usually a company incorporated to protect the author's financial interests. We feel that the mere employing of a literary agent would bring us under the requirements of this section, in spite of the fact that it is really an individual author and a literary agent selling only on a commission. Besides that, we have, in every case, pretty nearly, if the author is young, a demand on the part of the person who is producing the work, a request that he shall share in the proceeds, when we use the work in other ways. If that man happens to have a corporation, a producer or book publisher, or anyone else, as agent, this section would apply. So that we believe that the number of cases where the individual author would not be obliged to file, when he wanted performing rights, would be practically nil, or down to about 10 per cent. The majority of cases would have to be filed.

Now, in dramatic works, we could file what we want for amateur or stock rights. We do not see any particular reason for it, but it could be done. We do not know how we could file in the case of a literary, or dramatic or musical work the price we want for motion picture rights, because there is no company to-day in France, Germany, England, or America that is buying territorial motion picture rights. They all insist on buying the world picture rights. Unless we would be purely arbitrary, and set some ridiculous sum that we did not know how we came by it, an author could not honestly file what he wanted for the Canadian motion picture rights. Our main difficulty is that we would be obliged to be arbitrary. I mean as individual authors. Our association, of course, does not handle any rights. I have not had any complaints that authors are charging

too much, and we do not quite believe that it is practical. The only other point that I can give testimony on would be—

Q. You are clear in your mind that you are dealing with charges or fees, not which the author asks but which the society, association or company asks for the right of reproducing these.—A. Sir, no society or association owns dramatic performing rights in Canada, America or England, except the petit rights. Such performing rights, and motion picture rights, are owned by the author.

Q. Are owned by whom.—A. The author.

Q. Well, are they owned by the Authors' Association, or are they owned by the individual author.—A. By the individual author, sir, but, under this section, if he employs a literary agent to dispose of them, the agent would, in my opinion, be in the business, he would be a corporation, a company.

Q. If he was a society, an association or company he would be.—A. But the agent is a company, always. I would not personally give my rights to be sold by an agent who was not an incorporated agent. The first two words do not apply, in the cases I am mentioning to you, but the last does.

Q. That is, so long as it is an association or company or society.—A. And also it is customary, in all plays, for the manager to have a share in the amateur and stock rights, so you see they do come under the section. The only other testimony that I think would be of use to you would be, if you desire, that I should give you the general terms of the various contracts that are made in our profession that would be covered by section 10.

Q. Yes.—A. Whenever an author makes a contract with a literary agent, it is written, or verbally agreed, that the agent shall have the right to sell either in the United States of America and Canada, or United States, Canada and England, we usually make contracts for the English speaking countries, and those agents are practically always, in the States, incorporated, and in London, they are also incorporated companies. So that in all those instances, since the company would come under definition 1, agents would have to file the list of prices, or where it was a performing right that the agent had the right to sell, it would be subject to price-fixing. These contracts call for the agent to have a limited time to sell, sometimes six months, sometimes a year, sometimes two or three years. The agent has for his services ten per cent —no contract to be valid unless signed by the author. In the magazine contracts, in the States and England, in about fifty per cent of the contracts to-day, the author sells his own first serial rights and there will be no connection with this clause. He does not part from his copyright, and Clause 10 does not apply. In most of the pulp magazine, and cheaper magazines, the author parts from his rights to the magazine, and, therefore, the magazine is bound to file under Section 10. In the book contracts, the older authors who have had two or three books sold, usually sell only on a royalty basis, and do not give any dramatic or performing rights to the publisher, so that they do not come under Clause 10; but, on the first books, it is very usual for the publisher to demand a share, from 25 to 50 per cent, of what you would call motion picture or dramatic rights—other rights. In these cases, since the publishers are all companies, it would be necessary for the author to file—or the publisher—the author, having the major right, would have to do it—the amount that he wanted for the Canadian motion picture rights, and if he thought there was a play in his book he would also have to file his price for first class, tour, stock, amateur rights; but it is less usual to sell the dramatic rights in a book than the motion picture rights.

Now, in the play contracts, the clause would more often be effective. Plays fall in two classes, music plays and non-music. The non-music play contract calls for the manager producing within a certain number of months. If he produces, and keeps the play running for three weeks, then he and the author, to all practical intents and purposes, become joint owners in all other rights within the territory

mentioned, (in the case of United States, the United States and Canada—in the case of England, the British Isles, not including the United States and Canada) for the length of the contract so long as he keeps the play running. The minute he allows the play to go off the boards, and does not play it seventy-five times a year, the play reverts to the author. All the time the play is running, the performing rights are vested jointly in the company and an individual author, my opinion is that authors will have to file the prices they want for these various works, and even if they do not have to file—if the manager were an individual, as in the case of Winthrop Ames—the minute the play has run its course in the big cities it is for stock, and then, of course, a stock broker—

The CHAIRMAN: Is that a stock company?

The WITNESS: Stock means for a stock company, but the author sells to the stock company through stock brokers, and these brokers are regularly in the business of selling performing rights. Now, those prices are known. We know what we get for a hit and for another play. That could be filed. Now, when we come to the publishing rights of these plays, it is the custom, in both Canada and the United States, to sell what you, or I, would call the amateur rights, and the little paper-bound book rights, to a company who act as agents for selling the amateur rights. Now, that agent sets the prices, but under the author's direction; and again they are quite uniform, and again the right to give performances for charitable organizations, or to waive fees, rests in the author, if he is resident near the broker. The decision as to whether to waive fees for any particular charitable enterprise is made, in the case of dramatic words, by our association on behalf of members, or by the agent with the author's consent. We have found a very simple way of deciding in the States. If the newspapers' association investigates and decides that their newspapers will give a charity advertising rate for the specific charity performance, dramatists usually waive their fees; or an investigation is often instituted by the Charity Organization Society; if that Society approves of the estimated profits and estimated expenses, the question of reducing fees is favourably considered. These are the majority of contracts with regular play production. On musical plays, the contract differs slightly, because the rights of the musical publisher enter. The music publisher publishes the sheet music, and, by custom—this is subject to contract—usually makes the mechanical sales to the disc people. Those terms are all set forth in regular contracts, and are very uniform. They are very much alike one to another. The only thing that differs is the price we charge. Some authors can get a higher royalty than others, but the other terms do not vary much, though there is no reason why they should be alike. I forgot to mention, in the case of plays, that the manager shares, with the author, in the motion picture rights under the condition that he produces and keeps his play going for three weeks. There, again, comes the old problem of how we would set the fee to file for motion picture rights. It is a physical impossibility, if we would be honest about our compliance with the section.

Mr. BURY: Have you any other statement to make?

By Mr. Irvine:

Q. I still cannot see how the individual author comes under Section 10 (2); how he is affected.—A. He does not, if he does not use the services of any company in marketing his work in Canada.

By Mr. Bury:

Q. He does not anyway; but the company, which acts as his agent for selling performing rights, does?—A. Yes. Then the agent must file, but the truth is that the author has control; he must tell his agent what fee to file. He must tell his agent what to do, because the agent, after all, follows his wishes in the matter.

By Mr. Irvine:

Q. I think that this clause applies only to companies who have obtained licences through the performing right society.—A. It does not, sir.

Mr. BURY: It refers to any society, association or company which has authority, either through itself, as the owner of the rights, or through the original owner of the rights, to issue licences. Is that right?

Mr. CHEVRIER: Perfectly true.

Mr. BURY: Supposing, for instance, the owner has the rights and does not want to part with them, but makes a society, or association, his agent to issue grants, performing right grants of a work, then that agent society will surely be a society, association or company which may legally collect in respect of the issue of the grant for performances. It does not say collect for its own benefit, or use as the owner; it may collect as an agent. I should imagine that would be right; I do not know.

Mr. CHEVRIER: Yes. That falls within the section.

Mr. IRVINE: I do not believe it does.

The WITNESS: The word "companies"—we do not happen to have any associations who make licences (except occasionally I personally do, under a power of attorney from the author)—but companies do it very often—the word 'company" is not limited to company owners.

Mr. BURY: Now, are there any other questions?

Mr. CHEVRIER: I want to compliment Miss Sillcox on her very illuminating evidence.

R. H. LEE MARTIN, called and sworn.

By the Chairman:

Q. Give us your name, address and your business connection.—A. R. H. Lee Martin. I live at 23 Oxford Apartment, Winnipeg, Manitoba. I am the Managing Director and Secretary of the incorporated society known as The Musical Protective Society of Canada. That society was organized in July, 1927. If the Committee desire, I shall be glad to file the certificate of incorporation, just in case you care to refer to it.

Q. File it for reference.

By Mr. Irvine:

Q. I would like to know, briefly, the function of your Society; what does it protect?—A. In order not to encumber the record, or to take up a lot of time of the Committee, I have a number of copies of a little pamphlet which the Society got out in 1927, when it was first started. I might briefly explain, however, that the Society was organized primarily to bring together the various interests who are engaged in the public performance of music in Canada. As you all know, this matter of performing rights has been considered by previous Committees of the House and has been agitated due to the activity of the Canadian Performing Right Society. Prior to the organization of the Musical Protective Society, various interests such as broadcasters, theatres, hotels, fairs and exhibitions had all been seeking some remedial legislation with respect to the demands and charges of performing right societies. Many of them had got to the point of asking for complete exemption. This Society was formed for the purpose of bringing all of these various interests together so that, instead of a multiplicity of demands being made for legislation, the various interests should, if possible, get behind one particular Bill, or get behind the endeavour

to secure some particular kind of legislation, rather than make a large number or unrelated and disconnected proposals. The position of the executive of the Society, and their names appear on the booklet which I have just filed, has always been that we fully recognize performing right societies as a necessary evil. That is, a necessary evil not only for the composers of music but, also, for the users of music, and, when I say evil, I do not mean it in any ugly way at all but, merely, of course, that users would be very much better off if they did not have to employ any society at all.

By Mr Chevrier:

Q. You say they are a necessary evil for the user. How do we get back to the author or producer?—A. I mean if they did not have to use any instrument to collect their fees they would get a larger proportion of the collection than they do where they have to go to the expense of organizing and maintaining a society.

Mr. IRVINE: They might not get any.

The WITNESS: Or not get any. If anyone objects to my calling it a necessary evil, I will withdraw evil and say they are necessary.

The CHAIRMAN: A necessary instrument.

The WITNESS: A necessary instrument. The Society was formed for that purpose, and we have tried to instruct the various members of the Society in the law as it exists in Canada to-day, but we have always felt that some legislation should be enacted which would enable some governmental authority to restrict the amount of fees which such performing right societies as such would charge. Now, some of the members of this Society, or rather some of the groups which this Society represents, have already been heard here, and I do not wish to take the time of the Committee by repeating much that you have already heard. I will, therefore, get down immediately, to the Bill before us, and, with the permission of the Committee, make a few comments on some of the sections.

By Mr. Chevrier:

Q. Before you proceed. You have been particularly kind in letting me have a copy of this pamphlet. I notice that Colonel Cooper is Vice President and Assistant Treasurer of your company?—A. Yes.

Q. I notice, at the top of your little booklet, these words, "This Society has been formed for the dual purpose of promoting the development of Canadian music and protecting the interests of those who utilize music for public entertainment."—A. Yes.

Q. You are not at all concerned with the protection of those who produce? —A. Not at all, not this Society. It is not for that purpose. The Performing Right Society is.

Q. Then this protection is for the user?—A. The user, yes.

Q. Then, on the page before the last, I find this—I read it hurriedly, but it is interesting: "We do propose, however, to urge parliament to amend the present copyright law so as to protect those who are concerned in public performance of music against the unrestrained demands of the Performing Right Society." Will you explain what the unrestrained demands are?—A. Yes. What I mean by that is that, so far as the Copyright Act stands at present, from a legal standpoint, at any rate, the Performing Right Society can ask, let us say from a theatre, a licence fee of ten cents a seat, or ten dollars a seat, or ten hundred dollars a seat. There is nothing in the law which, in any way, prescribes the fees. I am sure you understand that.

Q. Well, let me see now. All along we have been in the habit of saying ten cents a seat a year. That is so, isn't it?—A. I am not a theatre man.

Q. You mentioned that. You should speak whereof you know. I say we have; and they can charge you ten cents a seat a year. Have you any personal knowledge of that not having been charged?—A. I heard testimony which has been given here that that has been charged.

Q. Have you heard of any complaint, or have you heard of any place, at any time, in any connection, where they charged a thousand dollars a seat a year?—A. Oh, no; I am not suggesting that.

Q. You have just suggested it now.—A. No. I beg your pardon.

Mr. ERNST: The witness said that the power was there.

The WITNESS: The power.

Mr. BURY: He was simply illustrating the fact that they have unrestricted power.

Mr. CHEVRIER: I want to be fair to you, but do not make any innuendos or insinuations.

The WITNESS: I do not want to.

By Mr. Irvine:

Q. May I ask a question for my own information. Do you mean, by "user of music", the person who pays to hear a song, or the person who pays somebody to sing a song?—A. I would say the user of music, I mean those who use music.

Q. The exploiter of music?—A. Yes.

Mr. CHEVRIER: Bear in mind, if you do not want to deal with the shop on the corner, you may deal with the shop on the next corner; in other words, if you do not want to pay what those people ask for their music, you still have the music in the public domain.

The WITNESS: I am glad you brought that up, Mr. Chevrier, because that is something I feel—

Q. In other words, I want to make this plain, that the Performing Right Society do not control a monopoly of the music. There is a wider field, and tell me if I am wrong, there is available a powerfully wide field where you can still get music and pay nothing for it.

The CHAIRMAN: The evidence is that they control ninety per cent of modern music.

Mr. IRVINE: Which is the largest monopoly you can get.—A. If the Committee will permit me to call attention to something which has not been mentioned before, I would like to point out this, that a great deal of the music, which normally would be in the public domain, is not there, in fact, for all practical purposes, because it has been arranged by some other musician and that arrangement itself is capable of being copyrighted, and those re-arrangements—

By Mr. Chevrier:

Q. You mean to say that the music in the public domain can be restricted in any way?—A. Yes, it can be arranged.

Q. Outside of the moral right?—A. Yes, it can be re-arranged.

Q. You will have to go a long way to convince me of that.

Mr. BURY: Surely, it can be arranged.

Mr. ERNST: I had it proved to me yesterday at a luncheon, that the chorus we once heard so often, "Yes, we have no bananas," came from Handel's "Messiah."

Mr. CHEVRIER: It is a distortion.

The WITNESS: I am not talking about a case of that kind at all; I am talking about a re-arrangement of the musical works.

Hon. Mr. RINFRET: Mr. Martin, the fact that it has been arranged surely does not force you to use that arrangement?—A. No, but the practical situation

is that a great deal of the music, which normally would be in the public domain, the only copies of those works which are actually sold, are re-arrangements by some other musicians.

Mr. CHEVRIER: We will not argue that now, because you cannot convince me of it at all.

The WITNESS: If I cannot convince you, I will not argue.

Mr. CHEVRIER: The law is clear.

Q. Do you mean to say that the music can be taken out of the public domain and re-arranged by some users for their own purpose?—A. Yes.

Q. That is what you say—A. And the re-arrangement is copyrighted.

Q. They have no right to take that music from the public domain and re-arrange it.

The CHAIRMAN: Why not?

Mr. BURY: They are doing it.

Mr. CHEVRIER: I certainly will not argue that, because every day there will be a certain amount of music go to the public domain.

The WITNESS: Anybody can take it and arrange, or re-arrange it.

Q. They have the physical power to take it, but they have not the moral right to take it.—A. Yes they have.

By the Chairman:

Q. Do you mean that a musical composer may take any music that is in the public domain and rearrange it in any manner he sees fit, so long as he does not, by such a rearrangement, reflect upon the reputation or prejudice the honour of the composer?—A. That is exactly the situation.

Q. And if he does so rearrange it, he can go to the Copyright office and have it registered?

Mr. BURY: That is copyright his arrangement.

Hon. Mr. RINFRET: I agree with that. Let us take a comparison. There have been quite a number of companies playing Shakespeare in modern dress, with a certain rearrangement on the part of the performer, in order to give it a new flavour. But, the fact that Shakespeare has been played in modern dress, is no reason why we would not have the right, without paying copyright, to play Shakespeare in the original.

The CHAIRMAN: Quite so. There is no interference with music.

Hon. Mr. RINFRET: And the other arrangement does not impoverish the public domain.

Mr. ERNST: To fill dance halls you need modern music, which is not in the public domain.

The CHAIRMAN: Allow him to proceed, he has made his point clear.

The WITNESS: The first section of the Bill, which really is of concern to the Musical Protective Society, it may surprise you to learn this, is the one that deals with copyright of titles. I am not going to make any suggestions, or complaints, in regard to the provisions of the Bill in this regard, but I would just like to relate an actual incident which has recently come to my attention, which probably illustrates, as graphically as I can, the kind of situations which are liable to arise in connection with an attempt to grant copyright of titles.

During the past winter, the Canadian National Railways have been broadcasting plays based on incidents in Canadian history. These plays were written and prepared for radio broadcasting by Merril Dennison, a Canadian author. One of these plays was entitled "Laura Secord," and, of course, dealt with some of the incidents connected with the War of 1812, in which, of course, as

you know, she was an important character. Merril Dennison's play was one which was specially written for radio broadcasting, and was in the ordinary form of a play. The title of the work was "Laura Secord." The play was produced by radio broadcasting from one end of Canada to the other. It developed, later, that an author in Toronto had written what he called a musical drama, or operetta, the title to which was also "Laura Secord." He wrote a letter to the Canadian National Railways protesting that they had violated his copyright; that "Laura Secord" belonged to him; that he had copyrighted her and nobody could write a play about Laura Secord except himself. A comparison of the two disclosed that only four of the sixteen characters in Dennison's play were mentioned at all in the musical drama, which it was supposed to infringe; that there is not the slightest evidence of any plagiarism, as far as the text is concerned, and that the incidents had been treated in about as different a manner as it was possible to do, having in mind that they dealt with substantially the same historical incidents and the same historical characters.

Now, it seems to the broadcasting interests, who are represented by the Musical Protective Society, if the law in Canada is to be amended so as to permit the copyright of titles, that the wording of the section should be very carefully guarded so that incidents, such as the one that I have mentioned, would be readily cleared up, because it is obviously ridiculous that anyone could have copyrighted any historical incident, or the name of any historical character.

Q. Any objections which I read all seemed to be of the opinion that there was no means of ascertaining whether a title had been used before or not.

Mr. ERNST: Without registration.

The WITNESS: Obviously that is so.

The CHAIRMAN: For instance, in one case, it was suggested by a complainant that he had looked through all the works in a library giving the indices of modern plays and works and had selected a title, which was not included there, and yet, afterwards, found that he had taken the title of another work which was comparatively well known to a generation of 15 or 20 years ago, but which had escaped public notice in recent years.

Mr. BURY: I appreciate very well what the gentleman says, and I think we can get down to some means of meeting it.

Mr. CHEVRIER: You cannot very well copyright a title or a proper name, but supposing something is done along the lines of the Patent and Trade Mark Office, where proper names as such are not registered—

The WITNESS: It is a very difficult subject.

Mr. CHEVRIER: There is nothing too difficult for this Committee.

The CHAIRMAN: The suggestions made by a previous witness that the title should be, in order to maintain copyright, original and distinctive, were very helpful to me.

The WITNESS: Mr. Chairman, that does not meet the difficulty that you suggested. How is an author going to know that somebody else has not selected it, if there is no registration or no record of those titles?

The CHAIRMAN: The only penalty is, he would not be able to maintain copyright in the name he had selected against others.

Mr. BURY: Unless he registered.

The CHAIRMAN: Unless he registered.

The WITNESS: The only suggestion that this Toronto author made in this connection was that in case Merrill Dennison wrote another Canadian historical play he should consult with him, and find out whether he had used the title.

Mr. CHEVRIER: There are heaps of works written about Napoleon, and these works are copyrighted, but nobody would ever suggest, because these works are copyrighted, that nobody else could write about Napoleon. It is so extravagant, with all due respect—

The WITNESS: It was a rather ridiculous claim, but I am merely bringing it out as a striking illustration.

The CHAIRMAN: It is a helpful suggestion, and it was causing us some considerable difficulty as to what words we might use in order to clear it up.

The WITNESS: In regard to the section dealing with the moral right, it has been suggested that the section, as printed in the Bill, should be amended so as to include "performance." The only thing that I would like to point out in that connection is this, in case the Committee feels that "performance" should be included in the "moral right" section.

The CHAIRMAN: We should amend.

The WITNESS: That you should amend; that you will have to be, as I know you will be, very careful that the language is not so broad that the moral right of an author may be held to be infringed by a simple performance.

Mr. CHEVRIER: In other words, as I suggested to someone the other day, would a singer going " flat " be a distortion of a musical work. I do not want to be facetious about so serious a matter as this.

The CHAIRMAN: I do not know the opinion of the others, but, after listening to the discussions which we have had here, it seemed to me that every purpose would be served if the words " the publication of " were left out of this section, leaving it entirely to the courts to decide as to whether publication, performance, production or reproduction was a distortion, mutilation or other modification which would be prejudicial to the honour or reputation of the author. That is the way it seemed to me.

The WITNESS: In my humble opinion, that would be a solution of it, and, I think, a very good one.

By Mr. Chevrier:

Q. Have you read section 6 *bis* of the Convention?—A. Yes.

Q. Have you any objection to the wording of the section?—A. I do not think I have.

Q. Will you be satisfied to take it as it is there in the Convention?—A. Yes.

Mr. BURY: That is just what the Chairman says.

The CHAIRMAN: I simply was giving my own reflection on that, and it seemed to me that all the objections which I have heard would be completely met, if we struck out the words: " the publication of," and allowed them to read: " the right to restrain any distortion ".

The WITNESS: Continuing with the review of the sections, section 9 has already had extended discussion by previous witnesses, and I am aware that the matter is fully before the Committee, so that I really do not feel justified in discussing it in detail, particularly as I have nothing that is really fresh to offer.

The CHAIRMAN: Would the Committee regard it as interfering if I express another reflection that has come to me that will be open for discussion? If it appears that certain sections of this Act must be very radically amended to meet with the approval of the Committee, and of Parliament, it seems to me that it might be quite possible, within the terms of the Convention, to preserve a voluntary registration, such as exists in the first part of the present section 40, which is voluntary, and to provide some alternative to the last three lines which read:

> "And no grantee shall maintain any action under this Act, unless his and each such prior grant has been registered."

Now, it has been suggested to me, by attorneys who deal with this copyright matter, that we have gone very far in certain sections of the Act in assumptions in favour of any person who alleges that he is an author or the assignee of an author. They say, at present, if you bring an action, the author's rights are assumed by the court under our section, leaving the whole burden of proving any laches in continuity of title to the defendant. They say that is an innovation in, what I may say, civil law in this country, and they suggest that it would not be in violation of the existing Convention if, as a matter of court procedure, we, in dealing with copyright, should provide, along with that assumption in favour of the plaintiff, that the plaintiff should file attested copies of the documents upon which he relies, so as to enable counsel for the defendant to consider that title, and its weakness and its strength, in preparing his case; they say it is impossible, under the present procedure, not with regard to where we can force protection within Canada, but with regard to many titles which are held abroad in England, Italy, France, Germany and foreign countries, it is impossible, except by issuing commissions to those foreign countries, out of the court, to procure evidence as to the continuity and validity of the title, and, what I am really suggesting, is that if section 10 of the Bill, for instance, goes, and if certain further amendments are made to section 9, we may have to consider our whole position with regard to the registration of titles, and the effect of our registration.

Mr. CHEVRIER: That is a very valuable suggestion, Mr. Chairman.

The CHAIRMAN: I may say to those gentlemen present it means, I think, that every one of us came here with pretty open minds anxious to solve a problem which is raised by reason of the conflicting interests which certainly do exist.

The WITNESS: You mentioned in your remarks, sir, that if section 10 had to go—did you mean by that it would be dropped from the Bill.

The CHAIRMAN: Oh, no no. But, after we have heard all witnesses, this Committee, with perfectly open minds, will discuss any modification or revision of these various sections.

The WITNESS: I might say further in regard to section 9 of the Bill, which repeals section 40 of the present Act, that the Musical Protective Society, members of the Society, have no basic objection to section 9, provided section 10 is subject to such modifications as the Committee may see fit to make to it, but, at the same time, maintaining the general spirit of that section, provided that is retained in the Bill.

By Mr. Bury:

Q. Provided what is retained in the Bill?—A. Section 10 of the Bill.

By the Chairman:

Q. Have you any objection to section 10?—A. I have no objection to section 10, except—and this is really not a matter that deeply concerns the membership of the Society that I represent, but inasmuch as it might eliminate some of the objection, particularly the matters referred to by the previous witness, we see no objection to deleting from such subsection (a) the words "literary, dramatic and artistic" and confining it to "musical". I am merely saying we have no interest in seeing those words retained.

Q. You would leave out "literary"—A. And "Dramatic" and "artistic."

Q. The point has been suggested to me that "artistic work" would cover certain cinematograph work dealing with artistic subjects. But, leaving that aside, would it not be necessary to retain not only "musical" but "dramatico-musical works" in order to cover what is the clear intent of this section.—A. "Musical work" is defined in the present Act, is it not?

Q. Yes, it is.—A. And I think that definition is sufficiently broad.

Mr. BURY: Subsection (*p*).

The WITNESS: I may say that I think all the members of our Society, which comprises the largest users of music in Canada, realize that dramatic works cannot very well be handled on the same basis as what we ordinarily mean when we say a musical work or a piece of music.

The CHAIRMAN: These opinions I have expressed are not the opinions of the Committee, because we have had no time to reflect. Some of these things I have been thinking over, and, after hearing the discussions in this Committee, which are very informative and very helpful, it struck me that it is quite possible that the Committee might favourably consider the abandonment of that, to reduce it to "dramatic" or "musical works" such as are mentioned in section 3, sub-section 2 of the Copyright Act itself. I think, from the discussion, that we might well modify it in certain particulars there.

The WITNESS: Well, that would be helpful, but it would not go all the way to eliminate some of the difficulties that the previous witness brought up in regard to dramatic works. It is not part of my duty to argue that case. I am merely interested primarily, and those that I represent, in seeing a workable Act and a reasonable Act adopted, because no one realizes more vividly than I do that if an Act is put through which contains glaring injustices, it is not going to be allowed to stand, and we might as well try and get something that is reasonably workable, now, as tackle the whole thing over again, next year, or the year after that.

The CHAIRMAN: Quite so. Now would you please revert to the Bill.

By Mr. Bury:

Q. You told us a moment ago that you have no objection to section 9.—A. Yes.

Q. What I want to know is, whether you are not prepared to cut the condition out that you mention. Have you any objection to section 9, apart altogether from section 10.—A. Well, yes I have.

Q. What objections are there to section 9.—A. Because, at the present time, section 40 of the Act furnishes a certain degree of protection to music users, not such a great protection, however, as some people suppose.

By the Chairman:

Q. You have some predilections in its favour?—A. Yes, in the absence of section 10.

By Mr. Bury:

Q. I do not yet understand. What objections have you to section 9 of the amending Bill.—A. I do not object to the section, as such, at all. As you, of course, know, the present section 40 requires a registration of the assignment as a condition precedent to bringing suit.

Q. That is right, you are in favour of keeping that feature.—A. Keeping that feature in, providing that section 10 is not put in.

Q. Wait a minute, that is a different matter, that is reversing the thing.—A. Well, it may be reversing the thing, but that is the situation.

The CHAIRMAN: What the witness has in mind is, that under the registration section, that is 40, which is amended by 9 of the Bill, you have full protection by what is practically compulsory registration, but, if compulsory registration is entirely abolished, and you are placed under the purview of section 10, you would prefer, if there is a possibility of your being placed under section 10, to maintain section 10 in a more or less modified form.—A. Yes, in the modified form in which I mentioned.

By the Chairman:

Q. Because it enables you, then, to ascertain directly with whom you have to deal, by investigation of a more or less complete record of the commodities in which that wholesale dealer is dealing; it is something along that line.—A. Exactly. Some of the previous witnesses, and some of the discussion in regard to section 10, have given me the impression that in some people's minds the provision under section 10, requiring the filing of lists, was made for the purpose of enabling users of music to know what music is copyrighted. That, to my mind, is of no interest at all.

Q. Why not.—A. Generally speaking, we know what music is copyrighted. It is all copyrighted. We do not have to consult any list about that, for all practical purposes. But what the filing of lists by the Performing Right Society does is this: it enables us to know, when we take a licence from them, what works they control, what copyrighted works they control, you see, which is quite a different thing.

Q. And it enables you, therefore, I suppose, to deal with them only in respect of those which they do control.—A. But the main thing is that we should know what they control. Now, it is perfectly obvious, from the previous testimony of representatives of the Performing Right Society, that the members of these societies join for a limited period. I think it was for five years.

The CHAIRMAN: Yes. Five years in the United States, and some of the contracts in England—I have seen it here, or in the English evidence, some of the contracts in England are for five years also.

Mr. HAWKES: Wherever we can make them for the full period of five years, we do, sir.

The CHAIRMAN: My memory is defective, but I think that in France, and in Germany, there are contracts for limited periods also.

Mr. HAWKES: I am not quite acquainted with the French and German procedure, but the constitution of the English society, being only for five years at a time, we cannot make contracts for any other periods.

The WITNESS: I am not speaking of contracts that the Society makes with music users. I am speaking of contracts between the members and the Society.

The CHAIRMAN: You are dealing with the users.

Mr. HAWKES: No, sir.

The CHAIRMAN: With the users. As a matter of fact, I am not clear; but it seems to me that I read in some of the evidence of the British House of Commons Committee that your contracts with musical composers are not indefinite, but are usually limited to a term of years.

Mr. HAWKES: I might explain, Sir, that the constitution of the British Society is in quinquennial periods. We have to renew our constitution every five years, and members renew for the full period of the quinquennial.

The WITNESS: It is a five year period in both cases.

Mr. HAWKES: In the case of the French Society, it is twenty-one years.

The CHAIRMAN: It is indefinite, and I remember reading the evidence in the case of the English Society.

The WITNESS: With reference to the American Society alone, it appears to be operated on a slightly different system from the English Society. There is no way that music users can tell when these five year terms of membership begin and end. Now, this filing of lists is merely asking the Society to inform those whom it is asking to take their licences—to inform them what works at the time they have the right to grant licences on, because, otherwise, we do not know what we are contracting for, and certainly, when we are paying money, we are entitled to know what we are getting. As it is now, generally

speaking—I want to emphasize the fact that this is a general statement—what the Society licence really means is that they agree not to sue us for the period of that licence. That is all. They tell us they control a lot of works and we believe them, but we do not know what.

By the Chairman:

Q. You are suggesting that you are purchasing freedom from litigation? —A. That is all.

Q. That may be an exaggeration.—A. I do not think so. I do not want to exaggerate.

Q. Take the ordinary choral society, or town band, or women's choir—all these people—they certainly are not guided by expert evidence such as you can obtain. You really represent certain interests that can procure the assistance of experts and keep them employed; but for those who have not your expert assistance, they are crying out for some way in which they can identify the works in which copyrights exist in Canadian Performing Right Society.—A. Then it is useful for two purposes; but the greatest utility, to those I have the honour to represent, is in knowing what we are getting when, and if, we take a licence from the Canadian Performing Right Society. That is the greatest utility.

Q. Their reply to you is that their rights are so varied, and so widespread, that you can have very little doubt when you deal with them.—A. That is all right for them to say, but, as a matter of fact, these are entirely private societies. They can go out of existence to-morrow. They can break up into all kinds of units—perhaps can withdraw. Of course in one case I know of a music publishing concern in the United States tried to withdraw and the courts would not let them do it.

Q. That is from the American society?—A. Yes, during their five year contract. But there are all kinds of possibilities as to these privately owned and operated societies having full freedom over their own affairs, which they should have; but when they come to deal with the general public I think the general public are entitled to know quite definitely what they are offered.

By Mr. Chevrier:

Q. Just on that point. The filing of the list would not indicate the length during which that work is to run. When you make a bargain with the Performing Right Society on works that have been filed, they would not, as I understand it from the section, because it is not mentioned—the filing would disclose only the rates which they were asked for those works, but they would not indicate for what length of time they were to run. So if you decided, you would have to inquire if the rates are agreeable to you on these various categories. You would still have to inquire from the Performing Right Society how long these things are to run.—A. I am talking about Section 10. From this standpoint, I realize that, in all probability, you are going to make some changes in Section 10, if this Bill passes. Now, the matters which I referred to were merely mentioned for the purpose of acquainting this Committee with our viewpoint. I am not saying that each word in Section 10 should remain there as it is now; but I really thought that the Committee was entitled to have our point of view in regard to this matter, and we are then content to leave it to the good judgment of this Committee as to what to do with the information I am trying to give you. If I am giving you information which is not correct, you know as well as I do that I am going to be corrected.

The CHAIRMAN: The information as to the five year period? In calling our attention to that, although it was disclosed in some previous evidence, it is useful now.

[Mr. R. H. Lee Martin.]

The WITNESS: That is why I am doing it, because I felt that probably you had not got the significance of that from the standpoint of music users, and also I did not feel you had it emphasized sufficiently to you that these are purely private societies that have great freedom as to how they manage their affairs and what they do. There is nothing to prevent them, that I know of—any of these societies, dissolving at the end of any five years term. You, or Parliament, are making a law now which is to continue on for a considerable period of time.

Mr. CHEVRIER: I appreciate that very much. Your difficulty is that you do not know for what length of time these things will run.

The WITNESS: I do not know.

By Mr. Chevrier:

Q. You know, I presume, however, that when you enter into a bargain you can find out for what length of time these are to run, but your difficulty is that you do not know as to when the Society may go out of business.—A. We can find out what they want to tell us. We cannot find out what they do not want to tell us.

Q. What they want to tell you?—A. Yes. We are in no position to compel them to tell us anything except that if we play their music—

The CHAIRMAN: You cannot compel any disclosure?

The WITNESS: We cannot compel any disclosure as to their contracts and so forth.

By Mr. Chevrier:

Q. I want to protect you on that, and what I want to get at is this: Do you mean to say that if you went to the Performing Right Society and said, "I have this category." Now I will take Clause A, Clause C and Clause B—do you mean to tell us you cannot find out for what length of time some of those works are to be in their possession?—A. I do not know. I cannot say whether I can or not.

Q. Certainly, that is a question of contract; it is a question of bargain. You certainly are entitled to know from them. You say, "I am going to make a bargain with you for the year. I do not happen to know when this was assigned to you, but are we protected for a full year?" You have the right to ask them that.—A. I have the right, but suppose they disagree with me and say, "We cannot bother to run through all these lists and find out when these different memberships expire."

Q. I agree with you there.—A. Pardon me. I am talking about something which can be wiped out in a few minutes. I do not know. I am not a member of either of these Performing Right Societies, and, except from conversation with their officials, I know nothing about their internal economy.

The CHAIRMAN: Are there any other matters concerning which you would like to speak to us?

By Mr. Bury:

Q. You have dealt with Section 10 (1).—A. I think that is all that I have to say, except that, if I might presume to cover Section 11, which was dealt with this morning by Mr. Robertson. There was just one question which was asked and which, apparently, Mr. Robertson was not sufficiently informed upon, and was asked to answer, and as a good many of the Fair Associations belong to the Musical Protective Association, I think it is only right that I should furnish the Committee with information.

The CHAIRMAN: Proceed.

The WITNESS: The Canadian National Exhibition at Toronto, last year, offered a prize of $1,000 for the best musical work that was submitted in a competition. They did that for Canadian music and Canadian composers. They have

band competitions each year for which they give prizes. They assemble, as you all know, a very large choir which stimulates the interest in music and singing, and probably indirectly, but none the less certainly, stimulates the sale of sheet music. In general, the Canadian National Exhibition is one instance of an exhibition in Canada that has done much to foster music and the interests of Canadian composers and musicians. The question was put up this morning, particularly to Mr. Robertson, but he did not know what they had done and, therefore, he did not bring that point out. Further than that, I understand, last year, if my memory serves me well, even the year before, a very large part of the music which was played before the Canadian National Exhibition consisted of works of Canadian composers. I am quite sure that Mr. Waters, the general manager, instructed the bands and bandsmen, in many of their programs, to try to endeavour to present Canadian music. Whether he was able to carry that out fully or not, I am not informed, but I know that was the spirit which was in the mind of the manager of the Canadian National Exhibition.

By Mr. Chevrier:

Q. You have no difficulty in getting that music?—A. When I said Canadian music, you understand I meant works of Canadian composers.

Q. You had no financial difficulty about fees or rates or royalties.—A. That is a matter which the Exhibition can tell you. I have nothing to do with that.

Q. You are not aware of that?—A. No, I am not aware of that.

By Mr. Bury:

Q. Have you any idea as to the approximate proportion of music that will be used, and any idea as to what would be involved, in carrying out this suggestion of the free use of music in fairs?—A. No, sir. I am not a fair man. I do not know.

Hon. Mr. RINFRET: You think it would cost more than $1,000?

The WITNESS: Well now—

Mr. BURY: He does not know.

Hon. Mr. RINFRET: My point is this, it is very commendable to give $1,000 to a composer of a piece of music, but that only shows that the Canadian Exhibition at Toronto would dispose of, at least, $1,000 for music. It may be fair to distribute that to a composer of music—

The WITNESS: I am afraid I would be getting into difficulties by expressing an opinion.

The CHAIRMAN: What the Toronto Exhibition are afraid of is that it would place them under the control of a monopoly, which would be excessive in its charges, with respect to the music they desire to play.

Mr. BURY: That seems to be the general theme running all through this evidence.

The WITNESS: Pardon me, I should like to make one statement before I leave the chair, and that is, I rather anticipate that a witness for the Canadian National Exhibition will be here to-morrow, and if it is convenient for the Committee to hear him, he would be very glad to furnish you with a great deal of information in regard thereto.

The CHAIRMAN: Mr. de Montigny is to be the first witness to-morrow, and, if a representative of the Canadian National Exhibition is present, we will hear him.

Witness retired.

The CHAIRMAN: Will you please tell me what it is you wish to say, Mr. Guy?

Mr. GUY: I just want to say—

The CHAIRMAN: Will you please tell me who you are and whom you represent.

Mr. GUY: I am an author and composer.

WILLIAM E. GUY, called and sworn.

Mr. CHEVRIER: Before you go on with this witness, will it be convenient to hear Mr. Thompson, who will be only two or three minutes.

The CHAIRMAN: Step aside for a moment, Mr. Guy.

COLONEL A. T. THOMPSON, called.

The WITNESS: I merely wish to read into the record this letter on behalf of the Canadian Pacific Railway. The letter is dated May 14, 1931:

The CHAIRMAN,
Special Committee, Copyright Act,
Parliament Bldg.,
Ottawa.

Re—Copyright Act

SIR,—I am in receipt of a letter, dated May 13, from Mr. E. P. Flintoft, General Solicitor for the Canadian Pacific Railway.

Mr. Flintoft finds it impossible to attend the meeting of your Committee, which is to take place on Friday the 15th, at 10 a.m.

Mr. Flintoft instructs me to say that if the present provision as to registration of assignments of copyrights is changed, to suit the wishes of the Performing Right Society, adequate provision should be made for the approval of their licensing charges and royalties, by the Governor in Council, or some other independent tribunal, after due notice to all parties interested.

Mr. Flintoft says, further, that the Canadian Pacific Railway Company has no objection to any reasonable measure of protection for the authors.

Yours truly,

(Signed) A. T. THOMPSON,
Parliamentary Counsel for C.P.R.

Hon. Mr. Cahan leaves the chair, and Mr. Bury replaces him.

WILLIAM E. GUY, recalled.

By the Acting Chairman:

Q. Will you tell us what you wish?—A. Yes; I am coming to the point in a very short time.

Q. What is your name?—A. My name is Guy, William E. Guy.

Q. What is your address?—A. I have been writing under that name.

Q. What is your address?—A. My present address, 216 Laurier avenue, West, Ottawa, Canada.

Q. What is your occupation?—A. At present I have none, I get what I can.

Q. Is that your real name, or a *nom-de-plume*?—A. My real name.

Q. You stated you had been writing under that name?—A. Yes, and that is my real name. This is what I am asking for: Under section 12, the need for joint registration of songs or musical publications printed or published in the United States of America for Canadian authors—

The witness commenced to read a statement, but was stopped by the Acting Chairman, as it was patent that the witness was attempting to discuss matters not within the scope of the inquiry entrusted to the Committee.

As the witness was not prepared to discuss the provisions of Bill No. 4, he was not heard further.

Witness retired.

Committee adjourned until 10.30 a.m. on Thursday, May 21st.

HOUSE OF COMMONS, ROOM 268,

THURSDAY, May 21, 1931.

The Select Standing Committee on Bill No. 4, an Act to amend the Copyright Act, met at 10.30 o'clock a.m.

Mr. BURY (*Acting Chairman*):

The ACTING CHAIRMAN: We will come to order.

We are trying to finish the taking of the evidence this morning. Who is here to give evidence first?

Mr. CHEVRIER: Have the minutes been adopted? Insofar as they appear in these proceedings, I am satisfied.

The ACTING CHAIRMAN: Do you want to take them as read?

Carried.

The ACTING CHAIRMAN: Who will give evidence first?

Mr. CHEVRIER: Mr. de Montigny was asked to be present this morning.

The ACTING CHAIRMAN: Is Mr. de Montigny here?

LOUVIGNY DE MONTIGNY, called and sworn.

By the Acting Chairman:

Q. Will you just describe, Mr. de Montigny, what position you hold and what interests you represent in the inquiry here?—A. May I make a statement, Mr. Chairman, if you please. In thanking the Chairman and the members of this Select Committee for requiring me to attend before it this morning and to give any information I may be able to give on the subject matter of Bill No. 4, may I be permitted to state first that, being an official of the Senate, I beg to appear before this Select Committee of the House of Commons with the kind leave of the Senate authorities.

Q. Have the reporters your official position in the Senate? Your official position has to go in the minutes.—A. Yes, that is why I made that statement.

Q. It has to go on the minutes for future reference.—A. Before this Copyright Committee, I represent, first, myself, as a Canadian author; secondly, I represent Canadian authors at large. I am the Canadian correspondent of several Unionist Authors' Associations; moreover, I am the Canadian correspondent of the Permanent Bureau of the International Copyright Union of Berne, and I beg to appear more or less, on behalf of those different Associations, though primarily as a Canadian author, and for Canadian authors.

By Hon. Mr. Rinfret:

Q. Would the witness explain to the Committee, or, perhaps it will come later in the course of his remarks, what he means by the "Permanent Bureau in Berne."—A. Under the International Convention, and under the Revised Convention of Rome, an international office is instituted and maintained, in Berne, where this Bureau is presided over by a very eminent legal authority,

Professor Ostertag. The first object of this Bureau is to give advice to interested governments, to the contracting governments, as to the terms of the Convention. This Bureau is instituted and maintained by those contracting countries and paid for by them. Canada, as her share, pays, for the maintenance of this Bureau, $2,000 a year. It is to give advice as to the meaning of the Convention, and the furthering of the doctrines of the Convention. This Bureau has no legal authority whatever, never gives any decisions, it just gives advice that is asked for.

By the Acting Chairman:

Q. It is a Bureau composed of experts?—A. Absolutely, experts, who just give opinions on copyright matters only.

Hon. Mr. RINFRET: I thought I might bring that out.

The ACTING CHAIRMAN: I understand.

By Mr. Chevrier:

Q. Mr. de Montigny, will you go through the Bill, section by section, and make any observations you desire to make?

By the Acting Chairman:

Q. Have you any general statement to make before you do that?—A. I have no general statement, Mr. Chairman, because I am in a very peculiar situation. I have not asked to come here, I have been required to come here, to give information, and I shall answer any questions you may put to me.

Q. Will you do what Mr. Chevrier suggests, namely, pick out the clauses of the Bill and make any comments which may have suggested themselves to you, upon the clauses of the Bill which we have been discussing, especially?—A. Yes, Mr. Chairman.

Q. Are there any clauses in the Bill which you think require special comment?—A. Yes. To start with clause (2) of the bill. We are quite in accord with this amendment, which no doubt is meant to be the equivalent of article 2 of the Revised Convention. The new paragraph (*v*), when it is enacted, that a title of the work—

Q. Which section are you dealing with now?—A. Clause 2 of the bill now. We very gladly approve of the new paragraph used, and we are very glad to approve of the new disposition enacted by paragraph (*v*), the purpose of which will be to include the title of work, and thus the whole work will be protected.

Q. What have you got to say about the suggestion that was made yesterday, that it would be extremely difficult to impose copyright on a title unless it was distinctive and original?—A. Certainly on occasion it will be difficult, and I would not object, for my part, to this clause being redrafted, to make it more precise, provided the spirit of the section be maintained.

Q. You are in favour of including the title in the copyright, providing the definition of title is sufficient to rule out generalities or unoriginals?—A. Provided the original title be protected. You take a famous work like "Maria Chapdelaine." "Maria" is a common name, and "Chapdelaine" is a common name, but a combination of both make it original. You heard about the tremendous success of this work; it is known as a masterpiece all over the world. Now, if I should write a book, or a moving picture, entitled "Maria Chapdelaine," and sign it "deMontigny," under this amendment I would not be entitled to do so, because it already is a creative title; but if I write a book "History of France," "History of Canada," or "Life of Macdonald," "Life of Laurier," anybody could write a book and use the same title because, it is a common name.

By Hon. Mr. Rinfret:

Q. I understand, Mr. de Montigny, that the Convention of Rome has not, nor has any previous Convention, distinctly decided on that point; but has it been your experience, as an expert in copyright matters, that the title has always

been considered a proper matter for copyright?—A. The thing has been decided many times by tribunals, especially in France. I know of some people who have taken original titles from other works for themselves, and that they were condemned under the jurisprudence of the country, but not under the Convention.

Q. That is considered as part of the work?—A. As part of the work.

Q. When it is not distinctive or original.

By the Acting Chairman:

Q. For instance, take the well known child's book, "Alice in Wonderland," and "Through the Looking-Glass," there are titles which are considered as much a part of the work as the contents themselves.—A. Under the jurisprudence, I know such titles have protection, so that no one could take that same title.

By Mr. Chevrier:

Q. Then, it is a question of wording?—A. We do not object to the section being redrafted, providing the spirit is maintained.

Q. Have you any objection to section 2, paragraph (*m*)?—A. No, nor to "performance", nor to (*q*), nor to clause 3 of the bill, which is a different phase of the corresponding article 14 of the Revised Convention.

Q. Have you any objection to section 4?—A. No objection at all to clause 4.

By the Acting Chairman:

Q. Where is your first objection now?—A. I have not come to present objections, but, if I am permitted, I will make some remarks on clause 5.

Hon. Mr. RINFRET: Will you permit me, before you make your remarks, to indicate that it has been practically admitted that it is the intention of the Committee to delete from that clause the words, in the 36th line, "the publication of."

The WITNESS: Yes, Mr. Rinfret. I have read the evidence which has been given here at the previous meetings, and I found out that it was the intention of your Committee to modify that; but I have something more to say about it.

Q. Then, clause 5 is not perfect?—A. Will you allow me, gentlemen, to call your attention to Article 6 *bis* of the Convention, which is the Article which protects that right.

Q. 6 *bis*?—A. 6 *bis*. Under the Convention, the stipulation is much wider, because it covers the full moral right. By this article, 6 *bis*, the contracting or adhering countries to the Union have explicitly reserved to them the right whereby each country may determine the conditions under which these rights shall be decided. That means, that any country may restrict that right to any extent.

By Mr. Chevrier:

Q. It is free to determine.—A. Free to determine.

By Hon. Mr. Rinfret:

Q. Paragraph 2 of Article 6 *bis*?—A. Paragraph 2 of Article 6 *bis*. Paragraph 2 of that same Article 6 *bis* prescribes the means of redress for safeguarding these rights; that the means of redress shall be regulated by the legislation of the country where protection is claimed. A moral right is a very specific right, you cannot measure it; it is a moral right. And there is nothing in the present Copyright Act providing for special redress in the case of infringement of that special right.

The ACTING CHAIRMAN: Well, Mr. de Montigny, the Bill, in section 5, makes it illegal to infringe on the moral right of the owner of the copyright. Now, that is in keeping with the requirements of Article 6 *bis*. Article 6 *bis* says that it shall lie within the jurisdiction of the national parliament, or national courts,

the "national legislation" to determine the conditions under which those rights shall be exercised. That does not do away with the right. The right is, in the first place, substantially established and no local national legislature can take away the right. All the national legislature can do is to lay down conditions under which that right may be exercised and also lay down the redress which is open to a man whose right has been infringed. Now then, in our Bill here, under section 5, the right is reiterated. Our Bill makes that right legal in Canada; our Bill makes an infringement of their right illegal, and therefore exposes a man who is guilty of that infringement to certain penalties, with a civil action.

The WITNESS: Pardon me, Mr. Chairman. This we define as a special right, a moral right which does not exist to-day in our statute—it needs a special redress, because it is a special case of infringement.

By Mr. Chevrier:

Q. In other words, there are no remedies.—A. There are no remedies to be found.

Mr. CHEVRIER: The moral right is a new creature by statute in Canada and, therefore, no legal remedy could have been anticipated to punish its transgression. At the same time there is a disposition in the Convention that once moral right has been established specific remedies should be enacted, in cases where it is violated, and as I understand the witness, he is saying that at the present time there is no sanction in the Canadian law that would apply in the case of an infringement of the moral right.

The ACTING CHAIRMAN: There are no peculiar remedies. However, it is a matter of legal discussion. But, surely, when a statute of the country makes an act illegal, gives me a right in the first place and then goes further and makes the infringement of that right illegal, which it would be anyway, if I was given this right by statute; then, if you infringe that right, simply because there is nothing specific attached to it under the law, that does not prevent me taking an action in the courts for damages for the infringement by you of my legal statutory right.

Mr. CHEVRIER: Undoubtedly that is right, but, as the law stands at present, Mr. Chairman, I submit that nobody can show me any remedy under which this could be remedied or cured.

The ACTING CHAIRMAN: That is a legal matter and, after all, Mr. Montigny is calling our attention to it. We can discuss it afterwards. The point has been made clear, and your contention is that the purpose and letter and spirit of 6 *bis* will not have been observed by Canadian statute, unless there is a specific penalty attached to the infringer of the right that is recognized in paragraph 5 of the Bill.

The WITNESS: That is so, Mr. Chairman. We need a specific remedy.

Hon. Mr. RINFRET: I think it should go on record.

The ACTING CHAIRMAN: It will go on record, just so long as we know what the point is.

Hon. Mr. RINFRET: I wish to say that we should go on record as agreeing with the point made by Mr. Montigny that there should be redress, and we should find out whether the Act applies to that particular section.

The WITNESS: I want to make another remark arising out of this. The safeguarding of moral right is the main feature of the revised Convention of Rome. To the praise of the Canadian Parliament, may I recall here that this enactment was first proposed by the House of Commons' Special Committee on Copyright, in 1925, and was later adopted, in 1928, by some fifty nations at the

Rome International Conference. Yet, moral right, under Article 6 *bis* of the Rome Convention, and under clause 5 of our Bill, seems to be safeguarded only during the Copyright protection. May I be permitted to submit a few reasons why such moral right should be extended to the public domain, in order to make respected, without exacting a cent from the public or from the users, the works of the Old Masters, which are to-day multilated and distorted to a scandalous extent. I note from the evidence of yesterday that the music users complain that it is impossible to recognize a piece of music, literature or poetry, owing to it having been so much mutilated or distorted. You have heard, and I have heard such music as "Ave Maria," "La Traviata," "Indian Song," and others put into fox-trots. I could take a page of Shakespeare, or of any other author, distort it and put my name on it. That is stealing. We look at those things from the point of view of education. We bring our children up in admiration of these masterpieces, and yet some people are able to take those works and completely or partially distort them with impunity.

By the Acting Chairman:

Q. Are not you going very, very wide? We, as a Committee, will take all this into account. You are making now the suggestion that there should be a restriction on the power of a man to make a re-arrangement or an arrangement of some piece of music, or some piece of poetry, or some other artistic work, which is now part of the public domain, not protected at all, and your suggestion is that, notwithstanding the fact that it is part of the public domain, there should be something in this Bill which prevents an arrangement, we will call it a distortion. You call it a distortion. It might be a distortion or it might not be, but you say there should be something in this Bill preventing anyone from altering or stealing or making any new arrangement of this artistic work, but that is not covered by the Convention.—A. It is an infringement of the moral right.

Q. I know, but can we, as a national legislature, extend that? I do not think we can. I think it is beyond our power.

Mr. CHEVRIER: We can take his observation and we can discuss it.

Mr. ERNST: We can possibly make a recommendation, although we cannot make amendments.

By Mr. Irvine:

Q. Does the Convention go as far as that, Mr. de Montigny?—A. There is nothing to prevent that. This suggestion was adopted by the committee of 1925 without any objection. We submitted it to the Bureau at Berne, and it was received with high praise. The " moral right " came from this House in 1925, and was afterwards adopted.

The ACTING CHAIRMAN: I know, but here is the point, and I think Mr. de Montigny will take that view too: I do not think we have any right. However, it is a good thing to have it down in the minutes. Do you agree with the leaving out of the words " the publication of " and making it read as it reads in Article 6 *bis* "the right to restrain any distortion, mutilation. . ." you agree with that.

The WITNESS: Since the Bureau of Berne have given their advice that the stipulations of the Convention should be embodied in the national law, in order to have any judicial effect, authors are naturally wishing that the clauses of our Canadian Bill correspond as closely as possible to the wording of the Art. 6 *bis* of the Rome Convention.

By the Acting Chairman:

Q. Now, what next?—A. Clause 6. This is a clause on which I have a few remarks to make, with your permission. This clause is an answer, to some extent, to the persistent claims of authors, which are reiterated as the conclusion of the brief submitted on behalf of our Canadian Authors Association. Since the government, through the Honourable Secretary of State, has decided to adhere to the Rome Convention for the protection of literary and artistic works, and, therefore, to put our present Copyright Act in conformity with that Rome Convention, we are no doubt entitled, as we are primarily interested, respectfully to submit that, by such adherence, Canada has pledged herself, and is expressely bound, under several articles of that Revised Convention, to provide for the means of redress and remedies, which are prescribed under the Convention, to cover specific cases of infringement. So I submit this, that there is nothing, in our present Act, to cover the special cases, and that is why the Convention says to the National country, you have to provide for such and such cases, which is not already covered.

Q. That is the point you have already made.—A. Yes.

By Mr. Chevrier:

Q. Could you briefly state what those requirements are? Just mention them if you have them in your mind.—A. We have them in the Convention. Article 2 of the Revised Convention of Berne,—paragraphs 2, 3 and 4, Article 2. I will read:—

> (3) The countries of the Union shall be bound to make provision for protection of the above mentioned works.

By Hon. Mr. Rinfret:

Q. Of course, that is very general, Mr. Montigny. Could you point out some other section beside that?—A. Article 3:—

> The present Convention shall apply to photographic works and to works produced by a process analogous to photography. The countries of the Union shall be bound to make provision for their protection.

By the Acting Chairman:

Q. Would you answer me this, Mr. Montigny: Is it your idea that section 6, providing for assessment of damages, is not an adequate compliance with the obligation created by the Convention?—A. I am positively sure to the contrary, especially in view of the experience I have had in the courts. I have appeared before the courts for the last twenty-five years, and I am safe in saying that we have no recourse under the copyright law as it stands to-day.

By Hon. Mr. Rinfret:

Q. Before you leave that, Mr. Montigny. You referred to paragraph 3 of Article 2, and Article 3 of the Rome Convention. Surely you are not through in indicating the different sections in that Convention which cover your case.—A. For the remedies.

Q. Binding the different countries to establish recourse and redress. I do not want the Committee to understand that you have exhausted the list of articles covering that case.—A. Oh, no. The Chairman asked me to proceed.

Q. There are articles all through the Convention.—A. Yes.

The ACTING CHAIRMAN: Well, it would naturally follow.

By Mr. Chevrier:

Q. Would you follow up what you had started on. You say you are not protected. Are there any cases where you are not protected.—A. We have never had any recourse. We appear before the court so many times, and each time the judge says you have to prove the damages. That kind of damages is impossible to prove. In every instance, court asks us to prove damages which cannot be proved.

The ACTING CHAIRMAN: Well, we can go into that.

By Hon. Mr. Rinfret:

Q. Can you tell us what redress exists in other countries? Take the United States, for instance.

By the Acting Chairman:

Q. It all comes back to what I said, that in your opinion the redress in a civil action for damages is inadequate.—A. Yes.

Q. And you want the Committee to consider whether or not, in view of what you stated, that is an adequate provision and an adequate compliance with the terms and spirit of the Convention.—A. We submit it does not cover specific cases. Infringers are sent to jail in the United States. There is a minimum sum for damages, fixed by law, in the United States. The amount fixed for damages, in the case of infringement of a dramatic work, for the first offence is $100, and $50 for each subsequent offence. I have in mind a case in Montreal, the infringement of a play that took place for nearly three years, three weeks every year, where they made thousands and thousands of dollars out of it. We were not able to prove the damages. Action was taken under the Criminal Code and the infringer was fined $10. In France, the author is awarded the whole proceeds, as a partial indemnity, in case of infringement and, moreover, the infringer may be condemned to jail.

By Hon. Mr. Rinfret:

Q. In the United States, I understand, the costs are paid.—A. Yes and reasonable fees for attorneys are allowed by the court, plus all legal costs.

By Mr. Chevrier:

Q. As I understand your difficulty now, you say that all it amounts to in Canada, is a fine being paid to the State.—A. Yes, and we pay all the costs. As a consequence, infringement and plagiarism are a common practice, especially in the province of Quebec.

By the Acting Chairman:

Q. Is there any other section you want to deal with, Mr. de Montigny.

By Mr. Chevrier:

Q. Have you any objection to section 8.—A. I have nothing to say on section 8.

By the Acting Chairman:

Q. Then we come to one of the disputed things, No. 9.—A. I have nothing to say against that. I am perfectly satisfied that the title of every author be made available to the user. I approve of No. 9.

By Hon. Mr. Rinfret:

Q. What about No. 10.—A. No. 10 raises some remarks.

By Mr. Chevrier:

Q. A lot has been made about No. 9, a monopoly for the collection of your rights. Are you in favour of a monopoly.—A. That is No. 10. The Convention provides for this. Take article 17. This is a saving clause of Police Measures. There is a special clause to cover all that.

By Hon. Mr. Rinfret:

Q. And in such cases you are in favour of the State exercising a control.—A. It is a common law affair.

The ACTING CHAIRMAN: Article 17, of course, does not give any right. It only preserves the right of the legislation to pass monopolistic legislation. Have you anything else to say about section 10.—A. Yes, I have a little more to say. I am under the impression that the suggestion has been made to cover special cases, against which some Canadian music users claim that they exercise a monopoly. But I know perfectly well that if that clause 10 is adopted, many other societies of authors, against which no one is complaining, which are rendering appreciative services to the Canadian public, will be put absolutely out of business; it will be impossible for them to operate, and they will have to withdraw altogether, because they will feel that their operation is illegal, under this new clause.

Q. Could that be got over by limiting the extent of the clause? It covers the performance of literary, dramatic, musical or artistic work. Would your difficulty be met by changing the wording of that so as to limit its scope.—A. Yes. I think there is some clerical error in this. We cannot perform a literary work; we cannot perform an artistic work. There is some little error in this that can be corrected.

Q. There are some works which are usually called artistic works, and there are some literary works which fall within the terms of this statute which are capable of performance.—A. Clause 10 will result in putting every association under the obligation of filing complete lists of all the works in respect of which they claim authority to give performing rights.

By Mr. Chevrier:

Q. You mentioned associations that were rendering appreciative services to the authors. They are not, so far as I can understand it, incorporated societies with statutory rights. They are just societies or associations with no legal existence, and you say that, if these words "association, society or company" were left in the section as it is, that it would put out of business those voluntary associations, or voluntary societies, made up by grouping together of authors, but not incorporated. Would it meet your purpose if that were taken out of section 10? Maybe you do not want to answer just now? It might be considered where you simply state, any society, or any incorporated society or any company which carries on in Canada either as principal or agent but which has statutory rights, then these statutory rights could be limited in some way or other probably. But I thought your point was that these voluntary associations was a grouping together of a few authors, which would be put out of business because of the inability to comply with section 10 as it stands. If that only applied to those incorporated societies would that meet your view.—A. No. Take, for instance, the Société des Gens des Lettres, the Société des Auteurs Dramatiques, in Paris, which are supplying plays and literature, especially in the Province of Quebec. They are asked for plays: "will you supply us"; the answer is "yes," and then they are asked "what is your rate"; "you have to pay $2 per act, or per performance." They supply those plays, but under this clause, if I understand it right, this society over there will not be entitled to supply those plays and collect fees, or even bring law suit for infringement, unless they file complete lists, which I claim is utterly impossible. We never

can say that these lists are complete, because the moment we file with the Department what we consider is a complete list, new works will be coming over. We would be filing how many thousands of plays, I do not know. These societies state that they are in an impossible situation. If there is an infringement, they cannot use the law because they are not able to satisfy this clause.

By the Acting Chairman:

Q. Would it meet with your objection if that clause were so modified as not to apply to voluntary agreements made between authors.—A. Certainly.

The ACTING CHAIRMAN: Still, even so, a voluntary agreement made between 99 per cent of the authors might still become monopolistic, just as much as the one that was not voluntary. That the statutory condition that Mr. Chevrier mentions touches the thing, I do not think. Mr. de Montigny says that there is a continual flow of new works coming on to the market. Supposing there was a provision in the Act that it applied to a work only if it was filed within six months of its production.

The WITNESS: The law will always oblige that society to file those numerous works.

By the Acting Chairman:

Q. What I am getting at is this, that if there was a filing for six months, then the fact that a work which had been produced in May was not filed until six months later, till November, would not preclude you from suing for an infringement in the intervening six months.—A. If an infringement occurred before the expiration of the date for the filing, would I be entitled to sue for that infringement?

Q. Yes.—A. Yes.

Q. I think that is reasonable.—A. Yes. That is reasonable.

Q. I am only suggesting it, but it would meet that objection.—A. We claim this, however, that it does not seem to be feasible. If some other means could be devised to safeguard those individual rights, we certainly would be in favour of considering it. A man cannot look after his own rights by himself. He has to have an agent, a society, to whom he can say "look after my business while I am writing. I want to produce something, and I do not want to have to bother with the marketing of my works."

By Hon. Mr. Rinfret:

Q. Do you take the stand that you represent every author separately, or do you represent a society, or what.—A. I declared that at the beginning, Mr. Rinfret. My first concern is as a Canadian author to safeguard myself, then in connection with other Canadian authors, I seek to do as much good as I can for the authors generally. I have always been very careful not to express any opinion, but facts.

Mr. IRVINE: May I suggest that you go a little slower.

The WITNESS: I am perfectly sure, from the advice I have, that this clause 10 is contrary to the spirit of the Convention.

The ACTING CHAIRMAN: Well, that is a matter of opinion.

By the Acting Chairman:

Q. Have you anything else on 10?—A. No, not on clause 10.

Q. Have you anything on 11, that paragraph about free use of works in churches, for educational purposes.—A. I understand, Mr. Chairman, after looking over the evidence, that this clause is liable to be modified.

[M. Louvigny de Montigny.]

Q. Still, you should address yourself to it as it is.—A. Again I will not express an opinion. But I may be permitted to say this, that yesterday a very distinguished priest of Ottawa here came to my office. He was just back from Rome on his first visit after being a year away. I said, you have come in at a very bad time, because we are terribly busy with the Copyright Act and other things. However, I said, as a priest, look at this, what do you think about this clause 11. Remember this was a priest, a Master in Canon Law. Well, he said, I do not see how anyone can be forced to be charitable, because charity would thus lose its value. I would not like to give the name of that priest, but I can privately give it to any member of the Committee. However, his are exactly my sentiments.

By Mr. Chevrier:

Q. Is that all you have to say with regard to section 11.—A. No. I want to say that if that clause is to remain there,—there is a provision already in the Copyright Act, section 26, which prevents any one from bringing action against anybody performing music, or a play "for private profit." In no way have we ever been able to prove there is "private profit." The word "private" simply precludes us from using that section 26.

The ACTING CHAIRMAN: Mr. de Montigny, you are given expression to legal opinions which certainly are not very effective with me.

The WITNESS: We have judgments, Mr. Chairman, to that effect.

By Hon. Mr. Rinfret:

Q. What abuses do you think might issue from clause 11?—A. I can quote, for instance one case. A gentleman, an author, writes to me:

> I read in "L'Action Catholique" de Québec, that no longer will fees be claimed for performances given for the benefit of churches. Don't lose sight of the fact that ninety-five per cent of performances given in this province are given for the benefit of churches. I put on five years ago, a sleight-of-hand performance by ..... Company at a small village. Our percentage was to be fifty-fifty of the receipts. That performance was given for the benefit of the church. When the show was over we each took our part of the profits and the curé, counting his money said "I have just enough to pay for fifteen days (holiday) in Montreal."

By the Acting Chairman:

Q. Your point is this, that that section, as it stands, is open to abuse? —A. To abuses.

Q. Do you know of your own knowledge—what you have read is only hearsay—do you know of your own knowledge of cases where it has been abused in the way in which you state?—A. Yes. I may add that very often we are asked—authors are asked, to give authority for certain religious, non-religious, or general amateur affairs—to give plays for nothing. I have a concrete case. We are willing to do it. The Society of Ste. Marie, near Quebec, was asked to play something and Mr. Emile Marsac, the author, agreed. I have a letter here. The principle is that the author has the right to control his work. I have written many plays myself. I have always given my work to the charities, to amateurs and to the church. I have often given my plays, provided they asked me to do so. I have even written plays for the C.P.R.

By the Acting Chairman:

Q. What I am getting at is this: is it the common practice, where a church or some other organization working for charity, applies to your association for leave to put on a certain play, or to perform a certain piece of music free,

that the association says, "write to the author." Is that the common attitude of these agency associations?—A. I beg your pardon, Mr. Chairman. The society does not say, "write to the author; if you are desirous of being free from paying fees, only the author can give you this permission." The author says, "there is my play; you have a right to play it for so much."

Q. Is that the common course followed by those Performing Right Societies who act as agents for the author ? In other words, do they say to the applicant "we have no objection?"—A. I do not want to get mixed up with any of the Performing Right Societies, because I have nothing to do with it. I am speaking of the Société des Auteurs Dramatiques, of Paris.

Q. We are dealing with Performing Right Societies. Does a society or church have the right to perform?—A. Yes. It might be considered as a Performing Right Society.

Mr. CHEVRIER: You are dealing with that Society?

By the Acting Chairman:

Q. What I am getting at is this: is it the common practice where a church or charitable organization applies to the Performing Right Society, or any society, that is performing the work of a performing right society, for leave to use a work or a certain play or a piece of music—is it the general practice of those societies to say, "we cannot dispense with these fees, but if you write to the author you may get permission?"—A. This society I am dealing with does so.

Q. What about the other societies? It may be true of your society, but not others?—A. I cannot speak for the others.

By Mr. Irvine:

Q. Has the church ever been required to make application? Have they not always had the liberty to use these things in the manner described?—A. No. The church, as in the case of a common citizen who wants to get something, has to pay for it, or buy it, or beg it; but in general practice they have to pay for everything they use.

By the Acting Chairman:

Q. My reason for asking this question, Mr. de Montigny, is this: are there any similar societies in which in the case of works of authors there is not a book-keeping account kept of the proceeds of each author's performing rights, but the authors are classified and they pool?—A. No, not that I know of, our society collects on royalties.

The ACTING CHAIRMAN: What is your society?

The WITNESS: The Société des Auteurs Dramatiques, of Paris. The collecting agent is Mr. Coutlée, of Montreal.

The ACTING CHAIRMAN: Every author has a separate account?

The WITNESS: Surely.

The ACTING CHAIRMAN: It is perfectly clear that, in the case of the French Society, the author or composer does not assign his copyright interests to that society.

The WITNESS: It is a collecting society.

The ACTING CHAIRMAN: It is a society, unincorporated, which, in a general way, looks after the interests of the individual members?

The WITNESS: Absolutely.

The ACTING CHAIRMAN: As the agent for the individual member?

The WITNESS: No, not always as agent of the individual.

[M. Louvigny de Montigny.]

The ACTING CHAIRMAN: My point is this: I have been informed, and I would like to be corrected if I am wrong, that there are associations of the nature I have been speaking of, in which the authors of a certain class A, B, C, and D, pool, and then the society does not deal with the individual authors.

Mr. CHEVRIER: We have evidence of that, Mr. Bury.

The WITNESS: That does not exist in the society I am talking about.

By the Acting Chairman:

Q. That is simply a volunteer society which does not control or dispose of individual rights?—A. Oh, no.

The ACTING CHAIRMAN: I understand that.

The WITNESS: It is an association, a society.

Mr. CHEVRIER: That is why you are fearful of this?

The WITNESS: Yes. There are societies; there are groups—

By the Acting Chairman:

Q. It does not take in this business of "acquiring, assigning, granting or licensing copyrights"?—A. It gives a permit on behalf of the authors, on behalf of Mr. So and So. That is why I am afraid that it will permit to be played or performed.

Q. I understood that this association was simply an association of authors; that it did not have any vested title to the authors' works, or any copyright interest therein; that it acted as a general agent. If you applied to them they usually applied to the author to fix his rate?—A. They have a general organization. If they permit the performance of a play, they give permission on behalf of the author. That is why I am afraid of this law.

By the Acting Chairman:

Q. Then they are a kind of agent for the author. Now, have you anything else to say?—A. I think we are about at the end of the Bill.

Mr. CHEVRIER: Is there anything on number 12?

The ACTING CHAIRMAN: There is nothing to that.

Mr. CHEVRIER: What about sections 13 and 14?

Mr. IRVINE: Why should not there be the same objection to 12 as there is to 11?

The ACTING CHAIRMAN: Section 12 is there simply because there has always been a statutory right for the library to have a copy.

Mr. IRVINE: They have to do it.

The ACTING CHAIRMAN: It is a very common thing. It is done all over the Old Country. Every book entered in Stationer's Hall must be sent to the University Libraries.

Hon. Mr. RINFRET: With regard to section 14, what is your experience before the Court? Do you think you would be entitled to invoke before a Court an article of the Convention itself, or must it be reproduced in order that you may be able to use it before the Court?

The ACTING CHAIRMAN: I object to that question. It is purely a legal question. It is not a question that this witness is entitled to answer.

Hon. Mr. RINFRET: It is an important question, but I will leave it until we discuss the question.

The ACTING CHAIRMAN: There was another witness, a gentleman from the Toronto National Exhibition, who was expected to be present this morning.

Witness retired.

Hon. Mr. Cahan resumed the chair.

[M. Louvigny de Montigny.]

Mr. COOPER: I am sorry to say that Mr. Waters is ill and will not be able to come down. I told him of the statements which were made by Mr. Robertson and Mr. Lee Martin, and he confirmed those statements and said that just as soon as he was well he would bring the information down to Ottawa and give it to the members of the Committee, if he might be allowed to do so.

The CHAIRMAN: I understand that Mr. Honeywell, Barrister and Advocate of Ottawa, has asked permission to make a statement.

Mr. HONEYWELL: No, Sir. I just notified the Clerk that I had been asked to have a watching brief here for the independent theatres. I think that section of the Act has been so fully dealt with, and the Committee have been so seized of the interests of these people, that I do not think it is necessary at the present time to deal further with it.

Mr. R. H. LEE MARTIN: Mr. Chairman, may I make this statement. Before the close of the session yesterday, one of the legal departments of the Canadian Pacific Railway read a letter into the record outlining the position of that Company with reference to this Bill. I have been asked by the Canadian National Railways to state to the Committee that their position with reference to the Bill is exactly the same as was stated in the letter from the Canadian Pacific Railway.

The CHAIRMAN: I think among the numerous letters which we have received we have a letter to that effect also. I am glad to have it.

Mr. LEE MARTIN: I would like to make that statement, and, if you have no objection, I would like to have it appear on the records.

The CHAIRMAN: No, there is no objection. I reserved the right to Mr. Jamieson to give evidence on matters with which we have not already dealt. I will not swear you again, Mr. Jamieson, you are still giving evidence under oath.

Mr. JAMIESON, recalled.

The WITNESS: First of all, Sir, I file a copy of an indenture made 15th February, 1926, between the Performing Right Society of London, England, and the Canadian Performing Right Society, Limited, by which the assignor, which is the British Society, assigned to the Canadian Society the right of performance in Canada of the music of each and every song and musical work at that time in its repertoire.

(Indenture filed, marked Exhibit "AA1".)

The CHAIRMAN: We will take that under consideration.

The WITNESS: Secondly, I file a copy of a right to licence dated May 21st, 1930, between the American Society of Composers, Authors and Publishers, and the Canadian Performing Right Society, Limited.

(Document filed, marked Exhibit "AA2".)

The WITNESS: Thirdly, I file a similar copy of a right to licence dated 24th day of July, 1930, between the Performing Right Society, Limited, of London, England, and the Canadian Performing Right Society, Limited, Toronto.

(Document filed, marked Exhibit "AA3".)

The CHAIRMAN: Regarding the copy of indenture of the 15th of February, 1926, that is a general assignment to your company?

The WITNESS: Yes. A general assignment of the works in the repertoire of the British Society in February, 1926, but it does not cover works which came into the repertoire of the British Society after February, 1926. The works which came after February, 1926, came within the third document filed, that of July 24, 1930.

Mr. ANGLIN: I think the witness is in error in one respect. The assignment itself purports to cover future as well as existing sales.

Mr. BURY: The 1926 assignment purports to cover existing as well as future.

The CHAIRMAN: The agreement of the 24th July, 1930, deals in more detail with terms and conditions of the assignment with regard to the apportionment of receipts and matters of that kind.

Mr. ANGLIN: I do not want a misapprehension.

The CHAIRMAN: These three documents which you have filed cover, first, an agreement of May 21, 1930, between your association and the American Society of Composers, Authors and Publishers, and then in addition to that there are two agreements between your company and the Performing Right Society of Great Britain, one of February 15, 1926, and the other of July 24, 1930?

The WITNESS: Yes.

The CHAIRMAN: These two agreements cover all terms governing your relations with the American Society, on the one hand, and with the English Society on the other?

The WITNESS: Not altogether, sir. I have two other forms to file. First, form A, which is used for the assignment of Canadian performing rights from authors, composers and publishers, to either the British Society or the American Society.

The CHAIRMAN: That is an assignment by the Canadian Performing Right Society of such interests as are vested in it by Canadian authors?

The WITNESS: No, sir. These are individual assignments by the members of the British and American Societies to the British and American Societies, respectively. With that form must be read form B, which is an assignment of the same individual rights and works from the British or American Societies to the Canadian society. It makes the chain of title complete.

(Form B filed marked exhibit "AA4").

(Form A filed marked exhibit "AA5").

The CHAIRMAN: This form which has been marked AA5 for purposes of identification, is the form of assignment from an author and composer to your company?

The WITNESS: No, sir. May I make an explanation?

The CHAIRMAN: Just state the fact.

The WITNESS: The fact is that this is the form of an assignment from the author or composer to the American or British societies.

By the Chairman:

Q. Let us be clear about this. This is a form of assignment which is received from the author or composer in the United States by the American society?—A. Right.

Q. And the same form is used as an assignment from the British——A. Author.

Q. Or composer to the Performing Right Society of Great Britain.—A. Right.

Q. Do you obtain the same form of assignment in each case?—A. We are doing that now sir, having been enabled to take, under the present Act,—

Q. Never mind. I am asking you are you doing that, that is all. I did not ask the reasons.—A. We are doing that on new works.

Q. On new works. Do you not take it with regard to works which are already copyrighted where you can obtain assignments from composer or author?—A. We are obtaining assignments of new works.

Q. Are you not obtaining them, wherever you can, from the British author or composer or English company?—9. No, we are not. I have tried to explain why we do not—

Q. I am not asking for an explanation.—A. I would like to make an explanation.

Q. You will have ample opportunity. I am simply trying to understand you— —A. You would understand it better sir, if I might make my explanation.

Q. This paper is marked "AA-4." It is a form of assignment from some company to the Canadian Performing Right Society. For what purpose do you use that form?—A. This form B is for the assignment to the Canadian society of the rights assigned to the American or the British societies by the authors, composers, or publishers under form A, to complete the chain of title to the Canadian society.

Q. This is a form of assignment from the American society to your company, or from the British society to your company?—A. Right. Now may I make my explanation?

Q. Wait a moment, I want to understand this first. These assignments are only for a term which expires on December 31, 1935. Do they all expire on the same date?—A. At the present time, yes; as explained by Mr. Hawkes yesterday, there is a five-year term.

Q. Now, I will hear your explanation.—A. Thank you sir. The explanation is that under the present section 40 of our Act, we are not able to maintain an action in court because millions of our works—millions of works contained in our repertoire, have been assigned, for the most part, to publishers, in the first place; to the British society, in the second place; and to ourselves in the third place, in single documents, not in duplicate, and therefore are not available, not useful to us, in maintaining an action in court in respect to infringement of those works.

Q. In view of the provision that they must be made in duplicate?—A. Yes, sir; and we are debarred in fact from court and not able to protect authors' works; therefore, we are now commencing to adapt ourselves—

Q. To the existing law?—A. To the existing law, and now are taking those assignmnets, "A" and "B" in duplicate, and now we are able in respect of new works to register them, and in due course to take an action against the infringers, and for the first time we hope to be able to protect our rights.

Q. Are there any other documents that you wish to produce?—A. No other documents at the moment. If I might very briefly reply to some of the statements made by Col. Cooper in his evidence yesterday, I should be glad to do so.

On page 90, in filing the copy of a telegram from Mr. Nathanson—

Mr. BURY: That would be in Tuesday's evidence.

The WITNESS: Page 90, number 3 of the Proceedings, Tuesday. I refer to the telegram that Col. Cooper filed, and I object to the expression used, namely, "so-called Canadian Performing Right Society", the inference being that we are not a Canadian Performing Right Society.

The CHAIRMAN: We are getting beyond mere verbiage of that kind. We know, and it is given in evidence, that the Canadian Performing Right Society is incorporated under the Canadian Companies' Act by letters patent. That is all in the evidence.

The WITNESS: Not only that sir, but my point is, if I might make it, that the property we own is the Canadian performing rights—

Colonel COOPER: If there is any objection—

The CHAIRMAN: Please keep your seat.

The WITNESS: Now, Col. Cooper complained that he could not, was not able to find out who owns certain pieces of music and we claim that from the

list of members that we have filed, he is well able to find out who owns a piece of music he wishes to play.

The CHAIRMAN: That is not only Col. Cooper's complaint, the complaint is very widespread. The suggestion is that you should be prepared to file a list, or if that is too voluminous, you should be prepared to file a catalogue, of your authors from which names of such pieces or such works as are not vested in you for the purpose of granting licences, should be eliminated. If it is so easy for you to ascertain the facts from your records, why should it not be equally easy for inquiring minds such as Col. Cooper's to ascertain the same facts by investigating the records at the Copyright office.

The WITNESS: I feel sir, that many of Col. Cooper's suggestions are frivolous, and simply made—

The CHAIRMAN: That may be so, that this is an objection which is frivolous, but it is widespread.

The WITNESS: Well sir, they are made simply to—

Q. To what?—A. They are made simply with a view to hampering us.

Q. Witness, so far as I am concerned—one does not realize one's prejudices I suppose, but, so far as I am concerned, I believe that I am absolutely free from prejudice against your Society, or your operations; but to me it seems essential that if you profess to be able to grant performing rights in respect of the works of 30,000 authors, comprising 2,000,000 to 3,000,000 works in all, while we should not hamper you unduly in the preparation of those lists, yet if those lists are already printed and published by the publishers of the music, then you should be willing to reach some compromise with us whereby those catalogues containing those printed lists should be filed at the Copyright Office, where they may be available to the public.—A. We will do what we can in that direction.

Q. I am not asking you to do it, I am asking you why the law should not compel you to do it. What is the strong objection?—A. Well, in the first place, it has been proved in all other countries—

Q. I cannot accept your evidence as to what is proved in all other countries. Let us deal with your particular case; let us prove it here.—A. I am dealing with our particular case, and dealing with our repertoire, which is being operated in all other countries and no filing of lists is required.

Q. You might as well come to a Committee of the House of Commons and say, because this law is not found in France, or that law is not found in Germany or some other land, or this law is not found in Yucatan, that we should not adopt it here.—A. I do want to make this point, that this suggestion is not necessary because this list of ours does indicate what works we have.

Q. Why should you not file it in a public office?—A. I have filed a list of prices; we have circulated it throughout the country.

Q. I am not talking about what you circulate throughout the country, I am asking you what real objection there is to filing lists of your works in the Copyright Office at Ottawa.—A. I submit it is a very simple and easy matter for the music user to look at the sheet of music and find out, from that sheet of music, the name of the author, the composer and the publisher, and look at our list of members, as well.

Q. He looks first at the publisher, and he knows, as you know, and I know, and as the evidence before this Committee has substantiated, that that publisher is also, in many cases, including in his published list music which is not copyrighted. Secondly, he sees the name of the author, but there is no biographical index to authors to show when the author was born, or when he died, or whether he is living, or whether the work comes within the public domain under the 50-year term. If you claim the right to impose royalties upon the people of Canada, why should you not state, and assume responsibility for stating, by filing a list of publishers to which has been added their lists or copyright works,

so that the ordinary Canadian music user can apply to the Copyright Office and ascertain the works concerning which he is compelled to deal with you, and in respect of what works you are entitled to claim royalties?

Mr. HAWKES: If I may suggest—

The CHAIRMAN: I am not asking you at all.

Mr. HAWKES: I should like an opportunity—

The CHAIRMAN: We are hearing this witness, and if you have anything to say we will hear you later.

Mr. HAWKES: I should like to, on that particular point.

The CHAIRMAN: You have now no right to interfere at all. Let the witness give his own explanation.?—A. Passing on to another point—

Q. Have you anything further to say about that?—A. No, nothing further to say on that point.

Q. No further reason, or excuse, to give why you should not file such a list? —A. Mr. Hawkes will reply to that point, sir; he will give evidence on that.

Q. You are the executive head of the Canadian Performing Right Society, and you profess your inability to give any excuse as to why you should not be compelled to file your lists at the Copyright Office here?—A. I have not confessed that inability. The thing could be done, but as has been stated already, it would be very troublesome, very laborious and an expensive matter, and we feel it is not in the interests of music users, because there are other ways, which, in practice, have worked out in other countries. However, sir, we would be glad to consider it, to go into the question of filing publishers' catalogues.

Q. That is the whole story with regard to your objections, so far as you are concerned?—A. Yes.

Q. Well then, proceed.—A. In regard to the tariffs under which we commenced to operate in this country in 1925, Col. Cooper made a statement that those tariffs covered only 25 per cent of the works then being performed in this country. That, I say, is open to question because we have made tests of that matter and we found a very great number of our 2,000,000 works was being performed in this country. However, the tariffs were very moderate, British tariffs were, and are, very moderate, and always have been.

Q. Since you are dealing with the question of tariffs, will you permit me to ask you another question?—A. Yes.

Q. I can understand the reasonableness of some of the objections made against filing a list of tariffs in respect to each particular work, but your tariffs, as I have examined them, are tariffs dealing with the performance of works on a large scale. You have 2,500,000 works. You place a tariff upon the use of all of these works by broadcasters, and fix your prices under certain conditions for the whole list. You have tariffs dealing with the performance of all of these works, which are musical compositions, by the hotels for the entertainment of their guests. You have another scale of tariffs, which you impose upon exhibitions and fairs, under certain conditions. Now, what objection is there to filing with the Copyright Office, your tariffs, such as you prepare, which are the working basis of your operations?—A. There is no objection, sir. We have filed those tariffs with this Committee.

Q. Quite so, but I am dealing now with the Copyright Office.—A. And we are prepared to file those tariffs with the Copyright Office. But may I say this, sir, that this Society does not admit, and objects to the statement, that it has imposed those fees, or demanded them, and so on. We have always negotiated.

Q. That is a matter of discussion.—A. I know it is.

Q. I know telephone companies do not impose their fees. They may negotiate, but they are in such a position that the result of their negotiation is an imposition sometimes.—A. It is simply a question of colour.

Q. Let me go one step further and ask you why, if you are prepared to file those tariffs which are—I do not know exactly the word—wholesale classifications, but they are in the large, and they deal with not one work, nor with twenty works but 2,500,000 works; now, what reasonable objection can you urge against those tariffs being subject, on complaint, to the consideration of and, if found exorbitant, to revision by some independent tribunal.—A. We take the very simple position, sir, that we wish to have the exclusive right of managing our own property and the right to freedom of contract, and we feel that that would work out and nobody would have anything to fear.

Q. Well, is there a combine or monopoly existing in Canada that does not register the same ground against any interference with the rates which they fix.—A. I cannot answer that question, sir.

Q. Is it not that the usual grounds urged by monopolies, or by combines. —A. You may know that, sir, I do not.

Q. But that is your objection.—A. That is our objection. Colonel Cooper read into the record a letter dated October 10, 1930, at page 96, from myself to him, and reply of October 14. This correspondence dealt with the Musical Protective Society. He says that he had difficulties with us in these matters.

Q. Where is that.—A. Page 96, at the bottom. He says:

"I merely wish to show some of the difficulties which we have had."

I would point out, sir, that for six years all of these individual establishments, or associations of individual establishments, had the opportunity to negotiate with us, and we asked them, by repeated circulars, letters and interviews, to do so and they declined. The Musical Protective Society is a society which has no property. It has no power in itself to contract, and it seems to be simply an association for the defence of these music users.

Q. Yes, quite so.—A. So there is very good reason, if I may so say, why we did not deal with what, in my opinion, is an irresponsible body.

Q. I see. Just allow me. For instance, I was impressed by what I heard when I was in Paris, and which was confirmed by Mr. de Montigny's evidence this morning, that in Europe associations do exist for the supervision of the rights of authors which have not the same large powers vested in them as the Performing Right Society of Canada has; but why should you, having a monopoly of 90 per cent of modern music, refuse to hold a conference with the representatives of the broadcasting companies, for instance, with regard to rates or conditions of the contract which you propose to make with broadcasting companies.—A. We have never refused, and in fact, we have had many interviews, as I have already said, with establishments.

Q. But we are dealing with this letter.—A. And associations and broadcasting companies.

Q. But you say now that your negotiations will only be conducted directly with the establishments requiring your licence. That is, you refuse to have a conference with the representatives of the broadcasting companies, for instance, but you restrict your negotiations to each individual member of the association which Colonel Cooper represented.—A. I do not think you can have heard very clearly, sir, what I said. It is that we have always been prepared to negotiate with individual establishments, or associations of individual establishments, who are prepared and able to enter into solemn contracts; but we were not prepared to deal with the Musical Protective Society, because it was not so able to enter into contracts. It did not represent anybody. In fact, at the meeting referred to by Colonel Cooper in the office of Mr. Atkinson of the Toronto Daily Star, Colonel Cooper told us that he was not able to enter into contracts; the Musical Protective Society was not a property holding body. May I say this, that that organization was a "heads I win, tails you lose" organization. We would have been very willing indeed to have sat in with an association, with anybody repre-

senting an association of these establishments, of these music users, anybody who was authorized to contract with us. But the Musical Protective Society was not so authorized.

Q. In other words, under that condition then, the Canadian Pacific Railway can only negotiate with you, when it sends an officer, who is prepared there and then by authority from the Board of Directors, to enter into a contract with you.—A. No. What I am objecting to is the nature and character of the Musical Protective Society. And I say this to make it clear, that if the Canadian National Railways, or the Canadian National Exhibition, and the Famous Players, and the fairs, and the C. P. R. if you like, had instructed the Musical Protective Society and given them authority to deal with us, we should have dealt with them. But the Musical Protective Society was not so authorized.

By Mr. Bury:

Q. You mean to say, that in your view, the Musical Protective Society had no authority from the authors to represent them in negotiations.

The CHAIRMAN: It is not "the authors."

By Mr. Bury:

Q. Well, the broadcasting companies, to represent them in the negotiations. —A. That was admitted to me by Colonel Cooper at that same meeting he referred to.

The CHAIRMAN: He presented evidence from those members of his association whom he may represent. Supposing a body of individuals get together, they have a perfect right to authorize a certain number, or one of them, to negotiate with you, for the purpose of coming to terms for some, or all, of them?—A. Quite so, and I think that you would meet those people in those circumstances provided you felt that they were acting in good faith and that they wished to contract; but our experience in six years with these same gentlemen, and we had many conferences with them throughout the six years, was that they did not wish to contract.

By Mr. Bury:

Q. But you say they could not contract. But could not they represent those who can, and negotiate with you to fix terms and then report to their principals.—A. They could, but we had no word from their principals, and they could show no word from their principals.

The CHAIRMAN: I think the attitude is shown anyway.

Mr. CHEVRIER: Would it not be a good thing to ask Colonel Cooper whether at that sitting he was clothed with such authority as to bind.

The CHAIRMAN: If Colonel Cooper wants to give any evidence with regard to that let him give it later.

The WITNESS: With the Toronto Daily Star, and the Canadian National Railways, we have had negotiations throughout a period of years, and both these and other organizations have said that they would not contract with us, until we were placed under government regulation. We have always taken the position, sir——

By the Chairman:

Q. You say that there were some suggestions to that effect?—A. Yes, sir. I wish to make our position clear. It is this, that we were always perfectly ready to go to Ottawa and state our position, but we said to those music users: Why should you refuse to obey the law now such as it is.

Q. Were they disputing it? Did not the decision in the Performing Right Society case decide that they were not compelled by law to negotiate with you. —A. It said nothing of the sort, sir. It simply said we could not maintain an action in court.

Q. That is quite so, and if you had no legal interests which you could maintain in court, why should they negotiate with you?—A. We had property that was given to us by the government.

Q. You were unable to compel payment to you of royalties, or charges of any kind under the law?—A. Why, as one or two organizations said, for instance, the T. Eaton Co. has said that they would not take advantage of a technicality by using your property, and they paid for it.

Q. Why, in the Province of Quebec, in which I live, there are a score of companies manufacturing intoxicating liquors from day to day, and why should I negotiate with them for the purpose of purchasing intoxicating liquors, if under the law of the Province they cannot lawfully deliver or lawfully enforce payment or compensation.—A. Well, I may have very, very peculiar views on the matter, sir, but, speaking for myself, I would say that I am perfectly willing to pay a fair and not unreasonable price for another man's property even if he is by some technicality of law debarred from enforcing his right.

Q. Quite so. Do they not attach to their refusal to pay a demand for regulation, that is, as I understand their position, they think that, in case a difference arises with you as to what is a proper compensation, there should be an independent tribunal, by agreement or arbitration or otherwise, to which an appeal could be made to determine whether your demands are reasonable?—A. Well, Mr. Atkinson admitted to me that our tariffs—not demands, our tariffs—were reasonable, and he said it was simply a matter of principle with him, that he would not negotiate with us until we were under government regulation. I said, pay those reasonable tariffs meantime and let us settle the other question later, but they refused.

Q. Just one moment. Is it not a fact—I do not wish to submit the whole record—but is it not a fact that in the evidence before the Committee in the British House of Commons it was shown that your British Performing Right Society had entered into contracts for short terms, and at the expiration of those contracts higher rates were demanded, which, in many cases, were regarded by at least the users as exorbitant.—A. Well, sir, there were some increases asked for by the British Society, but those increases were asked for only after there had been very considerable accession to the membership for one thing, and only after there had been accessions of many other affiliated European societies.

Q. That, to my mind, represents a valid consideration in support of increasing your royalties and charges, but is not conclusive as to whether the increases which you demanded under those circumstances, you holding a monopoly, should not be submitted, in case of dispute, to some independent tribunal or to arbitration.—A. As Mr. Hawkes could show you in detail, he having knowledge of the operation of the British Society, those so-called demands were merely the ideas of the British Society as to the increased value of their repertoire.

Q. Why do you refuse really to submit your prices to arbitration, or to the determination of an independent tribunal? I am not here to say that a single charge you ever levied is excessive. But you have a monopoly of 90 per cent of modern music, and, in case of dispute, your views not being accepted by the music user, why should there not be some independent tribunal to which you, as a monopolist with 90 per cent of all modern works in your control, should submit your charges.

By Mr. Bury:

Q. Is not the position this, that just because your Society—assuming it is a fact—has never over-charged and, in your opinion, never will over-charge, that,

therefore, there should be no statutory overriding authority to regulate or prevent over charges by your successors or assigns, or anybody else that may come in the future, is not that it.—A. Well, the situation—

Q. I mean to say, I put it up to you, is it an answer that because a particular association, at a particular time, up to the present time, has never abused its tremendous powers, is that a reason why there should be no statutory limitation of these powers—A. That is a fair reason, sir, yes. And I say that we have also a reason, because we wish to retain our right to freedom of contract.

Q. Well, but everybody wants that.—A. Because we do not know that these rates to be fixed would be fair and reasonable.

Q. I know, but then on the other hand neither do the people of Canada know that the rates you propose to fix would be fair and reasonable. It cuts both ways. —A. Music users do, and they are very powerful bodies and well able to look after themselves. However, we are subject to the law of supply and demand.

The CHAIRMAN: That has been an issue, I am afraid, in Canada for many years.

By Mr. Irvine:

Q. Apart from the fact that you do not like to have your prices supervised by any authority, which may affect your dignity somewhat, do you anticipate any real trouble otherwise.—A. We do feel this: that during the past six years there has been stirred up against this Society a lot of antagonism, and that antagonism has found expression, might I say, public expression, in this proposed Bill. There is a very considerable demand throughout the country that we should be regulated. That has been stirred up by the music users, and I submit that when our tariffs shall come before some governing body that same thing will go on and opposition to us will be stirred up. We may be misrepresented; we have very little, in fact we have no political influence in this country; but the music users have a great deal, and they will always use it.

By Mr. Bury:

Q. Do you not think the antagonism and suspicion to which you refer might be allayed and removed if the provision mentioned was enacted and the danger of excessive charges removed altogether? Don't you think that would do more than anything else to allay the source of danger.—A. Well, I am afraid I am not able to make any suggestion on that, sir.

By the Chairman:

Q. Are you dealing with us with perfect frankness, when you say that you are not able to make any suggestion? We would like to have some suggestion from you. This Committee, if I understand the tenor of the views entertained by them, are asking you for some suggestion by way of compromise which would be fair to you.—A. Well, sir, we appreciate very much what you say, and I shall discuss the matter with my associates.

By Mr. Chevrier:

Q. When could you let us have the benefit of that? We cannot hold this Committee open indefinitely. I am not saying that in any hostile way.—A. You see, we have interests in European countries, and they have taken the position that they object to this, as not being in accordance with the Convention.

Q. The only point I wanted to make was, in view of what you said, I would not want to form an opinion without having had the benefit of that suggestion, but if it is going to take a long time in coming, we may have to do something without the benefit of that suggestion.—A. Well, I have no suggestion in my mind, but if anything should occur to me—I am not at all hopeful—I shall be glad to place it before the Committee.

Hon. Mr. RINFRET: I understood the witness to say a minute ago that he considered this Bill was an expression of antagonism towards the company he represents. Did I understand the witness properly.

The WITNESS: Yes.

Hon. Mr. RINFRET: Well, I am not speaking for the government, but, as a member of this Committee, I certainly say I cannot admit that.

Mr. IRVINE: What is that.

Hon. Mr. RINFRET: I understood the witness to say that he considered that for a number of years antagonism had been accumulated against the company he represents, and that this Bill was an expression of said antagonism.

The WITNESS: Perhaps antagonism was an unfortunate word, but there has been a strong demand throughout the country that we should be kept in a box, that is, under section 10, or otherwise regulated, simply because they do not wish to pay our fees.

Hon. Mr. RINFRET: Well, I did not want to let that pass unnoticed, that is all.

The WITNESS: That is so.

The CHAIRMAN: I would like to refer for just one moment to another matter. I tried to find the evidence a moment ago, but I was unable to find it. In the evidence given by a representative, as I understand, of the Performing Right Society, on the 12th March, 1930, before the British Committee, this statement is made with respect to the English Society:

> "The composer or author assigns his right in all his work, the rights invested in him, or which he shall thereafter acquire, to the society for the period of his membership. If a case arose where we have to take action in regard to that particular assignor's rights, we should then go into the matter, and see the title is in order before advancing a claim, but the assignment itself is in general terms. It is an omnium-gatherum assignment—a general assignment. The assignment is there, and it speaks for itself."

The assignment having been handed in then the witness proceeds:

"They" that is, the authors who make this assignment to your company, the Performing Right Society:

> They prefer to vest the society with the right of control and not actually to assign the performing rights. It is a technical matter: it was decided that it was sufficient; and since that time in cases where the publisher has not done it, any action which has to be taken has to be taken, of course, in the publisher's name, if he is the owner of the copyright.

That is the English practice. Then it goes on to say:

> The composer of his own free will joins this Society which is, for all practical purposes, a trade union of publishers, authors and composers.

That is the description given of your parent society. Now, that trade union of publishers, authors and composers, according to your statement, controls 90 per cent of the modern music and, as you frankly admit, there is a widespread demand in this country that such a union, combine or monopoly, whatever you call it—I do not wish by the use of those words to appear to criticize or condemn —should be subject to regulation, and we will be very pleased indeed—I speak I think, for all this Committee—to receive from you any practical suggestion whereby some reasonable regulations could be made effective so as to appease the public opinion which finds expression, to a certain extent, in this Bill.

The WITNESS: I will not take up the time of the Committee, sir, but I simply say that in our memorandum "C," page 9, we have replied to that charge of monopoly.

By the Chairman:

Q. I know you have replied, but you have made no practical suggestion, as I understand it.—A. Quite so. And, incidentally, may I mention that the courts in England have found that there is no monopoly or trade union in the British Society.

Q. I do say this, that a Committee of the House of Commons, who thoroughly investigated your company, in the way no Court has ever done, expressed a contrary opinion.—A. I can file the judgments of the Courts of England.

Q. Well, I can hardly accept that.—A. I can file the judgments.

Mr. BURY: What you mean is this, I take it, that they found you have not abused the monopoly. They could hardly find against the existence of a monopoly; they are two different things. A monopoly actually exists. They surely could not find a monopoly did not exist, but they may have found—I do not know, I have not read their findings—that you did not abuse it.

The WITNESS: May I just read from this judgment:

> "It is not unimportant to observe that the exclusive rights of performing a musical work conferred by the Copyright Act, 1911, upon the author or publisher of such work is a peculiar right of property. It is not like ordinary subjects of commerce which may be produced by any manufacturer where the public are interested that the prices should be regulated by fair competition in the open market and not by a combination of manufacturers who maintain prices at an artificial level. It is essentially a privilege or monopoly right conferred by statute to encourage invention and thereby to benefit the public by addition to its stock of original works. The value of the right depends upon the effective prevention of its infringement by unauthorized persons. A single author or publisher is greatly handicapped in the protection of such a right. He has at best but imperfect means of discovering acts of piracy, and their suppression, if they are discovered, by action in Court may involve him in pecuniary expenditure which he cannot face. A combination of authors and publishers is therefore almost a necessity for the reasonable enjoyment of such rights."

I have quoted from the judgment of Lord Hunter, delivered on 7th December 1921, in an action brought by the Performing Right Society against the Edinburgh Corporation and others, (1922 A.C. 165).

Mr. BURY: That does not give the point. That simply states you have got a monopoly of monopolies. Every copyright is in itself a monopoly, and you have got a monopoly of monopolies.

The CHAIRMAN: I am simply speaking for myself, but I think I know something of the tenor of the views of this Committee, and we are disposed to accept your suggestion that by such association or a co-operation among authors and composers and owners of copyright in such musical works may be very very beneficial, may be very advantageous to such authors, composers and publishers, but this judgment emphatically states that you are a monopoly.—A. No Sir. It says we have the copyright, I think.

Q. This is essentially a privilege, or monopoly right, conferred by statute? —A. It is a copyright.

Q. Quite so. It is essentially a privilege, or monopoly right, conferred by statute?—A. On one work.

Q. It is a monopoly or privilege conferred by statute upon an individual owner or author?—A. Right.

Q. But you—your company is a super-monopoly. In your company—thirty thousand men have joined together and vested in your company the right to deal for the whole thirty-thousand, so that when, in the ordinary course,

a broadcasting company approaches you, you say, " our terms for the use of the works to the number of two and a half million or three million of these thirty thousand authors are granted to you wholesale for a certain price which we fix." Now, that is new. That super-monopoly, or combination, which you represent is a combination of two million five hundred thousand little monopolies which are created by statute. We do not want to interfere with the author, we do not want to prejudice the author; but we do desire to arrive at some mode, or method, by which we can regulate this super-monopoly of performing rights which, by virtue of an international combination, is not found in any other trade?—A. We appreciate, Sir, all that you have said; but let me make one point: we must associate in order to protect.

Q. The evidence given by the young lady yesterday, Miss Sillcox, tended to establish that. I thought it was very helpful. Is there anything further? —A. I just wish to correct, briefly, one or two statements of fact. Mr. Cooper on page 98, quoted from the C.E.A. Report—that is the Cinematograph Exhibitors Association of Great Britain—that the society had asked for an increase of 600 per cent. The fact is that the Society was given an increase of 149 per cent. I just wish to place the facts on the record.

Q. Now, is that something within your own knowledge?—A. Yes, Sir, absolutely; I would say further that there are three thousand theatres in that association and that the average fee—the average of the increased fee is ten pounds per annum, fifty dollars. The British system is to introduce a greater measure of grading. In this country the American practice applies; that is, a flat rate per seat; but, in Britain, they introduced not only the seat factor but also the value of the seats, so that there is, perhaps, a greater charge on the largest and wealthiest concerns, and a smaller one on the little fellow. And I will say this, Sir, that the largest maximum fee of £312 is a mis-statement—that the society gets only £200 from the largest.

Q. The mere statement as to what was alleged to have been charged, as stated in the Cinematographic Weekly of March 20, 1930, did not affect my mind at all, except that it referred to an increase. The arguments which you used would appeal to me very strongly, if I were a tribunal sitting to decide as to whether you were justified in making that increase, but your answer does not approach the critical question as to whether such a tribunal should not be established?—A. Well, Sir, I have the right to answer this statement that we have demanded these fees. I may simply say that this large fee amounts to only $4 a day on a house capacity value of $6,000 a day.

Q. That would appeal to me very much, if I were sitting as a tribunal.

Hon. Mr. RINFRET: There is nothing in the Act to prevent the Society from making it higher.

The CHAIRMAN: Nothing at all. Now, have you any further evidence?

The WITNESS: Yes, sir; one or two points—one point—I think, regarding Mr. Blake Robertson. Mr. Blake Robertson—I cannot find it in the evidence—but I made note of it yesterday, said that this society offered our general licence all or nothing. I wish to say that that is not the case, and I wish to say that on the 21st of April, 1927, we offered the Canadian National Railways a unit charge contract so much per work. On the 7th of May, 1927, we offered a similar unit charge contract per work to the Canada Steamships Company. On the 30th of October, 1930, over a year ago, we offered the same kind of contract to the Canadian Pacific Railway, and we have always been prepared to give such a contract wherever it was wanted.

The CHAIRMAN: I am glad to hear that; but, of course, the general tariff, as submitted in the case, indicates that you are urging a general, all-comprehensive contract covering all the works you control. But if you can offer to

the C.N.R., one day, a unit contract; to the C.P.R., another day, a unit contract, and to the Canada Steamship Lines, on another day, a unit contract, why are you unwilling to file your unit contract prices with the Copyright Office?

The WITNESS: We are unwilling to file unit contract prices of three million works, but we do say to the Canada Steamships and others, "we will offer you a price of so much per minute of performance of any of our works," so that they will only pay us for what they actually use.

The CHAIRMAN: Now, we are getting back. I misunderstood you as to unit prices. Now, what I understood is that you varied your offer to them to this extent that they can perform any or all of your two million five hundred thousand works, but that the compensation which they would have to pay would be fixed on the basis of the time which they consumed in the performance of the works selected by them?

The WITNESS: Yes, that was a practical method of working out that matter. There is just one matter I would like to correct in my own evidence. It is not an error in effect.

The CHAIRMAN: What number of the record are you speaking of?

The WITNESS: Number two. On page twenty-one I said—first of all there is no error, I think, in the reporting. I said there were ten thousand shares of no par value. Yes, that is correctly stated. You asked me, "well, how much has been issued"? I said, "we have issued 2,000 shares," I was thinking of the position before the reorganization which took place last year. Last year when we reorganized and admitted the American society it was arranged to issue the whole of the share capital, and each society holds 5,000 shares.

The CHAIRMAN: The correction is that you have issued 10,000 shares, 5,000 of which now issued to the American Society, and 5,000 shares are now issued to the Performing Right Society of England?

The WITNESS: That is so. And the final matter—there is one other little matter to correct, this is on page 9. As Mr. Ernst, in cross examining, suggested, I should have said, "that publications would not include mutilation by gramaphone records and other mechanical contrivances."

The CHAIRMAN: I think that the report, as far as I have read, it has been very fairly made. Reporters do make mistakes, but I think the report has been very well done.

The WITNESS: It has.

Mr. CHEVRIER: I agree to that.

The committee adjourned, to resume at 4.00 o'clock.

AFTERNOON SITTING

On resuming at 4 p.m.

The CHAIRMAN: Gentlemen, I understand before we hear argument, Mr. Hawkes wishes to make some statement.

Mr. HAWKES: Yes, sir.

RALPH HAWKES, re-called.

The CHAIRMAN: You are still giving evidence under oath, Mr. Hawkes.

The WITNESS: In connection with the statement that the user could not find out what music is controlled by the Society, I have already stated in evidence that we issue lists of publishers, and it has also been stated that the user may know what music is copyrighted.

Now, on every piece of music that is published, in almost I suppose 99·9 per cent of the cases, full details as to the date of copyright and name of the publisher, and the origin of the work, appear on the publication, and therefore it is quite within the ability of the user to know that the work is copyrighted; if he sees the publisher's name on the bottom of the work, as I have already stated it appears there, he can very well, by referring to the list of publisher members which is issued and circulated by the Society, find out what is controlled.

By Mr. Bury:

Q. There is no application on the front for that information?—A. There is an application, because every work, other than those of American origin, have to print the date of their copyright in order to secure copyright within the United States; on works of American origin,—

By the Chairman:

Q. Why, if you can give that information promiscuously to all inquiries, should you not facilitate the giving of information by filing your lists with the Department, the Secretary of State, in the Copyright Office.—A. Filing our catalogue?

Q. Suppose you file— A Publishers' catalogue?

Q. Yes.—A. Filing publishers' catalogues would simplify the situation, I grant you.

Q. If you would take the trouble, from time to time, to draw a red line through those names in the publishers' catalogues of the works whose copyright you do not control, or in which no copyright subsists?—A. I understand, sir.

Q. Supposing we decide to facilitate your filing of lists, and in order to do that we were to go so far as to provide that you can file amended publishers' lists, what objection is there— A. Amended publishers' catalogues?

Q. Yes.—A. I do not think there would be any practical objection to filing publishers' catalogues as they are at present printed. We could not, of course, control different publisher members, because they print their catalogues in all shapes and sizes, and different languages.

Q. You would have to guarantee that copyright subsists in the works which are included in such catalogues?—A. We can only accept the moral guarantee of the publisher member that he has claimed his copyright in connection with that. I venture to suggest that copyright is never substantiated as one's own until one has fought an action against a person who suggests it is not a copyright.

By Mr. Bury:

Q. You virtually adopt that catalogue and send it in as your list for the purpose of filing with the department.—A. Yes.

Q. What objection is there to that?—A. I do not think there would be any practical objection to sending in publisher catalogues, as they are at present printed.

By the Chairman:

Q. Then you would put the burden upon the Copyright Office of arranging these catalogues and——A. Classifying them.

Q. You seem to think it would be a tremendous burden for your company to do it.—A. We have French, German, Spanish, Portuguese, and all sorts to deal with. It is a considerable task. That is all I have to say. I wished to make that point clear.

Q. May I ask you this? It is purely a hypothetical question, which came to my mind. There is one clause in our statute to which frequent reference is made by those who are discussing copyright with me, and that is subsection 3 of section 20, which provides: "In any action for infringement of copyright in any work, the work shall be presumed to be a work in which copyright subsists, and the plaintiff shall be presumed to be the owner of the copyright". . . That is a presumption of law is made under the statute. Now, it has been suggested to me that, except as to the author's original title, that presumption should only prevail in case the assignment of the author's title to the copyright is registered under our statute; that is, it has been suggested that registration be optional, but that, if you as transferee do not register your assignment you should lose that presumption and be compelled, in a case in which your company is plaintiff, to prove your title to the court. If it is registered, why then the presumption would be in your favour, that the title was vested in you as plaintiff. And in discussing that with the lawyers, they suggest that when your company comes into the courts to sue as plaintiff, the mere commencement of a suit and the assertion of the claim by your company should not be sufficient to establish for you a clear presumptive title. They suggest that the ordinary method of civil suit, whereby the defendant can demand production of documents and issue a commission of enquiry into the validity of documents and that sort of thing, is not effective inasmuch as there is a clear statutory presumption in your favour; simply because you have commenced a suit, that you are the real owner and that your title is valid. And I was wondering whether some of the difficulties which we had might not be obviated, were we to consider an amendment to that section, to state that the work shall be presumed to be a work in which copyright subsists, and that the plaintiff, other than the author, if his title by assignment is registered, shall then only be presumed to be the owner of copyright. Perhaps you would like that discussed by your legal adviser?

Mr. HAWKES: That is a legal point.

The CHAIRMAN: That is all. There is no further evidence.

APPENDIX TO MINUTES OF EVIDENCE

Exhibit AA1

This Indenture made the 15th day of February, 1926, One thousand nine hundred and twenty-six between the Performing Right Society, Limited whose Registered Office is at Chatham House, 13 George street, Hanover Square, in the county of London (hereinafter referred to as "the Assignor") party hereto of the one part and the Canadian Performing Right Society, Limited whose Registered Office is at 1405 Royal Bank Building, Toronto, in the province of Ontario (hereinafter referred to as " The Assignee") of the other part witnesseth that in consideration of the covenant by the Assignee with the Assignor hereinafter contained the Assignor doth hereby assign unto the Assignee first all that the right of performance in Canada of the music of each and every song or musical work not being a musical play the right of performance in Canada of which now belongs to or shall hereafter be acquired by or be or become vested in the Assignor during the continuance of this agreement and secondly all that part (being so much) of the right of performance in Canada of the music of each and every musical play of which such part of the right of performance in Canada now belongs to or shall hereafter be acquired by or become vested in the Assignor as will enable the Assignee lawfully to perform or authorize or forbid the performance of separate numbers fragments or arrangements of melodies or selections forming part or parts of each such musical play but not the peformance thereof in its entirety or any substantial part thereof as a stage play which last mentioned right is hereby expressly reserved by the Assignor all which premises first and secondly hereinbefore described and hereby assigned or expressed and intended so to be are hereinafter collectively referred to as the said performing rights and are to be held by the Assignee for the period of this agreement as hereinafter provided and the Assignee doth hereby convenant with the Assignor that the Assignee will during the continuance of this agreement make all reasonable efforts to collect all sums properly payable whether by way of royalty damage costs of suit or otherwise in respect of the performance in public of the said performing rights and pay over at the end of the Assignee's financial year the moneys so collected less such working expenses as may have been submitted to and approved by the Assignor and less any sums which may have properly been placed to the Assignee's reserve fund in accordance with the Assignee's by-laws and the Assignor doth hereby covenant with the Assignee that the Assignor shall and will so long as this agreement shall continue to execute and make all such acts deeds powers of attorney assignments and assurances for the better or more satisfactory assigning or assuring to or vesting in the Assignee or enabling the Assignee to enforce the rights hereby expressed to be assigned or any of them as the Assignee may from time to time reasonably require and the Assignee further covenants upon the expiration of five years from the date hereof or at such earlier date as may be appointed by one calendar

33538—15

month's notice in writing by the Assignor to re-assign to the Assignor all the said performing rights assigned to or vested in the Assignee by or in pursuance of this agreement.

In witness whereof the Assignor and Assignee have hereunto affixed their respective Common Seals the day and year first above written.

The common Seal of the Performing Right Society, Limited, was hereunto affixed in the presence of

WILLIAM BOOSEY,
ADRIAN ROSS,
Members of the Committee.

C. F. JAMES,
Secretary.

(Seal)

The common Seal of the Canadian Performing Right Society, Limited, was hereunto affixed in the presence of

H. T. JAMIESON,
Director.

PERCY SCHUTTE,
Secretary.

(Seal)

EXHIBIT AA2

Agreement made this 21st day of May, 1930, between American Society of Composers, Authors and Publishers, an unincorporated association consisting of more than seven (7) members, having an office at 1501 Broadway, City, County and State of New York, United States of America, hereinafter designated as the "Licensor" and the Canadian Performing Right Society, Limited, a corporation organized under the laws of the Dominion of Canada, Province of Ontario, having an office at 1405 Royal Bank Building, City of Toronto, Province of Ontario, Dominion of Canada, hereinafter designated as the "Licensee," as follows:

1. The Licensor grants to the Licensee the exclusive right to licence, in the Dominion of Canada, the public performance of non-dramatic renditions of the separate musical compositions, such rights of public performance in which, now belongs to or shall hereafter be acquired by or be or become vested in the Licensor during the term of this agreement.

2. This licence shall not extend to or be deemed to include:

(*a*) Oratorios, choral, operatic or dramatico-musical works (including plays with music, revues, and ballets) in their entirety, or songs or other excerpts from operas or musical plays accompanied either by words, pantomime, dance or visual representation of the work from which the music is taken; but fragments or instrumental selections from such works may be instrumentally rendered without words, dialogue, costume, accompanying dramatic action or scenic accessory, and unaccompanied by any stage action or visual representation (by motion picture or otherwise) of the work of which such music forms a part.

(*b*) Any work (or part thereof) whereof the stage presentation and singing rights are reserved.

3. The Licensor reserves the right at any time to withdraw from its repertory and from the operation of this licence, any musical work.

4. All rights not specifically granted in the works herein embraced, are hereby reserved and excepted from this agreement and may be freely exercised in the territory herein embraced by the owners thereof, free from any claim with respect thereto on the part of the Licensee.

5. In consideration of the licence herein granted, the Licensee agrees to pay to the Licensor a sum equal to forty-five per cent (45%) of gross income from all sources of the Licensee, less its operating expenses other than such forty-five per cent (45%).

Such sum shall be determined and paid during the term hereof as follows:

First period from the date hereof to Jan. 5, 1931;
Second period from Jan. 5, 1931 to Jan. 5, 1932;
Third period from Jan 5, 1932 to Jan. 5, 1933;
Fourth period from Jan 5, 1933 to Jan. 5, 1934.

The Licensee shall furnish to the Licensor a proper accounting, and simultaneously therewith make payment due to the Licensor, as shown by such accounting, within thirty (30) days after the end of each of the above mentioned respective periods.

6. The Licensee agrees to use its best efforts to collect all sums properly payable, whether by way of royalty damage, costs of suits or otherwise in respect of the use of the performing rights therein granted to the Licensee in the territory herein embraced.

7. The Licensor agrees from time to time, during the term hereof, to execute, make, acknowledge and deliver all such acts, deeds, powers of attorney, assignments, assurances and other documents as may be reasonably proper, necessary or expedient to vest in the Licensee the rights herein embraced and to enable the Licensee to enforce such rights.

8. The term of this licence is for a period commencing as of this date and ending January 5th, 1934.

In witness whereof the parties hereto have caused these presents to be executed the day and year first above written.

AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS,

By GENE BUCK,
President.

THE CANADIAN PERFORMING RIGHT SOCIETY, LIMITED

By H. T. JAMIESON,
President.

Attest:

J. C. ROSENTHAL,
Assistant Secretary.

EXHIBIT AA3

Agreement made this twenty-fourth day of July, One Thousand Nine Hundred and Thirty between The Performing Right Society, Limited, whose Registered Office is at Chatham House 13 George Street Hanover Square in the County of London England (hereinafter designated as the "Licensor") and The Canadian Performing Right Society, Limited, a corporation organized under the laws of the Dominion of Canada, Province of Ontario, having an office at 1405 Royal Bank Building, City of Toronto, Province of Ontario, Dominion of Canada (hereinafter designated as the "Licensee") as follows:—

1. The Licensor grants to the Licensee the exclusive right to licence, in the Dominion of Canada, the public performance of non-dramatic renditions of the separate musical composition, the rights of public performance in which are now controlled by or belong to or shall hereafter be acquired or controlled by or be or become vested in the Licensor during the term of this agreement.

2. The Licensor reserves the right at any time to withdraw from the operation of this licence, any musical work in its repertory.

3. All rights not specifically granted in the works herein embraced are hereby reserved and excepted from this agreement and may be freely exercised in the territory herein embraced by the owners thereof, free from any claim with respect thereto on the part of the Licensee.

4. In consideration of the licence herein granted, the Licensee agrees to pay to the Licensor a sum equal to forty-five per cent (45%) of the gross income of the Licensee from all sources, less its operating expenses other than such forty-five per cent (45%).

Such sum shall be determined during the term hereof as follows:

First period from Jan. 6th 1930 to Jan. 5th 1931;
Second period from Jan. 6th 1931 to Jan. 5th 1932;
Third period from Jan. 6th 1932 to Jan 5th 1933;
Fourth period from Jan. 6th 1933 to Jan. 5th 1934.

The Licensee shall furnish to the Licensor a proper accounting, and simultaneously therewith make payment due to the Licensor, as shown by such accounting, within thirty (30) days after the end of each of the above mentioned respective periods.

5. The Licensee agrees to use its best efforts to collect all sums properly payable, whether by way of royalty damages, costs of suits or otherwise, in respect of the exercise of the rights herein granted to the licensee in the territory herein embraced.

6. The Licensor agrees from time to time, during the term hereof, to execute, make, acknowledge and deliver all such acts, deeds, powers of attorney, assignments, assurances and other documents as may be reasonably proper, necessary or expedient to vest in the Licensee the rights herein embraced and to enable the Licensee to enforce such rights.

7. The term of this licence is for a period commencing from 6th January 1930 and ending 5th January 1934.

In witness whereof the parties hereto have hereunto affixed their respective Common Seals the day and year first above written.

The Common Seal of The Performing Right Society Limited was hereunto affixed in the presence of

THOMAS P. DUNHILL,
L. J. SAVILLE,
Directors.

H. H. HATCHMAN,
Secretary.

(Seal)
Of the Performing Right Society Limited

The Common Seal of the Canadian Performing Right Society Limited was hereunto affixed in the presence of

EXHIBIT AA4

Form B.

ASSIGNMENT OF CANADIAN PERFORMING RIGHT

Know All Men by These Presents, That for and in consideration of the sum of ONE DOLLAR ($1.00) and other good and valuable considerations received from CANADIAN PERFORMING RIGHT SOCIETY, LIMITED (hereinafter called the "Assignee") the Undersigned (hereinafter called the "Assignor") doth hereby bargain, sell, assign, transfer and set over unto the Assignee, its successors and assigns, for the period from the date hereof until December 31, 1935, that part of the Copyright in the Dominion of Canada in certain

Musical Work entitled.....

.....

consisting of the sole right to perform the said Musical Work in public throughout the Dominion of Canada, together with the right to the Assignee to register its ownership of the said, right to perform the said Musical Work in public and this Assignment, the Author of the words of said Musical Work being.....

.....Citizen (or Subject)

of.....Resident of

.....

when the aforesaid words were composed and written, and the Composer of the music of the said Musical Work being.....

.....Citizens

(or Subject) of.....Resident of

.....

when the aforesaid music was composed and written.

In Witness Whereof This Assignment has been duly executed this.....

.....day of .....19....

Signed, sealed and delivered in the presence of } By.....
President.

EXHIBIT AA5

Form A.

ASSIGNMENT OF CANADIAN PERFORMING RIGHT

Know All Men by These Presents, That for and in consideration of the sum of One Dollar ($1.00) and other good and valuable considerations received from

.....

(Hereinafter called the "Assignee") the Undersigned (hereinafter called the "Assignors") do hereby bargain, sell, assign, transfer and set over unto the Assignee, its successors and assigns, for the period from the date hereof until December 31, 1935, that part of the Copyright in the Dominion of Canada in certain Musical Work entitled.....

.....

....., consisting of the sole right to perform the said Musical Work in public throughout the Dominion of Canada, together with the right to the Assignee to register its ownership of the said right to perform the said Musical Work in public and this Assignment, the Author of the words of the said Musical Work being the undersigned.....

..... Citizen (or Subject) of.....Resident of

.....

when the aforesaid words were composed and writen, and the Composer of the music of the said Musical Work being the undersigned.....

Citizen (or Subject) of.....Resident of

.....

when the aforesaid music was composed and written, and the Publisher of the said Musical Work being the undersigned.....

.....

In Witness Whereof, this assignment has been duly executed this.....

..... day of.....19....

Signed, sealed and delivered in the presence of

.....(L.S.)
Author

.....(L.S.)
Composer

.....

By.....

EXHIBIT AA6

MAY 22, 1931.

The Secretary of State,
House of Commons,
Ottawa, Canada.

DEAR SIR,—I have just read over my testimony on May 20th before the Special Committee on Bill No. 4 to amend the Copyright Act. I find that in several places phrases or sentences have been left out so that the meaning is not clear. Evidently the reporter had difficulty not in hearing what I said, but in following the testimony because of the rapidity of my speech.

I have corrected the proof and returned it to Mr. McEvoy. In order that the record may be clear, however, in case any reference is made to this testimony by the committee, may I point out that in the uncorrected proofs the impression is given in one or two places that our organization assigns various rights in certain instances or has control over rights in specific instances. It has occurred to me that if I called your attention to the fact that in giving testimony I used the word "we" repeatedly in referring to dramatists and authors as a class, not as referring to our organization, it would make the testimony clearer. The Authors' League is a national membership organization of authors and dramatists, but the organization does not own any rights or assignments, nor does it act as agent for its members' rights.

The rights in all works of our members vest in the members and the organization receives no share of the profits from the sale or lease of the rights. The organization is entirely a service organization supported by annual dues of members. The dues are not contingent upon the amount of the member's earnings, but are a flat sum per year. The organization very frequently advises members as to contracts which they enter into with publishers, producers, agents and so on, so that we are in very close touch with their affairs, but no additional fee is charged for such service.

In case you may wish to have these on file, I am enclosing herewith the constitutions of the Authors' Guild and the Dramatists' Guild. The standard forms of contract referred to in both constitutions are contracts in which the individual prices to be charged are negotiated between author and manager or producer, and are not part of the standard form.

Respectfully yours,

LUISE M. SILLCOX,
Secretary.

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HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

PRIVILEGES AND ELECTIONS

SESSION 1931

MINUTES OF PROCEEDINGS AND EVIDENCE

PRINTED BY ORDER OF PARLIAMENT

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

MEMBERS OF THE COMMITTEE

HANSON, Mr. R. B. (York-Sunbury), *Chairman*

Messieurs

Anderson, A.J. *(Toronto High Park)*,
Beaubien, A. L.,
Burns, W. H.,
Casgrain, P. F.,
Casselman, A. C.,
Duff, William,
Dupré, Hon. Maurice,
Elliott, Hon. J. C.,
Esling, W. K.,
Gagnon, Onésime,
Gardiner, Robert,
Gray, Ross W.,
Jacobs, Samuel W.,
Lapointe, Hon. Ernest,
Lawson, J. E.,
Lennox, T. H.,
MacDonald, Finlay *(Cape Breton South)*,
MacNicol, J. R.,
Marcil, Hon. Charles,
McPhee, George W.,
Mercier, Paul *(St. Henri)*
Morand, Hon. Raymond,
Ralston Hon. J. L.,
Spencer, H. E.,
Stinson T. H.,
Sullivan, J. A.,
Thompson, A. B. *(Simcoe East)*,
Turnbull, F. W.

RUFIN ARSENAULT,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

THURSDAY, April 23, 1931.

Resolved, That the following Members do compose the Select Standing Committee on Privileges and Elections:—

Messieurs:

Anderson *(Toronto High Park)*
Beaubien
Burns
Casgrain
Casselman
Duff
Dupré
Elliott
Esling
Gagnon
Gardiner
Gray
Hanson *(York-Sunbury)*
Jacobs
Lapointe
Lawson
Lennox
MacDonald *(Cape Breton South)*
MacNicol
Marcil
McPhee
Mercier *(St-Henri)*
Morand
Ralston
Spencer
Stinson
Sullivan
Thompson *(Simcoe East)*
Turnbull

Attest.

(Signed) ARTHUR BEAUCHESNE,
Clerk of the House.

Ordered, That the Select Standing Committee on Privileges and Elections be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

(Signed) ARTHUR BEAUCHESNE,
Clerk of the House.

33540—1½

THURSDAY, June 4, 1931.

Ordered, That all correspondence and other communications in the possession of the Government relating to the preparation of the voters' list for the municipality of Port McNicoll, in the riding of Simcoe East, and a copy of the original list prepared by the enumerator, and of the revised list as prepared by him for use on election day, together with a copy of any communications exchanged between the Chief Electoral Officer and the returning officer or any other person as to the conduct of the poll on election day, laid on the Table of the House on Wednesday, the 27th May, 1931, be referred to the Select Standing Committee on Privileges and Elections with instructions to inquire fully into the registration and polling of the votes or other related matter in connection with the election in the electoral division of Simcoe East, on July 28, 1930.

Attest.

(Signed) ARTHUR BEAUCHESNE,
Clerk of the House.

THURSDAY, June 18, 1931.

Ordered, That the said Committee be given leave to print, from day to day, the minutes of proceedings and evidence taken, and also such papers and documents as may be directed by the said Committee to be printed, for the use of the Committee and of Members of the House, and that Standing Order 64 be suspended in relation thereto.

Attest.

(Signed) ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS OF THE COMMITTEE

FIRST REPORT

THURSDAY, June 18th, 1931.

The Select Standing Committee on Privileges and Elections beg leave to present the following as their first Report:—

Your Committee recommend that they be given leave to print, from day to day, the minutes of proceedings and evidence taken, and also such papers and documents as may be directed by the said Committee to be printed, for the use of the Committee and of Members of the House, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

R. B. HANSON,
Chairman.

SECOND AND FINAL REPORT

THURSDAY, July 16, 1931.

The Select Standing Committee on Privileges and Elections beg leave to present the following as their Second and Final Report:—

Your Committee have had before them an Order of Reference of the House under date of June 4th, 1931, namely:—

> *Ordered.*—"That all correspondence and other communications in the possession of the Government relating to the preparation of the voters' list for the municipality of Port McNicoll, in the riding of Simcoe East, and a copy of the original list prepared by the enumerator, and of the revised list as prepared by him for use on election day, together with a copy of any communications exchanged between the Chief Electoral Officer and the returning officer or any other person as to the conduct of the poll on election day, laid on the Table of the House on Wednesday, the 27th May, 1931, be referred to the Select Standing Committee on Privileges and Elections with instructions to inquire fully into the registration and polling of the votes or other related matter in connection with the election in the electoral division of Simcoe East, on July 28, 1930."

Your Committee have inquired into the matters referred to them under the terms of the above Reference and have held five meetings in the course of which they have heard twelve witnesses. After having perused the evidence adduced before them, your Committee beg leave to report as follows:—

That in the opinion of the Committee, having regard to the fact that it is the intention of the Dominion Elections Act to enfranchise as many voters as possible under the residence provisions if they have the other qualifications those in situations similar to that of Messrs. Chidwick and Campbell should have been entitled to vote.

Your Committee therefore recommend that the necessary amendments be made to the Dominion Elections Act to enable persons similarly situated to vote at future Dominion Elections.

Your Committee also recommend that the proceedings and evidence, a copy of which is submitted herewith for the information of Parliament, be printed as an Appendix to the Journals of the House for the present Session.

All of which is respectfully submitted.

R. B. HANSON,
Chairman.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 268,

WEDNESDAY, June 10, 1931.

The Select Standing Committee on Privileges and Elections met this day at eleven o'clock a.m., the Chairman, Mr. Hanson, presiding.

The following members were present: Messrs. Anderson, Burns, Casgrain, Casselman, Duff, Elliott, Esling, Gray, Hanson, Jacobs, Lapointe, Lawson, MacNicol, Stinson, Thompson, Turnbull—16.

The Chairman read the Order of Reference of June 4, relative to an inquiry into the registration and polling of the votes or other related matter in connection with the election in the electoral division of Simcoe East, on July 28, 1930.

On motion of Mr. Thompson,

Resolved, That the following persons be summonsed to appear before the Committee at 11 o'clock a.m., on Thursday, June 18:—

Alexander Campbell, Port McNicoll, Ont.
Frederick Benjamin Chidwick, Port McNicoll, Ont.
Dennis Arthur Daley, Port McNicoll, Ont.
James G. Harvie, Orillia, Ont.
Jos. J. D. McNamara, Penetanguishene, Ont.
James C. Young, Port McNicoll, Ont.
Jules Castonguay, Chief Electoral Officer, Ottawa.
Colonel O. M. Biggar, K.C., Ottawa.

Mr. Lawson referred to the advice given the Chief Electoral Officer by Colonel Biggar, as suggested by correspondence included in the Return laid on the Table of the House on May 27, and stated that in his opinion any memorandum confirming such advice should be produced before the Committee. After some discussion on the nature of the documents to be produced, the Chairman called the attention of the Committee to section 76 of the Dominion Elections Act, 1927, subsection (5) of which provides that no other documents than those referred to under subsection (2) " shall be inspected or produced except under a rule or order of a Superior Court or of a judge thereof."

The Committee then adjourned till Thursday, June 18, at 11 o'clock a.m.

RUFIN ARSENAULT,
Clerk of the Committee.

THURSDAY, June 18, 1931.

The Committee came to order at 11 o'clock, Mr. Hanson presiding.

Members present: Messrs. Anderson, Casgrain, Dupré, Elliott, Esling, Gagnon, Gray, Hanson, Jacobs, Lapointe, Lawson, MacDonald, MacNicol, Morand, Spencer, Stinson, Thompson and Turnbull—18.

On motion of Mr. MacNicol, seconded by Mr. Stinson, resolved that the Committee report to the House recommending that it be given leave to print, from day to day, the minutes of proceedings and evidence taken, and also such

papers and documents as may be directed by the Committee to be printed for the use of the Committee and of Members of the House, and that Standing Order 64 be suspended in relation thereto.

The following witnesses were called, sworn, examined and discharged:—

James C. Young, Port McNicoll, Ontario; Alexander Campbell, Port McNicoll, Ontario; Frederick Benjamin Chidwick, Port McNicoll, Ontario; James G. Harvie, barrister, Orillia, Ontario; Patrick J. McCormick, Port McNicoll, Ontario; and Dennis Arthur Daley, Port McNicoll, Ontario.

At the request of the Committee, Mr. Castonguay, Chief Electoral Officer, produced the following documents:—

The original list of poll No. 1 of Port McNicoll, electoral district of Simcoe East, as prepared by the Enumerator;

The revised list of poll No. 1 of Port McNicoll, electoral district of Simcoe East, supplied to the Deputy Returning Officer of said poll;

The poll book of said poll No. 1 of Port McNicoll, letters A to L inclusive; and

The poll book of said poll No. 1 of Port McNicoll, letters M to Z inclusive.

The above were admitted as evidence and filed as Exhibits Nos. 1, 2, 3 and 4.

On motion of Mr. Lawson, seconded by Mr. Gagnon, the Clerk was instructed to provide for payment of witness fees and allowances to Mr. Patrick J. McCormick whose name appears in the list of witnesses called as above stated.

On motion of Mr. Lawson, seconded by Mr. MacNicol, the Clerk was also instructed to issue subpoenaes to the following persons, requesting their attendance before the Committee on Tuesday, June 23, at 11 a.m., viz:—

William Ramsay, Port McNicoll, Ontario.
Joseph Connolly, Port McNicoll, Ontario.
Clifford Graham, Port McNicoll, Ontario.

Mr. J. D. J. McNamara, one of the witnesses summoned to appear before the Committee this date, was also instructed to be again in attendance on Tuesday, June 23.

On motion of Mr. Gray, the Committee adjourned till 11 o'clock, on Tuesday, June 23.

TUESDAY, June 23, 1931.

The Committee met at 11 o'clock a.m., the Chairman Mr. Hanson presiding.

Members present: Messrs. Anderson, Casgrain, Elliott, Esling, Gagnon, Gray, Hanson, Lapointe, Lawson, MacDonald, MacNicol, Mercier, Morand, Spencer, Stinson, Sullivan, Thompson, Turnbull—18.

The following witnesses were in attendance and, after being examined, were duly discharged:

Messrs. William Ramsay, Clifford Graham and Joseph Connolly, all of Port McNicoll, Ontario, and J. D. J. McNamara, Penetanguishene, Ontario.

Jules Castonguay, Esq., Chief Electoral Officer and Col. O. M. Biggar, K.C., Legal adviser to the Chief Electoral Officer for the Federal Elections of July 28, 1930, were also in attendance.

Mr. Biggar having been called to give evidence, was asked to be again in attendance at the next sitting of the Committee and then, after having perused the evidence adduced before the Committee, to submit his opinion as to whether or not Alexander Campbell and Frederick Benjamin Chidwick who appeared before the Committee on the 18th inst. were entitled to vote on the 28th of July last; also to offer any suggestion which would enable the Committee to take into consideration some amendment to the Elections Act in connection with the interpretation of the term "residence."

At the suggestion of Mr. Elliott, it was agreed that the Chief Electoral Officer produce, for the next meeting of the Committee, the Victoria Harbour file in connection with the Elections of July 28, 1930.

The Committee then adjourned until 11 a.m. on Thursday, June 25.

THURSDAY, June 25, 1931.

The Select Standing Committee on Privileges and Elections met at 11 o'clock a.m., the Chairman, Mr. Hanson presiding.

Members present: Messrs. Burns, Casgrain, Elliott, Esling, Gray, Hanson, Lawson, Morand, Stinson, Thompson—10.

Col. O. M. Biggar, K.C., and Jules Castonguay, Esq., Chief Electoral Officer, were also in attendance.

The Chairman having suggested that it might be advisable not to proceed with the business of the Committee this morning on account of several other important Committees of the House meeting at the same hour, it was unanimously agreed that the Committee adjourn until Tuesday, the 7th July, at 11 a.m.

TUESDAY, July 7, 1931.

The Committee met at 11 o'clock. In the absence of the Chairman, Mr. Hanson, it was unanimously agreed, on motion of Mr. Elliott, that Mr. MacDonald (Cape Breton South) act as Chairman.

Members present: Messrs. Beaubien, Casgrain, Casselman, Duff, Gagnon, Gray, Lawson, MacDonald, MacNicol, McPhee, Mercier, Morand, Stinson, Thompson, Turnbull—15.

Col. O. M. Biggar, K.C., and Mr. Jules Castonguay, Chief Electoral Officer, were also in attendance.

The Clerk was called upon to read the Minutes of the last Meeting, and these were adopted.

Mr. Biggar read a memorandum prepared at the request of the Committee, in which he expressed his opinion as to whether, in the light of all the facts brought out in evidence, the witnesses Alexander Campbell and Frederick Benjamin Chidwick are to be held to have been ordinarily resident in the electoral district of Simcoe East, on May 30th, 1930.

On motion of Mr. Mercier, it was agreed that Mr. Biggar have permission to supply the official Reporter with a copy of said memorandum.

The witness was allowed to withdraw with the understanding that he would be advised by the Clerk if his attendance was again required at the next meeting of the Committee.

Mr. Castonguay then submitted a "Statement of changes and additions made by the Rural Registrar in the Preliminary Voters' list" for Polling Division No. 1, of Port McNicoll. This was admitted as evidence and filed as Exhibit No. 5.

On motion of Mr. Lawson, the Committee adjourned until 11 a.m., on Tuesday, July 14th, when they will take into consideration their Report to the House.

TUESDAY, July 14, 1931.

The Committee met at 11 o'clock a.m., the Chairman, Mr. Hanson presiding.

Members present: Messrs. Casgrain, Duff, Elliott, Gagnon, Gray, Hanson, Lapointe, Lawson, MacDonald, MacNicol, Morand, Spencer, Thompson, Turnbull—14.

The Committee having proceeded to consider their final Report on the matters referred to them under date of June 4th, Mr. Lawson moved, seconded by Mr. Gagnon:—

> That in the opinion of the Committee, having regard to the fact that it is the intention of the Dominion Elections Act to enfranchise as many voters as possible under the residence provisions if they have the other qualifications, those in situations similar to that of Messrs. Chidwick and Campbell should have been entitled to vote.

This committee therefore, recommend that the necessary amendments be made to the Dominion Elections Act to enable persons similarly situated to vote at future Dominion Elections.

and after discussion thereon, said Resolution carried on the following division: Yeas 8; Nays 5.

The Committee then adjourned until Thursday, July 16th, at 11 a.m., to consider the adoption of their final Report to the House.

THURSDAY, July 16, 1931.

The Committee met at 11 o'clock a.m., the Chairman, Mr. Hanson presiding.

The following Members were present: Messrs. Burns, Casgrain, Elliott, Gagnon, Hanson, Lawson, MacDonald, MacNicol, Spencer, Stinson, Sullivan, Thompson, Turnbull—13.

On motion of Mr. MacNicol it was unanimously agreed that the Minutes of meetings held on June 10, 18, 23, and 25, and on July 7 and 14 stand as read.

Consideration having been given to a draft Report incorporating the Resolution adopted at the previous meeting, Mr. Lawson moved, seconded by Mr. Thompson, that said Report be adopted as the Second and Final Report of this Committee. Motion carried on division.

The Committee then adjourned *sine die*.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 268,

THURSDAY, June 18th, 1931.

The Select Standing Committee on Privileges and Elections met at eleven o'clock, Mr. R. B. Hanson presiding.

The CHAIRMAN: We have a quorum now and I think we might proceed. You are all familiar with the order of reference. The House ordered: "That all correspondence and other communications in the possession of the government relating to the preparation of the voters list for the municipality of Port McNicoll, in the riding of Simcoe East, and a copy of the original list prepared by the enumerator, and of the revised list as prepared by him for use on election day, together with a copy of any communications exchanged between the Chief Electoral Officer and the returning officer or any other person as to the conduct of the poll on election day, laid on the table of the House on Wednesday, the 27th May, 1931, be referred to the Select Standing Committee on Privileges and Elections with instructions to inquire fully into the registration and polling of the votes or other related matter in connection with the election in the electoral division of Simcoe East, on July 28th, 1930."

Mr. Thompson, you are promoting this matter, are you ready to go on now?

Mr. THOMPSON: Yes sir, I am ready.

The CHAIRMAN: Is it the desire of the Committee that the evidence be printed? If so, there will have to be a motion to that effect.

Mr. MACNICOL: It comes out in small printed pamphlets, does it?

The CHAIRMAN: Yes.

Mr. MACNICOL: I move that the evidence be printed.

Motion carried unanimously.

The CHAIRMAN: Ordinarily we would not want to sit while the House is in session, but it was thought that the enquiry should be extended further. In order to sit while the House is in session it is necessary to have leave granted. What is your pleasure? I am in the hands of the Committee.

Hon. Mr. MORAND: I think we had better go on and see how the matter develops.

The CHAIRMAN: Very well.

Mr. LAWSON: As this matter arose in Mr. Thompson's riding, he felt some diffidence about examining the witnesses and so forth, and he has asked me if I would assist him in that regard and therefore, on behalf of Mr. Thompson, I am going to ask that certain witnesses be called by the Committee. The first one is Mr. Young of Port McNicoll.

JAMES C. YOUNG a witness called and being duly sworn, testified as follows:

By Mr. Lawson:

I think it is customary, Mr. Chairman, to allow the witnesses to be seated.

The CHAIRMAN: Yes, he may be seated. He had better sit somewhere near the reporter so he can hear.

Mr. LAWSON: I would suggest that the reporter be seated between the witness and those asking questions. It would be an advantageous arrangement.

Q. Have you the full name and address of the witness, Mr. Chairman?

The CHAIRMAN: James C. Young.

Q. What is your occupation?—A. Clerk of the village.

Q. Clerk of the municipality?—A. Yes.

By Mr. Lawson:

Q. As clerk of the municipality, of the village of Port McNicoll, are you familiar with the territorial limits of that village?—A. Yes, sir.

Q. Do you know the location of the docks at which the C.P.R. steamers plying between Port McNicoll and Fort William and the head of the lakes dock?—A. Yes, sir.

Q. Are those docks within the territorial limits of the village of Port McNicoll?—A. Yes, sir.

Q. Are they within the territorial limits of the riding of East Simcoe?—A. Yes, sir.

Q. Have you any knowledge as to when the C.P.R. Steamer *Keewatin* docks during its summer run at Port McNicoll?—when it docks, and when it leaves again for the head of the lakes?—A. It docks on Monday morning, eight o'clock, and leaves Wednesday afternoon at four o'clock.

Q. In the afternoon?—A. Yes.

Q. And returns when?—A. Monday morning at eight a.m.

Q. It arrives on the Monday of each week?—A. Yes.

Q. It leaves on Wednesday of each week at the times you have told us?—A. Yes, sir.

Q. Do you know personally Alexander Campbell?—A. Yes.

Q. How long have you known him?—A. About two years I guess I have known him.

Q. How and in what capacity have you known him?—A. I know him to work on the boats, also to live in the village.

Q. You say he lived in the village?—A. Yes, sir.

Q. Has he lived in the village during the two years that you say you have known him?—A. Yes, sir.

Q. And did you know where he lived in the village?—A. Yes, sir.

Q. And with whom did he live?—A. With Mrs. Scott, boarded with Mrs. Scott.

Q. And did he board with Mrs. Scott during the whole of each year, or during a part of each year?—A. Just part of each year, in the winter time.

Q. Where did he live so far as having his board and clothes and so forth is concerned, during the summer time?—A. On the boat.

Q. On the steamer— —A. On the steamer *Keewatin,* yes.

The CHAIRMAN: What years are you referring to?

Mr. LAWSON: He said he has only known him for two years. The past two years?

The WITNESS: The past two years, yes sir.

By Mr. Lawson:

Q. Did you, as clerk of the muncipality, have occasion to see the original list posted by the rural registrar for polling subdivision No. 1 in the village of Port McNicol in the riding of Simcoe East?—A. Yes, sir.

Q. Was the name of Alexander Campbell upon that list?—A. It was on the list, yes.

Q. Did you have occasion to see the list for polling subdivision No. 1 in the village of Port McNicoll in the riding of Simcoe East as revised by the rural registrar for that polling subdivision?—A. I do not remember seeing the revised list any more than in a committee meeting I saw a list taken off.

Q. Saw what?—A. On the list that we had in the committee meeting I saw the name scored off.

Q. What name scored off?—A. Campbell's name taken off.

Q. Campbell's name scored off?—A. Yes, sir.

Q. Do you know Frederick Benjamin Chidwick?—A. Yes, sir.

Q. How long have you known him?—A. Probably about the same time; I guess it would be about two years.

Q. How and in what manner have you known him?—A. As a sailor working on the boats, and he lived in the hotel one winter, as far as I remember.

Q. What winter?—A. It would be 1929, I think.

Q. The winter of 1929?—A. Yes.

Q. He lived in the hotel?—A. Yes.

Q. In Port McNicoll?—A. Yes, in Port McNicoll.

Q. And is that the same steamer?—A. The same *Keewatin.*

Q. Did you see the name of Frederick Benjamin Chidwick upon the list prepared by the rural registrar for polling subdivision No. 1 of the village of Port McNicoll in the riding of Simcoe East?—A. Yes, his name was on, too.

Q. Did you see his name upon the revised list subsequently issued by the registrar after revision?—A. Just in one of our committee meetings I saw the list.

Q. Yes. At this committee meeting at which you saw the list, was the name of Frederick Benjamin Chidwick still there?—A. No, struck off.

By the Chairman:

Q. What committee meeting was this?—A. A committee meeting of our own that we had.

Q. A political meeting?—A. Yes.

Mr. TURNBULL: You should get an order for that original list, although I am not objecting to it, now.

Mr. LAWSON: I might say, Mr. Chairman, I am going to call for it.

Hon. Mr. ELLIOTT: I suppose the original list is here, is it not?

The CHAIRMAN: I should think so.

Hon. Mr. ELLIOTT: Why should this gentleman give evidence about that original list, if it can be secured?

The CHAIRMAN: We have not got it now. Are you objecting to the questions?

Hon. Mr. ELLIOTT: No.

The CHAIRMAN: If there is no objection, we may proceed.

Hon. Mr. ELLIOTT: It is only encumbering the record.

Hon. Mr. LAPOINTE: We know all about this.

Mr. LAWSON: Because of a question which was raised at a prior meeting of this committee as to our procuring those lists I have tendered the evidence as a ground work for my subsequent motion before this committee.

The CHAIRMAN: I think we ought to allow him to proceed unless formal objection is taken, and then we will have to deal with the question.

Hon. Mr. LAPOINTE: We know they were stricken off after communication with the officer.

The CHAIRMAN: We are establishing the fact—I presume the members of the Committee are establishing the fact.

Hon. Mr. LAPOINTE: It is useless for this witness to say "I saw they were stricken off."

The CHAIRMAN: It goes to the weight, not so much to the admissability of it.

Proceed.

Hon. Mr. ELLIOTT: We ought to see the list, and I submit, Mr. Chairman, that the list itself is the best evidence.

The CHAIRMAN: You are quite right.

Mr LAWSON: I am going to get the list, if I can.

The CHAIRMAN: Mr. Lawson said he was laying the foundation.

Hon. Mr. ELLIOTT: If he can possibly get it, why give other evidence as to those lists?

The CHAIRMAN: Proceed.

Mr. LAWSON: I am finished.

The CHAIRMAN: Are there any questions that anybody would like to ask this witness?

By Mr. Turnbull:

Q. Were these boats sailing, which you describe as arriving on Monday and leaving on Wednesday, during 1930, and particularly during July and June, 1930?—A. All the year round, during what we call the passenger service. The boats started to run in the month of April, but they did not run on schedule until May, from May up until near December on schedule.

Mr. GRAY: You have no connection whatever with the boat in question?—A. No, sir, I have no connection with the boats.

Mr. MACNICOL: I have a hazy recollection that in any place, outside municipalities outside of Toronto or large cities, if a voter finds himself off the voters' list on election day, all he would have to do would be to take two others whose names are on the list— —A. That is right.

The CHAIRMAN: One other.—A. Yes, that is right.

Mr. MACNICOL: —and go to the poll and make application to vote.—A. This man did that.

Mr. GRAY: I object to the witness giving that evidence.

The CHAIRMAN: If he knows he can tell what transpired.

Mr. LAWSON: I am going to prove it to the hilt.

The witness retired.

ALEXANDER CAMPBELL, a witness called, and being sworn, testified as follows:—

By the Chairman:

Q. What is your name, occupation and address?—A. Alexander Campbell.
Q. What is your occupation?—A. SS. *Keewatin,* Port McNicoll.
Q. What is your occupation?—A. Sailor.

By Mr. Lawson:

Q. Mr. Campbell, what is your age?—A. 29 years of age.
Q. When did you come to this country first?—A. 1927.
Q. And where did you go to reside when you came here?—A. Owen Sound.
Q. How long did you remain in Owen Sound?—A. Exactly one year.
Q. And, then, where did you go to reside from Owen Sound?—A. Port McNicoll.
Q. And what time of the year did you go to reside in Port McNicoll in 1928?—A. June, 1928, the 14th of June.
Q. How long did you continue to reside at Port McNicoll after June 14, 1928?—A. Until 16th of December, 1929, when I took a trip home.

Q. On the 16th of December when you took a trip to the Old Country—you returned to Canada, when?—A. April, the 16th of April, 1930.

Q. April 16, 1930. On your return to Canada, where did you continue your residence?—A. Port McNicoll again.

Q. How long did you remain as a resident of Port McNicoll after April 16, 1930?—A. Until now.

Q. Until now. What is the nature of your residence in Port McNicoll during these years. I mean by that, do you maintain a house or do you rent a room?—A. I room.

Q. You rent a room. Do you maintain that room as your own during the whole period of the year or just during parts of the year?—A. I ask them to hold it but I do not pay for it in the summer time, I only pay for the four months during the winter.

Q. What do you do in the summer time?—A. Well, on the SS. *Keewatin.*

Q. On which ship you are employed?—A. Yes.

Q. And do you move your personal effects, such as your clothes, on to this steamer?—A. Yes, sir.

Q. Then you told me you asked them to keep your room in Port McNicoll?—A. Yes.

Q. Do you go back to that room in the winter?—A. That same room.

Q. Then, are you a British subject?—A. Yes.

Q. When you are upon the steamship *Keewatin* working in the summer time where do you receive your mail?—A. I receive some on the boat and others which go to the general delivery of the house where I stay.

Q. To the general delivery what?—A. To the house I stay in during the winter; they have a box, general delivery.

Q. Oh, I see. The people with whom you room in the winter time?—A. Yes, have a box.

Q. They maintain a box?—A. Yes.

Q. In the general post office at Port McNicoll?—A. Yes.

Q. And your mail during your absence goes either to that box— —A. Or to the steamboat office.

Q. Or to the steamboat office?—A. Yes.

Q. You receive it there?—A. Yes.

Q. What portion of each week is the steamship *Keewatin* back at Port McNicoll?—A. It docks Monday morning at eight o'clock, leaves Wednesday afternoon at four o'clock.

Q. Of each week?—A. Of each week.

Q. During the season that you are employed upon the vessel?—A. From May until the end of September.

Q. And did you make any enquiries prior to election day, which was July 28, 1930, for the last Dominion Election, to ascertain whether or not your name was upon the list of voters entitled to vote at the election?—A. No, sir. I had been allowed to vote the year before and I did not think there would be any objection the next year.

Q. You mean in the provincial election of 1929?—A. Yes, sir.

Q. You voted. Then, on the day of the election, what we call polling day— —A. Yes.

Q. —the 28th of July, 1930, did you endeavour to vote?—A. Yes.

Q. And where did you endeavour to vote?—A. Where they were taking——

Q. What place was it in?—A. The curling rink in Port McNicoll?

Q. Did you know the name and number of the polling sub-division at which you attempted to vote?—A. No, sir.

Q. What time of the day did you go to attempt to vote?—A. About two o'clock in the afternoon.

Q. Would you just tell us what occurred, who did you see, what did you say, and what did they say to you?—A. I could not do that with truth.

Q. Let me see. You went into the polling booth, and did you ask somebody to let you vote?—A. Yes.

Q. Was the man you asked to let you vote seated at a table or standing up?—A. He was sitting at a table.

Q. Do you know his name?—A. Yes.

Q. What is his name?—A. Daley

Q. What?—A. Daley, I think.

Q. And what did he say about your voting?—A. He said, "No."

Q. Yes?—A. Finlayson asked him why.

Q. Who?—A. Finlayson.

Q. Mr. GRAY: Who is Finlayson?—A. The Minister of Lands and Forests for Canada.

Q. For Canada?

Mr. LAWSON: No, we will limit it.

The CHAIRMAN: Ontario.

Mr. LAWSON: That is evidence of the regard with which he is held in the constituency. I am sorry I interrupted you.

Mr. GRAY: Finlayson said what?—A. He asked why he could not let me vote.

By Mr. Lawson:

Q. What did Mr. Daley do?—A. He looked at the names on the list, and my name was there and it was scored off.

Q. Your name was on the list and scored off?—A. Yes.

Q. What next happened?—A. He asked if he would let me vote if I took the oath.

Q. Who is he, Finlayson?—A. Finlayson.

Q. Finlayson asked if you would be allowed to vote if you took the oath?—A. Yes.

Q. Then, what happened?—A. I was asked to take the oath anyway.

Q. Yes?—A. And I took the oath.

Q. You took the oath?—A. Yes.

By Mr. Gray:

Q. Who asked you to take the oath?—A. A man by the name of Harvie; he is from Orillia.

By Mr. Lawson:

Q. Did you know who Mr. Harvie was?—A. No, sir. I gave the wrong answer to the other one, so I won't attempt this one.

Q. No, no you did not. Don't let that worry you. A. I think he is sitting out there, anyway.

Q. Harvie is sitting up here. Then the man who is sitting here is the Harvie to whom you refer?—A. Yes.

Q. You took the oath, and then what happened?—A. He swore I committed perjury?

Q. Harvie did?—A. Yes.

Q. Who did he swear that before?—A. Before that fellow who was taking the votes.

Q. Daley?—A. Yes.

Q. Then what happened?—A. The constable laid hands on me to take me to the jail, I suppose.

Mr. SPENCER: Will the witness speak up a little louder?

The CHAIRMAN: If you would not go so fast—do not talk quite so fast.

Mr. LAWSON: Let me pick up, for the benefit of the hon. members who did not hear the last of the remarks, you took the oath?—A. Yes, sir.

Q. A man by the name of Harvie then swore out an information before the D.R.O. Daley that you had committed perjury?—A. Yes, sir.

Q. You say the constable laid hands upon you and took you to the police station?—A. He did not take me.

Q. He did not take you?—A. Because Finlayson intervened.

By Mr. Gray:

Q. Who intervened?—A. Finlayson.

Q. This man Finlayson?—A. This Mr. Finlayson.

By Mr. Lawson:

Q. The constable laid hands upon you, and what did Mr. Finlayson say or do? You say he intervened?—A. I cannot say exactly what he did, but I was relieved, anyway.

Q. As a result of what he said, which must have been very effective, the constable let you go, did he?—A. Yes.

Q. What did you do, walk out of the polling booth?—A. Walked out and went back to the boat?

Q. Did you vote?—A. No, I did not vote.

Q. When you took the oath was there any person there to vouch for you? —A. Yes, sir.

Q. Who was that man?—A. Bert Scott.

Q. Is Bert Scott an elector in the riding of East Simcoe?—A. I think, but I am not sure.

Q. Then you say you did not vote?—A. No, I did not.

Q. Why?—A. Because they would not let me.

Q. When you went to Scotland for a holiday, you told us in December of 1929, and returned on April 16, 1930, did you purchase a return ticket or a single fare ticket?—A. A return ticket.

Q. Was it your intention, when you left this country, to go to Scotland, to return to Canada?—A. Yes, sir, fully.

Mr. LAWSON: That is all, thank you.

By Hon. Mr. Elliott:

Q. Just a question, Mr. Campbell. I think I have understood you pretty correctly. Is this correct, did you have your boarding house at Port McNicoil and leave it when you went on to the boat?—A. Yes, sir.

Q. And you ceased to pay board or lodging when you went onto the boat?—A. Yes.

Q. And that also applies to your trip to Scotland?—A. Yes.

Q. And you went onto the boat about the— —A. About the 10th of April. Which year do you mean on the boat?

Q. 1930?—A. 1930, the 16th April.

Q. On the 16th April you went onto the boat and ceased to pay lodgings at Port McNicoll and resided on the boat?—A. Yes, sir.

Q. And the only connection you had with your landlord was that some of your mail came into their box?—A. That is all.

By Hon. Mr. Lapointe:

Q. When did you come back from Scotland?—A. The 16th April, 1930, I arrived at Port McNicoll.

Q. And you left your room when?—A. I left the boat to go to Scotland on the 16th December.

Q. And you came back from Scotland in April?—A. Yes, in April, 1930.
Q. And went on the boat?—A. And went on the boat.
Q. Your room there, were you paying for it by the month or by the week? —A. By the week.

By Mr. Gray:

Q. You say you left the boat on the 16th to go to Scotland?—A. It might be the 12th; I could not say that for sure; it is either the 12th or the 16th.
Q. You were living on the boat at that time?—A. Yes.
Q. As a ship's housekeeper, or what?—A. As a watchman.
Q. A watchman on the boat?—A. Yes.

By the Chairman:

Q. Was the boat at the dock?—A. Yes, the boat was tied at the dock seven days before we were laid off.

By Mr. Morand:

Q. And the boat stays there all winter?—A. Yes.

By Mr. Lawson:

Q. Some member of the committee asked me to ascertain if you were ever brought before a court after this occasion on which the constable arrested you and then Mr. Finlayson procured your release?—A. No, sir.

Hon. Mr. ELLIOTT: It is not necessary to ask that question.

Mr. MACNICOL: I would like to ask him who allowed him to take the oath. If the returning officer allowed him to take the oath, was it because he thought he was entitled to vote, or did he allow him to take the oath to have him arrested afterwards.

Hon. Mr. ELLIOTT: I suppose the returning officer has to allow him to take the oath.

Mr. MACNICOL: That was what I wanted to find out, why he did not get the ballot afterwards.

The CHAIRMAN: He was arrested.

Mr. MACNICOL: In other words he was intimidated. I do not say he was intimidated, Mr. Chairman.

The CHAIRMAN: Who is your next witness?

FREDERICK BENJAMIN CHIDWICK, a witness, called and being duly sworn testified as follows:—

By Mr. Lawson:

Q. Mr. Chidwick, how old are you?—A. 24, sir.
Q. Where were you born?—A. London, England.
Q. Are you a British subject?—A. Yes.
Q. When did you come to Canada?—A. 1922, September 22nd.
Q. Have you remained in Canada ever since?—A. Except that in 1924 I went to England for a holiday.
Q. When you came to Canada, where did you go to reside?—A. When I first came to Canada I went to Shelburne, where I resided on a farm for fourteen months.
Q. That is Shelburne, in the Province of Ontario?—A. Yes.
Q. After spending fourteen months on a farm at Shelburne, where did you go?—A. I went to the City of Toronto, where I stayed for a few weeks, after which I went up to Port McNicoll.

Q. So that you have been in Port McNicoll, with the exception of the trip to England, of which you have told, since some time in the year 1923?—A. Yes, sir.

Q. And in Port McNicoll did you maintain a residence or board with somebody?—A. Yes, sir.

Q. Which?—A. I boarded at the C.P.R. Hotel and also at a boarding house of Mrs. Turcotte's, and also the boarding house of Parent; he is not there now; he has sold out.

Q. But that is a home in which you have boarded?—A. Yes.

Q. And did you board in these places continuously during the whole of any year or during part of the year?—A. Parts of the year, sir.

Q. What part of the year did you board in these different places of which you have told us, in Port McNicoll?—A. Well, during April, May—March, April and May.

Q. You boarded in these different places of which you have told us?—A. Yes.

Q. And when you have not been boarding in these different places of which you have told us, in Port McNicoll, where have you been boarding?—A. I have been on the C.P.R. steamboats ever since.

Q. And at present I believe you are on the steamship *Keewatin*?—A. Yes.

Q. And in what capacity are you employed there?—A. As a waiter.

Q. And for what length of time have you been a waiter on the steamship *Keewatin*?—A. For five years.

Q. And during the winter—I am taking the months that you have not included as being on the ship—during the months of December, 1929, say, January, February, March and part of April, 1930, did you board and reside in Port McNicoll?—A. No, sir, I did not reside anywhere in particular. I have travelled around mostly, and taken short vacations up to Port McNicoll during that winter.

Q. Did you maintain a room that winter in any particular place?—A. No, sir.

Q. Then on what date in the year 1930 did you go upon the steamship *Keewatin*?—A. To the best of my knowledge it was on April 12th to the 15th.

Q. Somewhere between April 12th and 15th of 1930?—A. Yes, sir.

Q. And did you continue upon the steamship *Keewatin* from that date until after the 28th July, 1930?—A. Yes, sir.

Q. And on the steamship *Keewatin* you get your board?—A. Yes.

Q. And you keep your clothes there?—A. Yes, sir, except what I leave up with the lady where I have my washing done.

Q. That is, you have your washing done all the time in Port McNicoll?—A. Yes, sir.

Q. And you leave some of your clothes with the lady to keep for you?—A. Yes.

Q. Then, during the period of 1930, while you were upon the steamship *Keewatin*, what duration of time during each week did you with the steamship spend in Port McNicoll?—A. From 8 o'clock Monday morning until 4.30 Wednesday afternoon.

Q. And you told me you had your washing done in Port McNicoll. Where did you receive your mail?—A. In the post office at Port McNicoll and also at the Steamship office at Port McNicoll.

Q. There is not a postal delivery at Port McNicoll?—A. Only at the post office.

Q. You go for your mail to the post office?—A. Yes, sir.

Q. By the way did you vote in the last provincial election, in 1929?—A. Yes, sir.

Q. And, on July 28, 1930, the polling day in the last election, did you attempt to vote?—A. Yes.

Q. Where did you attempt to vote?—A. At the curling rink in Port McNicoll.

Q. And what happened when you went there and attempted to vote?—A. I went up there first in the morning to get my vote. Deputy Returning Officer Daley looked up the list and saw my name on the list and said it was scratched out and that I was not entitled to a vote. Also in the afternoon I went up again and asked for my vote.

Q. Did you take anybody with you when you went in the afternoon?—A. There was Mr. McCormick and Dr. McPhee.

Q. Is Mr. McCormick an elector in the riding of East Simcoe?—A. I do not understand that, sir.

Q. Where does Mr. McCormick reside?—A. In Port McNicoll.

Q. How long has he resided there to your knowledge?—A. He has been there ever since 1924, when I went there.

Q. Then you went back in the afternoon and took another gentleman with you, Mr. McCormick, and Dr. McPhee, and then what occurred in the polling booth?—A. I went up and asked for my vote, and also District Returning Officer Daley said: If you will swear in, we will give you your vote. After swearing me in, Mr. Harvie, another gentleman who was there, from Orillia, started to tell District Returning Officer Daley that he was doing wrong by letting me vote, and kept at him until he made him change his mind, and after swearing me in, by the suggestion of Mr. Harvie, Mr. Daley had me arrested by Constable J. Bosley.

Q. And after you were arrested by Constable Bosley, what happened?—A. Mr. McCormick and Dr. McPhee came up with bail.

Q. After you were arrested by Constable Bosley, were you taken from the polling booth?—A. Constable Bosley came up and laid hands on me and said I was under arrest.

Mr. LAWSON: I think that is evidence of an arrest for the purpose of an action for false arrest anyway.

By Mr. Lawson:

Q. Then Constable Bosley told you you were under arrest, and did he remove you from the polling booth?—A. Mr. McCormick and Dr. McPhee came up and went bail for me.

Q. Did this all occur in the polling booth?—A. Yes, in the polling booth; Mr. Harvie saying that I was being arrested for perjury.

Q. Did you vote?—A. No, sir, they would not let me.

Q. Have you ever been brought up before a court in connection with this charge and arrest which was made?—A. No, sir, as far as I know, to the best of my ability, I am still under arrest for that. I have not heard anything different.

Mr. GRAY: It was not close arrest, anyway.

By Mr. Lawson:

Q. We call arrest, Mr. Chidwick, when a man is under custody. Were you allowed out on bond?—A. I was let out on bail.

Q. And, so far as you know, your bail has not been released?—A. No, sir.

Q. But you have not been summonsed or brought before any court since that day?—A. No, sir.

By Mr. Spencer:

Q. I would like to ask whether you know if money was put up by the guarantor, and whether it has been paid back again?

The CHAIRMAN: We need not worry about that, as to the bail money.

Hon. Mr. ELLIOTT: I do not suppose that the witness knows whether there was bail money put up or not.

The WITNESS: No, I do not know, sir.

Q. Have you ever been called upon before a court or magistrate to renew that bail since that time?—A. No, sir.

Q. Or to answer to any charge?—A. No, sir.

By Mr. Gray:

Q. You were not allowed to vote?—A. No, I was not allowed to vote after being sworn.

By Hon. Mr. Elliott:

Q. Do I understand you correctly to say that you have worked on the steamship *Keewatin* in the summer time?—A. Yes.

Q. And then when you finish your summer season you travel a good deal in different parts?—A. I am with the company from April until practically the end of December, and from that time until I join my ship again I am travelling around different cities, sometimes staying in one place and working for a short time.

Q. Sometimes staying at one place and sometimes at another?—A. Yes.

Q. And your only connection with Port McNicoll was that you considered that as your— —A. I always considered Port McNicoll as my home, my home town, as I have no other place.

Q. But when you came back from your travelling you went onto the boat?—A. Sometimes we stayed at the hotel, sir; but in the year 1930 we stayed in Port McNicoll prior to sailing about two weeks.

Q. What two weeks were those?—A. While we were fitting the boat out, sir.

Q. And you went on the boat on what day?—A. Around April 12th to the 15th.

By Mr. Gray:

Q. Did you ever stay in a bunkhouse or anything of that kind?—A. I have stayed in a bunkhouse in Port McNicoll in 1924, for around two months.

Q. But not in the spring of 1930?—A. No, sir.

By Hon. Mr. Lapointe:

Q. Where did you stay during the winter of 1930—A. I went down to Toronto, and also I was travelling back and forward to Port McNicoll.

By Mr. Gray:

Q. And where did you stay in Port McNicoll when you went back—A. Sometimes I went to visit friends and stayed with them.

By Hon. Mr. Morand:

Q. When you went back to Port McNicoll in 1930, did you just take your chance of getting a job?—A. No, sir, I was hired.

By Mr. Anderson:

Q. You were a single man?—A. I was then, sir, but I am married now; I was married last December.

By the Chairman:

Q. Where is your home now?—A. I am just boarding with my wife's people in Midland, but my home town is still Port McNicoll.

By Hon. Mr. Lapointe:

Q. But your wife lives in Midland?—A. My wife lives in Midland with her family, sir.

By the Chairman:

Q. Is it in the same county and the same constituency?—A. In Midland, that is just four and a half miles from Port McNicoll.

Hon. Mr. ELLIOTT: We know it is in the same constituency, Mr. Chairman.

The CHAIRMAN: I did not know that. Are there any other questions?

JAMES G. HARVIE, a witness, called and being duly sworn testified as follows:

By the Chairman:

Q. What is your post office address and occupation?—A. Orillia, Ontario; occupation, barrister.

By Mr. Lawson:

Q. You told the Chairman, Mr. Harvie, that you resided in Orillia?—A. Yes, sir.

Q. What distance is Orillia from Port McNicoll?—A. About twenty-five miles.

Q. Have you ever been a resident in Port McNicoll?—A. No.

Q. In the last Dominion Election you were apparently in the polling booth in the curling rink in Port McNicoll. In what capacity were you there?—A. As agent for the Liberal candidate, Mr. McLean.

Q. In the provincial election of 1929, I believe you were the Liberal candidate in the provincial constituency similar to this dominion constituency?—A. Yes.

Q. Have you ever lived in Port McNicoll?—A. No.

Q. Have you spent any particular portion of your time there?—A. No, just through it very often.

Q. Have you ever met or did you know personally either Frederick Benjamin Chidwick or Alexander Campbell, prior to the polling day, July 28, 1930?—A. No.

Q. On July 28, 1930, do you recollect the circumstance of Alexander Campbell coming to the polling booth in which you were the Liberal scrutineer and making application for a ballot?—A. I recollect two men; I could not identify them by their names.

Q. Having seen Alexander Campbell here this morning, do you recognize him as one of the men?—A. No, I cannot identify him.

Q. Of the two men who came to the booth in respect of which you were very active in challenging their vote—

Mr. GRAY: Why add that? I object to that. Ask him the question.

By Mr. Lawson:

Q. On the polling day did both these men, of whom you have not a distinct recollection, appear and were they refused a ballot both in the morning and both in the afternoon, or one in the morning and one in the afternoon?—A. I do not recall just the time they were refused, but they were refused at first and then they were sworn in later.

Q. You heard the statement made here to this Committee this morning by Alexander Campbell, the second witness called but the first of the two men who alleged that they were refused the ballot?—A. Yes.

Q. Do you disagree with his evidence?—A. No, it is substantially correct.

Q. That is as to the occurrences in the polling booth?—A. Yes, as to my part in it.

Q. Did you challenge this man's right to vote?—A. Yes.

Q. Were you present when he took the oath prescribed by the Dominion Elections Act?—A. Yes.

Q. Did he have with him one who alleged he was an elector in the riding of East Simcoe, to vouch on his behalf as required by the Act?—A. Yes, I think he did.

Q. And did that person signify his willingness to vouch?—A. Yes, I think he did.

Q. Then, Campbell having taken the oath, did you swear out an information against him for perjury before the Deputy Returning Officer, Daley?—A. Yes, I think it was I,—either I or the Deputy, but I think I did.

Q. And on what information did you swear that information before the Deputy Returning Officer?—A. On the information of the registrar himself.

Q. Who was the registrar?—A. Mr. Joseph Connolly.

Q. And what information did the registrar, Connolly, give you?

Mr. GRAY: That is not evidence, surely; the registrar is here.

The CHAIRMAN: He can give the information.—A. Well, the registrar informed me that this man was a non-resident of Port McNicoll and had been a sailor, and I think—I do not identify either of the men clearly, but I think one of them had been a sailor a previous year and had gone to England or Scotland and had just returned in time to take employment on the boats.

Q. Is that the only information you had upon which to swear that information?—A. That is all.

Q. You had no personal knowledge of these men at all?—A. No personal knowledge at all.

Q. When and where did you obtain the information, of which you have told us, from the registrar, Connolly?—A. Mr. McLean, the candidate, I think told me the evening before of a number of men who had been struck off the list, who were sailors, and in his opinion there would be an attempt made—

By the Chairman:

Q. How many did he tell you had been struck off the list?—A. I do not remember clearly.

Q. Was there a large number?—A. Quite a number.

Q. The whole crew?—A. I do not remember that.

Q. I want to know whether it was wholesale or whether it was an isolated case.—A. If I remember correctly, I think there were some ninety people struck off the list. I do not know whether they were all sailors or not. That is only my memory. And Mr. McLean instructed me to go up to Port McNicoll the next day and if any of these men who had been struck off the list attempted to vote, I was to charge them with perjury, because they were not entitled to vote and were not residents there.

Upon going up there I conferred with Mr. Connolly, I think, about those who had been struck off; and he was present during the whole of the polling, and as each man came up, if he happened to be a man who was struck off the list, I conferred with Mr. Connolly as to his right to vote and saw to his name being struck off the list.

Q. In what capacity was the registrar, Connolly, in the polling booth?—A. He was not in the booth. I do not recall whether he was an outside scrutineer, but he was on the job all day.

By the Chairman:

Q. Inside?—A. No, outside.

Q. And you communicated with him?—A. Yes.

By Mr. Lawson:

Q. And you were in the booth. A. Yes.

Q. And did I understand you to say that you thought this registrar may have been acting as scrutineer?—A. He may have been, but I do not recall.

Q. In any event, he remained outside of the booth all day and was available to you when you wanted him?—A. Exactly.

The WITNESS: I may say that Mr. Connolly had supported Mr. Finlayson against me in the previous provincial election.

Hon. Mr. Elliott:

Q. So that there was no partisanship?—A. I do not think so.

By Mr. Lawson:

Q. Did you not know that he was supporting Mr. McLean in the last election, and not Mr. Thompson?

An Hon. MEMBER: No, No.

Mr. LAWSON: The witness is no fool, he is a lawyer and I am going into that now that it has been raised. You agree with me; seeing that you have given us so much information voluntarily, Mr. Harvie, is it not a fact that you knew that this registrar, Connolly, was opposing Thompson, the Conservative candidate in the last Dominion election?—A. Yes, I understood that.

Q. These informations for perjury that you swore out that day, were there just two of them?—A. Yes, just two of them.

Q. Were they prepared in advance?—A. No, they were written right on the spot. I think I wrote them both out myself.

Q. Were there more than two prepared?—A. No, I do not think so.

By the Chairman:

Q. You prepared them as each case arose?—A. Yes.

Q. Were there blank forms there in the hands of the Deputy Returning Officer?—A. Yes, I asked the Deputy Returning Officer for the forms.

Q. And he had them?—A. Yes.

By Mr. Lawson:

Q. Can you tell me from your recollection, Mr. Harvie, whether or not there had been many voters cast their ballots in this poll before you swore out this first information for perjury?—A. Yes, I think quite a number. I do not think these chaps attempted to vote until rather late in the morning, at least one of them.

Q. Do you recollect a man by the name of Ramsay being on the list and voting?—A. No, I do not.

Q. Have you still in your possession the list of voters which you had with you that day as inside scrutineer?—A. I do not know.

Q. You haven't it with you in any event.—A. I have with me now a copy of the preliminary list that Mr. McLean loaned to me when I was coming down here yesterday.

Q. Is that a copy of the list which you had in your possession inside this poll on election day.—A. No, I do not think so. I think the list I had was simply a typed list of those on the voters' list. I do not recall that clearly.

Q. That would be what we lawyers call the revised list for polling day?—A. I do not recall. I knew that I had for myself a list of these men who had been struck off, and who it was thought would attempt to vote.

Q. Thought by Mr. McLean, the Liberal candidate, or by Mr. Connolly, the registrar?—A. By Mr. McLean in any event.

Q. Do you recollect a man by the name Collins voting that day?—A. No.

Q. Do you recollect a man by the name of Lytle voting that day?—A. No.

Q. Have any steps been taken by you since that day to prosecute these charges of perjury resulting from the information which you laid?—A. Not by me, no.

By the Chairman:

Q. You were the informant?—A. Yes, as the agent of the candidate.

Q. But you swore it out in your individual capacity?—A. Yes, I filled out the information, sir.

Q. And swore to it?—A. No, I do not think there was any form of oath at all. I had never seen an information in the form of that type before.

Q. In any event you did what the Deputy Returning Officer required of you on which to issue a warrant?—A. Yes.

Q. On which an officer acted in your presence?—A. Yes.

Q. Having accomplished the arrest of this man at that time, did you at any time take any further steps as informant?—A. No, I never did.

Q. You had accomplished your purpose when you had prevented that man voting?

Hon. MEMBERS: Oh, no, no.

The CHAIRMAN: It is a proper question.

Hon. Mr. ELLIOTT: We will have to withdraw that reference to perfection.

The CHAIRMAN: It is perfectly immaterial to me what the reference is. It was a perfectly proper question. He is asking him to draw the inference, and asking you to draw the inference.

Mr. LAWSON: I will withdraw that question and ask this question:

Q. Did you or did you not take any further steps or proceedings on the information?—A. No, none whatever.

Q. And if not, why not?—A. Because I had no instructions. I merely was acting on the instructions of the candidate, and I reported to him after it was done, and it was up to him to do whatever else he wanted to do.

Q. You thought you had done your duty?—A. Yes, absolutely.

By Mr. MacDonald:

Q. Did you have a list of names which you were to swear?—A. I had a list of names and I was instructed to issue an information against any of those men who attempted to vote who had been struck off.

Q. After you had sworn the information against those two, did any others attempt to vote?—A. I think not. I think only those two attempted to vote.

Hon. Mr. ELLIOTT: That showed that the candidate was correct.

Mr. LAWSON: I never could understand the psychology of a man who objects to a question by the chairman and then makes such a statement.

By Mr. Turnbull:

Q. What was the object of having those men arrested in the polling booth that day?—A. In my opinion they had committed perjury.

Q. Did it have any effect upon the other eighty-eight?—A. I do not know.

Mr. THOMPSON: The other eighty-eight were not there that day, that had been taken off the revised list.

The CHAIRMAN: We have no proof of that.

By Mr. Lawson:

Q. Have you any intention of proceeding with the prosecution which you set in motion by swearing out the information for perjury?

Mr. JACOBS: Mr. Chairman, I must object to that. My legal sense will not allow me to let a legal question of that kind be put. We cannot ask a man about his intentions. We may ask him about the past and the present, but not about the future.

Hon. Mr. ELLIOTT: I do not think that question is pressed.

Mr. LAWSON: I still think it is a proper question.

The CHAIRMAN: I would allow it, if you press the question; but I point out to you that in effect the witness has already answered that question. He has said it was not up to him but was up to Mr. McLean.

By Mr. Lawson:

Q. On the list supplied to you that day, as inside scrutineer and agent of the Liberal candidate, how many names were marked upon that list to be challenged if they attempted to vote; against how many were you to swear out information for perjury, if they atempted to vote.—A. I do not know the number of names, but I was to swear out information against anybody who had been on the list and had been struck off and who attempted to vote.

Q. Irrespective of whether they had lived in this municipality for fifty years or not,—surely you do not mean that?—A. That list had been submitted, as I understand, to the Chief Electoral Officer for a ruling and he had ruled that they had no right to vote.

Q. Unfortunately that is not so.—A. Those were my instructions, that they had been ruled off as not possessing the residential qualifications.

Q. Who gave you those instructions?—A. Mr. McLean.

Q. Mr. McLean informed you that the original list as prepared by the registrar and the revised list had been submitted to the Chief Electoral Officer who had ruled that these men were stricken off and were not entitled to vote? —A. I would not say that the list had been submitted, but I say that I understood that a ruling had been obtained from the Chief Electoral Officer as to these men, principally sailors who had not obtained residential qualifications.

Q. Then your instructions from Mr. McLean were not to swear out informations against all persons not on the list who attempted to vote but only against certain persons not on the list, who were alleged to be sailors?—A. I think those persons were those in connection with whom the ruling was obtained, and they were mostly sailors; and it was in connection with the sailors that I had my instructions, if I remember rightly.

By Hon. Mr. Lapointe:

Q. Do you say that you received information from Connolly, the registrar, before challenging those votes?—A. Yes, Mr. Connolly was outside of the booth, and word would come in to me if any of these men who came in had been struck off; word came in to me that they were not qualified to vote, and I then conferred with Mr. Connolly that these men had not the qualifications, and I then swore out the information.

Hon. Mr. LAPOINTE: May I ask whether Mr. Connolly has been summonsed to appear?

The CHAIRMAN: No, he has not been summonsed as yet. His name has not been given to the Committee.

Mr. LAWSON: We are going to move for it, before the close of this sitting.

Q. One question arising from that: How did you communicate with Mr. Connolly? Did he come into the booth or did you go outside of the booth, or did you have a runner?—A. I do not remember particularly.

Q. Here is a big event in which you were taking considerable responsibility?—A. There was a good deal of excitement, quite a number had crowded in and Mr. Finlayson was there, and there was a good deal of noise and bickering. I do not know whether Mr. Connolly came inside or not, but I conferred with him outside several times probably,

Q. That is you would go to the door and communicate with him outside? —A. I say probably; I do not remember definitely whether he came in or not. I think it was mostly outside.

Mr. MacNicol: I would like to make an observation, Mr. Chairman. Two men were prevented from discharging their franchise. That is the contention. What I am trying to get through my head is who was responsible.

The Chairman: That is one of the questions that the Committee will have to decide.

By Hon. Mr. Elliott:

Q. You had a list supplied you, I understand, of those who were said to have been referred to in the rulings?—A. Yes.

Q. And you had your instructions as to those men not having the right to vote?—A. Yes.

Q. That was your information?—A. Yes.

Q. And acting on that information you took the course you did?—A. Exactly.

Q. Did you receive that information before the poll opened?—A. Yes, I received the information that it was thought an attempt would be made to have a number of sailors vote who did not possess qualifications.

Q. And you were given the list?—A. Yes. The same thing obtained, I think, in another part of the riding.

The Chairman: We are not concerned with that.

By Mr. Lawson:

Q. Do you know the number of this polling subdivision in which you were acting as inside scrutineer?—A. I cannot recall it.

Q. It was in the curling rink in Port McNicoll?—A. Yes.

The Chairman: Who is the next witness?

The Witness Will I be needed any more?

The Chairman: I do not know .

Mr. Lawson: Not as far as I am concerned, Mr. Harvie.

Patrick J. McCormick, a witness, called and being duly sworn testified as follows:

By the Chairman:

Q. What is your name, post office address and occupation?—A. Patrick J. McCormick, Port McNicoll.

Q. And what is your occupation?—A. General foreman of the Canadian Pacific steamships.

By Mr. Lawson:

Q. Are you a British subject?—A. I am.

Q. Have you resided in Port McNicoll, in the constituency of Simcoe East? —A. For seventeen years.

Q. On polling day, July 28, 1930, for the last Dominion election, did you go to the polling booth with a man by the name of Chidwick?—A. I did.

Q. What was the object of your going there?—A. To vouch that he was eligible to vote at that poll.

Q. Were you yourself an elector in the constituency of Simcoe East?—A. I was.

Q. And was this poll to which you went, at the curling rink in Port McNicoll, a poll in the constituency of Simcoe East?—A. It was.

Q. Can you tell me from your knowledge whether or not it was a rural or an urban poll?—A. No, I am not sure of that.

Q. Will you tell me what took place when you went to the poll?—A. Well, they refused—the Deputy Returning Officer refused to give a ballot to Chidwick, and he took the oath, and he still refused; and then they arrested him; and I went bail for him, and he was released.

Q. Did you offer to take any oath?—A. They swore me, too.

Q. You did take the oath then as a voucher for this man Chidwick?—A. I did.

Q. Then you say, as a result of something that happened, Chidwick was arrested and you went bail for him?—A. Yes.

Q. Do you remember whether in going bail for him you signed a document in which you agreed that if he failed to appear at a given time and place, you were to forfeit so much money to His Majesty the King?—A. No, I could not say.

Hon. Mr. ELLIOTT: The document should be produced.

The WITNESS: I do not think anything was signed.

By the Chairman:

Q. Did you make a promise in open court?—A. Just before the Deputy Returning Officer.

By Mr. Lawson:

Q. Have you ever been called into any court in connection with the matter since that day?—A. No.

Q. How long had you known this man Chidwick?—A. About six years.

Q. How and in what capacity had you known him?—A. As a steward on the *Keewatin*. And he was also on the *Albertan* for a year or two.

Q. On the steamship *Albertan* for a year or two, and then on the *Keewatin*? —A. Yes. He had been about five years on the *Keewatin*.

Q. Had he ever resided any place other than Port McNicoll?—A. No, he was away at times, but I considered Port McNicoll was his home.

Hon. Mr. ELLIOTT: That is a question for the Committee.

By the Chairman:

Q. Did he ever live in the village to your knowledge?—A. Yes.

Q. When?—A. During the six years I have known him, off and on.

Q. And in the years 1929 and 1930?—A. Yes.

By Mr. MacNicol:

Q. On election day did these men go in their uniforms or in civilian clothes? —A. No, sir, they were in their shirts and trousers,—it was a very warm day.

Mr. MACNICOL: I would recognize especially Chidwick if I saw him ten years from now.

The WITNESS: I think they were in their shirts and trousers. They were working on the boat and it was a very warm day.

Mr. LAWSON: Now, Mr. Chairman, at this stage of the proceedings, by reason of Mr. Harvie's evidence, I think we should have brought before the Committee Registrar Connolly.

Mr. GRAY: And one William Finlayson.

The CHAIRMAN: You can have Mr. Finlayson, if you want him.

Mr. LAWSON: I will make my motion after I call Mr. Daley.

The CHAIRMAN: The Clerk has handed me, before the proceedings opened this morning, a minute of the proceedings of yesterday. It is purely formal and I think we should O. K. it here. Then, we will approve of the minutes of the proceedings presented by the Clerk.

DENIS ARTHUR DALEY, a witness, called and being duly sworn testified as follows:

By Mr. Lawson:

Q. Mr. Daley, you were the Deputy Returning Officer in the polling booth in the riding of East Simcoe held on the polling day, July 28, 1930, in the curling rink at Port McNicoll?—A. Yes, sir.

Q. Can you give us the number of the polling subdivision in the riding of East Simcoe?—A. Seventy-three, I think, but I am not sure. I believe that was it.

Q. Did you after the conclusion of the poll return to the General Returning Officer for the riding of Simcoe East, as required by the Dominion Elections Act, the original voters' list, poll book, etc. which had been supplied to you?—A. I did.

Mr. LAWSON: At this stage, Mr. Chairman, I would make application for the production of the polling list, poll books, etc. of this polling subdivision, which under the statute have now been returned to the Chief Electoral Officer for the Dominion of Canada.

The CHAIRMAN: Mr. Castonguay, you are asked for the official list returned by the Deputy Returning Officer, which was transferred to the Chief Electoral Officer. Will you produce that list?

Mr. CASTONGUAY: There is a certain objection, under section 76. I am prepared to produce it.

The CHAIRMAN: We will note the objection. It is a Crown document, and unless parliament has specially exempted the operation against the Crown, as was done under the Civil Service Act, it must be produced in answer to an order from parliament.

Mr. LAWSON: And in addition to that, I am prepared to argue that even under the statute there is no prohibition against the document being produced before this Committee.

Hon. Mr. ELLIOTT: Parliament has ordered it produced.

The CHAIRMAN: It is up to the committee to overrule that ruling. Mr. Castonguay has the full protection of the statute and the Committee in respect to it.

Mr. LAWSON: Then, Mr. Chairman, I would like the original list as prepared by the enumerator, and the revised list as supplied to the Deputy Returning Officer.

Mr. CASTONGUAY: Do you want them now?

Mr. LAWSON: I want them for the purpose of dealing with this witness.

The CHAIRMAN: If you have a copy and will say it is certified as a copy, I think the Committee will be prepared to accept it. Have you the original list as prepared by the rural registrar?

Mr. CASTONGUAY: Yes, I have that.

The CHAIRMAN: That is the original list and the revised list as prepared by him for use on the election day. Those are the two things that are wanted.

Mr. LAWSON: One is the tentative list, and the other is the list returned by the Deputy Returning Officer to the Chief Electoral Officer.

The CHAIRMAN: As I understand it, there are only two, the first is the preliminary, which is made by the rural registrar, which is posted, but I think a copy is given to each candidate; then it is revised by the revising officer, and that revised list is the list which is sent out to each deputy returning officer for use on the polling day; and those are the two lists which are required.

Could you proceed in the interval? I understand it will be only a few minutes before we have them.

By Mr. Lawson:

Q. Mr. Daley, I think you have already told us that you were the Deputy Returning Officer in the poll to which we have reference in this investigation?—A. Yes.

Q. When were you appointed? I do not need the exact date.—A. Some time about the middle of June, I believe, 1930.

Q. Did you have any other official capacity in connection with the election in Simcoe East of July, 1930, other than as Deputy Returning Officer?—A. Nothing at all.

Q. You were not an enumerator nor a registrar?—A. No.

Q. Prior to the polling day, was a list supplied you of voters entitled to vote in that polling subdivision?—A. Yes.

Q. Was that polling subdivision a rural polling subdivision or an urban subdivision?—A. A rural subdivision.

Q. Were you familiar with the provisions, or did you familiarize yourself, as Deputy Returning Officer, with the provisions of the Dominion Elections Act which enable one not upon the list entitled to vote to comply with the provisions of that Act on polling day?—A. I did the best I could.

Q. And did a man by the name of Alexander Campbell make application to you for a ballot on polling day, July 28th, 1930, in that poll?—A. He did.

Q. Did a man by the name of Frederick Benjamin Chidwick also make application on that day and in that poll for a ballot?—A. He did.

Q. Were either of them given ballots?—A. No.

The CHAIRMAN: Just identify them.

By Mr. Lawson:

Q. Is the gentleman who appeared before this committee to-day under the name of Alexander Campbell the same man to whom you refused a ballot on polling day?—A. The same man.

Q. Is the man who appeared before this committee this morning under the name of Chidwick the same man as the one to whom you refused a ballot on polling day?—A. The same man.

Q. When Campbell came, did he offer to take the oath required by the Elections Act, as to qualifications?—A. Yes.

The CHAIRMAN: First of all, was he challenged by anybody? Unless he was challenged, he ought to have got a ballot.

By Mr. Lawson:

Q. This man Campbell was not upon the list?—A. No.

Q. Had you knowledge from the list or poll book or documents before you that this man's name had been upon the original list prepared by the registrar, and subsequently stricken off during revision?—A. When the man came in for a ballot, the poll clerk told me that this name had been cut off the list.

By the Chairman:

Q. Who was the poll clerk?—A. Joseph Mayo.

Q. You had possession of the list?—A. I had the list.

By Mr. Lawson:

Q. Yes, and the poll book, and acting upon that information, what did you say to Campbell?—A. I told him I was sorry and I explained the matter to him, that his name had been on the list and had been cut off; and therefore I could not give him a ballot.

Q. And did he thereupon offer to take the oath?—A. Yes.

Q. And did you administer the necessary oath of qualification, as required by the Dominion Elections Act?—A. Not then.

Q. What happened then?—A. I simply told him, as I understood it, the matter had already been dealt with and I had nothing at all to do but to refuse him the ballot.

Q. Who gave you the information that the matter had already been dealt with?—A. I could find nothing in the instructions to cover it, but—

Q. No, no, my dear man. You have just made the statement that you said to Campbell that you understood his name was not upon the list, and that the matter had already been dealt with and that you had no discretion but that you must refuse him the ballot. I ask you where you got that information? —A. I do not think I just follow you.

Q. You told him, I understood, that the matter had already been dealt with and you had nothing to do but refuse him the ballot,—those are your sworn words. I ask you why you understood that?

Mr. GRAY: Because the name was not there.

The CHAIRMAN: That is a perfectly proper question and ought to be answered. You ought not to interfere.

Mr. GRAY: I am a member of the Committee, and I can interfere at any time. I do not require permission.

The CHAIRMAN: We will carry this on in an orderly way. This is a perfectly proper question and I have ruled he must answer it.

Mr. GRAY: Do you say, Mr. Chairman, that any member of the committee cannot interfere at any time? At the present time we are having counsel examining a witness. My submission is that any member of the committee at any time can interrupt and ask questions as he sees fit.

Mr. LAWSON: Mr. Chairman, the hon. member is evading the question in his remarks. He did not ask the witness a question, but he made a remark which was suggestive.

The CHAIRMAN: It would be very improper in any court.

By Mr. Lawson:

Q. Now, Mr. Daley, I want to know how and from whom you understood that the question of this man's vote had been dealt with and you had nothing to do but refuse him a ballot?—A. That he had been put on the list and put off.

Q. Is that the only reason?—A. Yes.

Q. Did you not tell me just a few minutes ago that you had endeavoured to familiarize yourself with the provisions of the Dominion Elections Act?—A. I did.

Q. Did you not know that even though a man's name was not upon a list, that man had a right in a rural poll by taking the oath of qualification and having one other elector take the oath vouching for him, to vote in that election?—A. If his name is omitted.

Q. You mean omitted off the list altogether?—A. Yes.

Q. Are you endeavouring to convey to me now that you did not appreciate that still to be the law, because a man's name had been upon an original list and had subsequently been stricken off that list?—A. I would not consider him as a name being omitted.

Q. I want to ask you the specific question: If any man whose name had been upon that list and by the list appeared to have been stricken off, irrespective now of whether you were told he was or was not a sailor, had come before you and taken the oath of qualification, and with him there had come an elector of the riding and taken the oath of one who vouches for a voter, would you have refused that man a ballot?—A. I think I would.

Mr. GRAY: I do not mean to interrupt your questions, but I think you should carry it to a conclusion. The provision of that section says, "Unless he is proceeded against for perjury," which I submit this man was.

Mr. LAWSON: There is no such section.

Mr. GRAY: It is part of the section. I am reading it out of Mr. Thompson's own statement and taking it for granted that this is the section which says "unless he is immediately proceeded against for perjury." Do you know the section, Mr. Thompson?

Mr. THOMPSON: I do not just recall it just now. It is section 232.

The CHAIRMAN: I am told it is in the Act itself, but it is something in the Election Instructions, and I have asked Mr. Biggar to find it for us.

Mr. THOMPSON: In section 64 of the Act, the instruction on page 94, section 232,—that is what is referred to in the margin.

The CHAIRMAN: Section 229 of the Instructions, on page 94 of the Election Instructions is as follows, and I think it is well to have it upon the record:

> 229. *Delivery of Ballot to Voter.* If a voter takes the required oath he must be furnished with a ballot unless an information for perjury or personation is immediately sworn, and a warrant forthwith issued for his arrest. On the other hand, a voter who has once refused to be sworn or to answer proper questions is not to be given a ballot either at the time or later in the day, even if upon reflection of encouragement he thinks better of his refusal.

Section 64, of the Dominion Elections Act.—*Name not on List.*

> 64. Subject as herein provided, any person who is qualified to vote in the electoral district and is, on polling day, resident in a rural polling division may, notwithstanding that his name does not appear on the list of voters for such polling division, vote at the appropriate polling station established therefor if, so far as he is aware, his name does not properly appear on the list of voters prepared for any other polling division in the electoral district.

Then, subsection 2:

> 2. Any such person as is in the last preceding subsection described shall be entitled to vote only (a) upon his being vouched for by some other voter whose name appears on the list for such rural polling division and who is resident therein, and personally attends with him at the polling station and takes an oath in Form No. 36 in Schedule One to this Act, and (b) upon himself taking an oath in Form No. 35.

Then, subsection 3:

> 3. The poll clerk shall make such additions, alterations and erasures in the voters' list, and such entries in the poll book, as the deputy returning officer directs him to make including the name of the person who vouched for the applicant person, and as are required by any provision of this Act.

Hon. Mr. LAPOINTE: Mr. Chairman, you read Instruction No. 229, but it is 232 which applies to this case.

The CHAIRMAN: This is what was referred to me by Col. Biggar. Now we will see what is in section 232 of the Instructions. There is a note "Not applicable to advance polls."

> 232. *Voter's Name Not on List: Rural Polling Division.* Any resident of a rural polling division may vote notwithstanding that his name has been altogether omitted from the list of voters. In any such case the voter must take the oath E on the card, and he must also be vouched for upon oath by some other resident of the polling division whose name is on the voters' list and who must take the oath F on the card. For this purpose, of course, the voter vouching may be admitted to the room at the same time as the voter whose name has been omitted from the list. The oaths the voter is called upon to swear will be noted in the proper column of the poll book and the fact that he has taken them or refused to take them will be entered by the insertion in the next column of the word 'sworn' or the words 'refused to be sworn.' The name and other particulars of the vouching elector, including his number on the voters' list, will be entered in the appropriate columns in the poll book followed in its proper column by the word 'sworn.' Thereupon the particulars of the voter whose name was omitted from the voters' list will be added to it with the word 'sworn' following, and the voter must be given a ballot unless he is immediately proceeded against for perjury; the deputy returning officer has no discretion to refuse the voter a ballot unless a charge is forthwith laid before him.

Mr. LAWSON: I call your attention, Mr. Chairman, to the fact that those are the Election Instructions which you are reading, and not the section of the Act. Now, may I continue?

The CHAIRMAN: Surely, go ahead.

By Mr. Lawson:

Q. Now, Mr. Daley, I want to be very clear and very fair in my understanding of your position. You tell me now that your understanding of the Elections Act was that it was only in case a man's name was omitted from the list that he could come forward, take the necessary oath, have a voucher take the necessary oath and be given a ballot?—A. Yes, that is my understanding.

Q. That is your understanding?—A. Yes.

Q. And conversely may I take it that your understanding was that once a man's name was on the list and stricken off, then he could not be permitted to vote even though he took the oath?—A. That is correct.

Q. Then will you tell me why you administered the oath to this man?—A. On the insistent demand of the Hon. Mr. Finlayson.

By the Chairman:

Q. You did not do it at first, then?—A. No, I refused it.

Q. You refused to even take his oath.—A. Yes.

Q. But because of Mr. Finlayson's predominance, you let him take the oath?—A. I thought there was a possibility of my being mistaken.

By Mr. Gray:

Q. What was Mr. Finlayson's position at the poll?—A. He was there on the courtesy of the poll.

Q. Had he been sworn in as a scrutineer?—A. No.

Q. What right had he in the poll?—A. None.

The CHAIRMAN: He had none, as far as I can see, but he was the county member. They were anticipating trouble.

Mr. GRAY: Oh yes.

By Mr. Lawson:

Q. Then, believing as you did that this man was not entitled to vote, you nevertheless administered to him an oath at the behest of Mr. Finlayson?—A. I wanted to give him the benefit of any doubt. I wanted to be perfectly fair and square with him.

Q. And so you administered this oath?—A. Yes.

Q. When you stated early in your evidence that you understood this matter had been dealt with and you had no alternative but to refuse the man a vote, you were, I believe, referring to your understanding and interpretation of the Dominion Elections Act?—A. I may be confused between the Elections Act and the Instructions.

Q. I would include them as one, Mr. Daley?—A. Yes.

The CHAIRMAN: For the purpose of this question. They are not one.

By Mr. Lawson:

Q. Then immediately after this man was sworn, did someone prefer an information against him for perjury?—A. Yes.

Q. Who?—A. Mr. Harvie.

By the Chairman:

Q. How long after this man took the oath?—A. Immediately.

By Mr. Lawson:

Q. And was that information for perjury sworn before you?—A. Yes.

Q. And having received that information and sworn it, did you give any instructions to the constable?—A. I made out the warrant for the constable.

Q. That warrant being one for the arrest of this man Campbell?—A. Yes.

Q. And the same thing applied in connection with Chidwick?—A. Exactly.

Q. The same procedure?—A. Yes.

By the Chairman:

Q. And you delivered them to the constable?—A. Yes.

By Mr. Lawson:

Q. Had anyone conferred with you or given you any instructions prior to the election day, as to what was to be your course of action, or what you were to do?

The CHAIRMAN: Or on election day.

By Mr. Lawson:

Q. Or on election day, as to persons upon the election list and stricken off?—A. No. That was my trouble, that no one had, other than what I had read in the papers and picked up off the street.

Q. What had you read in the papers and picked up off the street?—A. I had heard a lot of talk for some time that sailors were not eligible to vote.

Q. Did you hear any talk that they were eligible to vote?—A. No.

Q. All the talk you heard was that they were not eligible to vote?—A. Yes.

Q. Whom did you hear doing the talking?—A. Nobody in particular. I could not recall any individuals.

Q. What had you read in the newspapers?—A. Just prior to the election I read in the papers where I think it was our present member, Mr. Thompson, had wired to Ottawa protesting against the fact that sailors were not allowed to vote. And I saw a reply confirming the fact that they were not allowed to vote.

Q. In the newspaper?—A. Yes.

Q. Was the reply printed in full in the newspaper?—A. I think it would be in the form of a letter or a telegram.

Q. What newspaper was it in?—A. I think it was in the Toronto Star or The Telegram.

Q. A wire from the Chief Electoral Officer, you say, to Mr. Thompson?—A. I do not know about the Chief Electoral Officer, it was a wire from Ottawa.

Q. Do you think you would recollect that wire if you saw it again or the contents of it?—A. I do not imagine I would.

Q. But your recollection was that the substance of it was that sailors were not entitled to vote?—A. That is the sailors referred to in Port McNicoll.

Q. That the sailors in Port McNicoll referred to were not entitled to vote? —A. Yes.

Q. What sailors were referred to?—A. It would be the sailors of the C.P.R. boats.

Q. By sailors do you include waiters, stokers and everybody who might be working on those boats?—A. Yes.

Q. And if a man came to you who, to your own knowledge, had been living in Port McNicoll for years, but working on these boats in some capacity in the summer time, then you would have felt it your duty on the ruling to refuse him a ballot, if he had been on the list and had been stricken off?—A. Yes.

By the Chairman:

Q. Irrespective of the question of his residence?—A. Yes.

By Mr. Lawson:

Q. In those circumstances, Mr. Daley, did you not appeal to the General Returning Officer for the riding for some instructions before actual polling day? —A. No, I did not get my list until, I think it was, Saturday evening.

Mr. GRAY: Just there, Mr. Chairman, is that the duty of the deputy? I would think it would be the duty of the returning officer and not that of the deputy returning officer.

The CHAIRMAN: I would think if any question arose he ought to appeal to the returning officer, who would go to his superior officer.

By Mr. Lawson:

Q. Do I understand you to say, Mr. Daley, that you did not apply to the returning officer for instructions of any kind?—A. No, there was no doubt in my mind in regard to the handling of it, until election day.

Q. And that doubt was created on the election day by the protest, according to you, of Mr. Finlayson?—A. Yes.

Q. Did anything else create any doubt?—A. No, that was all.

By the Chairman:

Q. Then you went into the poll with the fixed idea that none of these men, under the circumstances referred to by Mr. Lawson, were entitled to vote?— A. Yes.

By Mr. Lawson:

Q. Had you known Alexander Campbell before polling day?—A. I had seen him.

Q. Did you know that during certain periods of the year he lived or boarded in Port McNicoll?—A. No, I was not aware of that.

Q. Did you know Chidwick prior to the 28th July, 1930?—A. I had seen him.

Q. Did you know that at certain times of the year or years he boarded in different places or in any place in Port McNicoll?—A. Practically mostly all of the employees on the boat may board at the Canadian Pacific Railway hotel prior to the boat sailing, during what they call the fitting out.

Q. Now, did you know of your own knowledge that either Campbell or Chidwick boarded at any place in Port McNicoll for any length of time prior to their going to live upon these boats?—A. No.

By the Chairman:

Q. Had you spoken to Mr. McLean, the Liberal candidate, in respect to this matter before the poll opened?—A. No.

Q. Had you conferred with Mr. Harvie, the Liberal agent, before or at the poll?—A. I was talking with Mr. Harvie the night before the poll.

Q. About this matter?—A. No, we were not discussing this matter in particular.

Q. Were you mentioning it at all?—A. Yes.

Q. What did he say to you or what did you say to him?—A. I forget what the conversation was, but we were in agreement.

By Mr. Lawson:

Q. Did Harvie tell you that if they came forward and took the oath he would swear out an information against them for perjury?—A. No, I do not remember him making any such statement.

By the Chairman:

Q. Was it understood that if they came forward there would be an information for perjury laid?—A. There was no such statement, as far as I am concerned.

By Hon. Mr. Morand:

Q. Who delivered this list to you?—A. It was delivered at my home. I was not there.

By Mr. Lawson:

Q. How many warrant forms were you supplied with for your poll?—A. I think there were two.

Q. That would be a printed form in blank to fill in the names of so-and-so? —A. Yes.

Q. I am speaking now of the warrants which you would issue to a constable after an information had been sworn before you for perjury, you were supplied with two forms only?—A. It was on a sheet, and I think there were only two.

Q. When you speak of a sheet, are you speaking of a sheet of forms?— A. Yes, the warrants came on a sheet, perforated.

Q. And you think there were two?—A. I am quite certain there were two.

Q. And what about the informations to be sworn by any person who wished to swear an information before you, were any forms of that information provided?—A. Yes, I think there were two.

Q. Can you tell me from your recollection whether that day you permitted any man to vote on taking the oath whose name had been upon the list and was shown as stricken off the list?—A. There were none.

Q. None that you permitted to vote?—A. None that I permitted to vote.

By Mr. MacNicol:

Q. You had the list on which the names had been in in the first place and then were stricken off, and then the list on which the names did not appear, and those lists did you have them with you that day?—A. I had the list which had been given to me by the returning officer, on which the names had been stricken off.

Q. Then the names were not on the list?—A. They had been on there but had been stricken off.

By Mr. Lawson:

Q. In a rural poll, the list is made up by a man who is sometimes called an enumerator, and he sits for five days a certain time before polling day; and if certain conditions occur and he thinks that any name should be stricken off the list he draws a pen through it, or if any should be added he writes it in; and it is that very list and not something made from it which becomes the original list.

Mr. MacNicol: I got into my head, Mr. Chairman, the idea that the list the returning officer had before him was a new list on which the names were omitted. The names were on the list but had been struck off.

Mr. Lawson: His view, as I understand his testimony, was that if a man came up before him and swore that he had the qualifications, and if that man's name did not appear on the list anywhere, he would allow him to vote; but if the man's name had been on the list but had been stricken off for any reason, his view was that that man could not vote.

Mr. MacNicol: Now, may I ask another question?

Q. What would be your argument, then, if a man's name had been on the list and a line had been drawn through it—it was omitted?

Mr. Lawson: No, he would say that the man's name had been on the list and was stricken off.

By Hon. Mr. Elliott:

Q. I suppose you had your book of instructions there and you would refer to it as the cases arose?

The Chairman: There would be nothing in it.

Hon. Mr. Elliott: Yes, these very cases are covered by the Instructions. What I am suggesting is that the deputy had his book of instructions there and he would rely upon it to a certain extent, I presume, as the cases arose.

The Chairman: In reference to the delivery of the ballot; but you are referring to the preparation of the list and the effect of a man's name being originally on the list and being struck off.

Hon. Mr. Elliott: What you are stating, Mr. Chairman, is very secondary to the questions asked of the witness, and it has been discussed as to the effect of a man's name being on the list and being stricken off. His impression was that it was on the list. If it had not been on the list, he would give him the ballot and give him the benefit of the doubt.

The Chairman: He would let him take the oath.

By Hon. Mr. Elliott:

Q. Your impression was, as I understand it, when you went there, that the striking off by the man who had prepared the list was final?—A. Absolutely.

Q. And that the voter would not have a right to vote, if his name had been stricken off, but upon hearing the arguments that took place in the poll and hearing the Instructions referred to, you did consent to him taking the oath?—A. Yes.

Q. And administered the oath to him?—A. Yes.

Q. And only refused him the ballot upon his arrest?—A. Yes.

By the Chairman:

Q. Had there been no information for perjury, would you or would you not have given him a ballot?—A. I would have given him a ballot.

Mr. MACNICOL: Then, Mr. Chairman, a man whose name is on the list and is stricken off is in an infinitely worse position in regard to the right to vote than is the man whose name was not on the list at all.

The CHAIRMAN: Yes, that is the interpretation which this witness says he put on the law.

By Mr. Gray:

Q. Was Mr. Finlayson in and out of the poll all day long?—A. No, he did not get down until after dinner.

Q. Then was he in and out?—A. I think he stayed inside the poll pretty well.

Mr. GRAY: Mr. Chairman, I see it is 1 o'clock, but I would hate to see the returning officer kept here until next week, if you can finish with him in a couple of questions.

Mr. LAWSON: Yes, I think I can. I could have been finished but for, for the want of a better term, the barrage.

Would Mr. Chief Electoral Officer be good enough to place before the witness the original voting list for this polling subdivision.

Mr. CASTONGUAY: I have the copy here.

The CHAIRMAN: We can substitute later on the copy for the original which you have here.

Mr. CASTONGUAY: There were two booths for the one poll.

Mr. LAWSON: The top of the list will show the number of the polling booth.

By Hon Mr. Elliott:

Q. Was this polling division No. 1 or polling division No. 2?

The WITNESS: No. 1, I think it was.

The CHAIRMAN: I will mark this original for identification as Exhibit 1, the true copy to be inserted in its place afterwards.

By Mr. Lawson:

Q. Now, witness, will you please look on that list for the name of Alexander Campbell, and throughout I am referring to the list Exhibit No. 1. You point out to me on the list, Exhibit No. 1, voter No. 95 on your list. The name appears in the column as Campbell, A., occupation shown as sailor, post office address shown as Port McNicoll; remarks, none; and a red line drawn through the name and the occupation and the post office address. Is that correct?—A. Yes.

Q. This document which we are referring to as Exhibit No. 1 is a list which you had in your possession as deputy returning officer of poll No. 1 of Port McNicoll, in the riding of Simcoe East, voters whose surnames begin with the letters of the alphabet A to L inclusive?—A. Yes.

Q. Then would you look up the name of Frederick Benjamin Chidwick? There appears upon your list, does there not, under No. 91, Chidwick, F. B.; occupation shown as sailor; post office address shown as Port McNicoll; no remarks of any kind in the Remarks column; and a line drawn in red ink through the name, the occupation and the post office address?—A. That is correct.

Q. Would you look over that list for me and again answer, if you will, after having refreshed your memory by looking it over, whether or not you permitted any elector to vote that day whose name was upon that list and then was stricken off, as in the cases of Campbell and Chidwick?—A. None whatever.

Q. You say none whatever, but just look at it and check them up, to be sure.—A. None that I am aware of.

Q. Still keep that list in front of you for a moment. I observe in the left-hand column of that list a pen mark indicating a tick or a check. What does that pen mark indicate?—A. Nothing to me.

Q. Was it made by you?—A. No.

Q. Then you have no idea of what those ticks represent?

By the Chairman:

Q. Did not you see the poll clerk make those ticks?—A. No, I did not see him make them; I may have seen him make some of them.

By Mr. Lawson:

Q. The poll clerk is the deputy returning officer's servant or assistant on that day. You have no idea of what those ticks represent?—A. I presume it is the fact that they voted.

Q. You have only one name, on your list, of Chidwick, namely the one to which I have previously referred, and it was stricken off?—A. Yes.

Q. And you have only one name upon that list of Campbell, namely the one to which I previously referred and which is stricken off.—A. Yes.

Mr. GRAY: You mean only one name of A. Campbell—there is another F. Campbell, No. 76.

By Mr. Lawson:

Q. Would you qualify that last answer—it should be yes, with the exception of Mrs. F. Campbell?—A. Yes.

Q. Now will you check over that list and see if there is another Chidwick on it? I think that is all, after looking. Then would you look on that list and see if there is a man on there by the name of Ramsay? Oh, he has only from A to L. Then look for the name of Collins?

Mr. GRAY: Joe?—A. There is Joe Collins, that is the only one I see.

By Mr. Lawson:

Q. There appears to be on your list only one man by the name of Collins, namely No. 97, Joe. Colins, listed as a sailor, post office address Port McNicoll; but his name is not stricken off?—A. No.

Q. And there appears opposite this name one of these tick marks in pen, which indicates that he voted?—A. Yes.

Q. Then would you look for the name Lytle?

Mr. GRAY: Lytle, Harold?

Mr. LAWSON: No, he did not vote at this poll. Then might we have produced the original voters' list, by the Chief Electoral Officer, for the surnames of voters in this polling subdivision commencing with the letters M to Z inclusive?

The CHAIRMAN: This is produced by the Chief Electoral Officer, and is marked Exhibit No. 2 for indentification, a true copy to be substituted for it, as for Exhibit No. 1.

Mr. LAWSON: May I have that, Mr. Chairman, as I want to put some information upon the record?

The CHAIRMAN: The witness could not identify that.

Mr. LAWSON: No, we have had it identified by the Chief Electoral Officer.

For the purpose of the record, Mr. Chairman, I desire to call to the attention of the committee, from the voters' list, Exhibit No. 2, produced, that there appear upon the list only two males under the name of Ramsay, one being listed as No. 321, name Ramsay, L., occupation engineer, post office address Port McNicoll; name not stricken off, and ticked, indicating that he voted. The other male voter of that name is No. 323, Ramsay, D., occupation engineer, post office address Port McNicoll; not stricken off the list, but a pen tick opposite the name indicating, as we believe, that he voted. And a third male voter by the name of Ramsay, No. 334, name Ramsay, W., occupation sailor, post office address Port McNicoll; not stricken off the list and not ticked off by the usual tick mark, but two hieroglyphics which I cannot interpret marked opposite that name. The Committee might have a look at that.

Mr. GRAY: This other copy has the whole list from A to Z.

Mr. MACNICOL: Those hieroglyphics look like A-1 in plain English.

The CHAIRMAN: The poll books are available.

Mr. LAWSON: That is the next thing I want to ask for.

The CHAIRMAN: This is the poll book from poll No. 1, covering A. to L.

Mr. LAWSON: And might we have the poll book for the subdivision of poll No. 1 from M to Z? Subject to those productions by the Chief Electoral Officer, I have no further questions to ask the witness.

The CHAIRMAN: Has anybody any question to ask this witness? We want to let him go.

I understand there is a further witness from Port McNicoll, who has been subpoenaed for lack of time. I think it is desirable for us to hear his evidence to-day, so as to let him go.

Hon. Mr. ELLIOT: Had you not better go right on?

The CHAIRMAN: I think we had better.

By Hon. Mr. Elliott:

Q. With regard to the Ramsays, do you know the Ramsays?—A. Yes, I do.

Q. Do you know that they reside in Port McNicoll?—A. There is one Ramsay who lives entirely in Port McNicoll; and another one has a home in Port McNicoll; I think he is an engineer on the boat; and the third one is an engineer on the boats; I think he is there, but whether he lives with his brother or not I do not know.

Q. Of course, you cannot speak as to what prompted the enumerator in leaving these men on, or otherwise; but you can only tell us that they are residents, two of these Ramsays, in Port McNicoll regularly?—A. Yes.

Mr. LAWSON: Oh, no, he did not go that far. You said that.

Hon. Mr. ELLIOTT: Two of the three; and as to the other he does not know whether he lives with his brother or not, but that is his impression.

The CHAIRMAN: Is there any further question to be asked of this witness?

Mr. MACNICOL: Not unless he can explain what this A-1 means?

The CHAIRMAN: Which Ramsay is that? I do not see any A-1.

Mr. GRAY: It may be the initial of the polling clerk.

The CHAIRMAN: A-1 would mean that this man was all-right. I would suggest that, but I would not swear it. Is there anything more to ask Mr. Daley? If not, we will call Mr. McNamara.

Mr. LAWSON: Mr. Chairman, I think in fairness to you and the Committee I should say that as far as I am concerned I have no desire to ask Mr. McNamara any questions at this stage.

The CHAIRMAN: Do you mean to suggest that you may not want him at all, or that you may want him at a later stage?

Mr. LAWSON: I am sorry I cannot say whether he will be of use to this Committee, in my opinion, until I have had the opportunity of hearing the evidence of the registrar and one other gentleman whom I am going to ask to have brought here.

The CHAIRMAN: What was Mr. McNamara's position in the riding?

Mr. THOMPSON: Mr. McNamara was the returning officer.

Mr. LAWSON: Frankly, I would rather not have it taken piecemeal.

The CHAIRMAN: Then have we concluded the investigation for this morning?

Mr. LAWSON: I have nothing more this morning.

The CHAIRMAN: And you ask that Mr. McNamara stand over until the other witnesses are called?

Hon. Mr. ELLIOTT: Would Mr. McNamara have to remain here?

Mr. LAWSON: Oh no.

The CHAIRMAN: We have had all the evidence excepting Mr. McNamara, of those called. Col. Biggar and Mr. Castonguay are here. Mr. McNamara will not suffer any loss by having to come again.

Mr. LAWSON: I have one or two requests to be made of the Committee. In the first place, I called before the Committee this morning a witness whom I considered essential but who was not covered in your order, Mr. McCormick. I would ask that the Committee pay him his expenses as he came at my request.

The CHAIRMAN: The Clerk of the House has to pass upon all this, as I understand it, and the witness must be here under the authority of the Committee.

Mr. LAWSON: Then I would move, if I may have a seconder, that the usual witness fees and expenses be paid to the witness McCormick who was called here this morning, as he was a necessary and material witness to this investigation.

Hon. Mr. MORAND: I second the motion.

Carried.

Mr. LAWSON: Then, Mr. Chairman, I would ask to have subpoenaed and brought before the committee, on whatever day you set next, Mr. Joseph Connolly, of Port McNicoll, who was the enumerator and registrar in connection with this polling subdivision. I would also ask, Mr. Chairman, that you would add, if you will, Mr. W. Ramsay, described in this polling list as a sailor, with the address given as Port McNicoll as well as Mr. Clifford Graham also of Port McNicoll.

Hon. Mr. ELLIOTT: Mr. Ramsay's number is what?

Mr. LAWSON: He is No. 334 on the list, the fellow with the special hieroglyph which I cannot interpret.

The CHAIRMAN: Any others, Mr. Lawson? I think it will be taken for granted that the subpoenaes will be issued.

Mr. LAWSON: As far as we are concerned, we have no desire to keep Col. Biggar and Mr. Castonguay here during the course of the rest of the investigation. I suppose it makes no difference to Mr. Castonguay as he is a permanent official; but we might arrange to telephone to Col. Biggar, when we wish him here, as he has his private practice to attend to. It might be understood that

Col. Biggar need not come here until he is telephoned for. While Col. Biggar is here, might we fix the date for the next meeting, so that we may see that it will not interfere with his private engagements.

The CHAIRMAN: I think Mr. Gray suggested that he might want to call some witness.

Hon. Mr. ELLIOTT: If there are the names of some other witnesses who might assist in this investigation which occur to us, I know nothing about them now, I wonder whether we might have the same privilege in regard to them as Mr. Lawson has?

The CHAIRMAN: Yes, if you find out who they are, communicate with me and the Clerk and we will have a subpoena issued, even although they are not ordered.

I would suggest that the Committee meet again next Tuesday at 11 o'clock.

The Committee adjourned until Tuesday, June 23, 1931, at 11 a.m.

ROOM 268,

HOUSE OF COMMONS,

TUESDAY, June 23, 1931.

The Select Standing Committee on Privileges and Elections met at 11 o'clock, the Chairman R. B. Hanson presiding.

WILLIAM RAMSAY, called and sworn.

By the Chairman:

Q. What is your address and occupation?—A. Port McNicoll, sailor.

Mr. LAWSON: Might I have the poll book and D.R.O. election list for the sub-division M to Z for the purpose of examining this witness. I referred to Exhibit No. 2 for identification.

By Mr. Lawson:

Q. What is your first name?—A. William.

Q. On the 28th day of July, 1930, did you vote at the polling sub-division which was in the curling rink in Port McNicoll?—A. I did.

Q. And you live in Port McNicoll?—A. Yes sir.

Q. Are you a married or single man?—A. Married.

Q. How long have you been living in Port McNicoll?—A. 1926 and 1927.

Q. Maintaining a house or residence there?—A. Boarding there.

Q. With whom did you board?—A. Hotel.

Q. At the hotel in Port McNicoll?—A. Yes.

Q. Does your family live in Port McNicoll with you?—A. No.

Q. Where does your family reside?—A. Owen Sound.

Q. Do you keep a residence for your family in Owen Sound?—A. No.

Q. Where do they live?—A. They live in Owen Sound.

Q. Whereabouts?—A. I don't know.

Q. You don't know. Then I presume you are separated from your family? —A. Yes sir.

Q. Being separated from your family you board in the hotel at Port McNicoll?—A. Port McNicoll.

Q. Are you boarding there now?—A. On the boat.

Q. I beg your pardon?—A. On the boat.

Q. What is your position on the boat?—A. Oiler.

Q. And do you give up your room to the hotel in Port McNicoll each year and go upon these boats, and during the season the boat is running, live upon the boat?—A. Yes.

Q. What boat are you on?—A. The Assiniboia.

Q. In the year 1930—that is the spring previous to this one of the past—can you give me any idea of the date on which you gave up your room in the hotel and moved upon the boat?—A. About the 12th of March.

Q. It would be the 12th of March, 1930, you ceased to board in the hotel at Port McNicoll?—A. Yes.

Q. And from that day on you had your meals and your room upon the Assiniboia?—A. Yes.

Q. And upon the Assiniboia you docked at Port McNicoll?—A. Every week.

Q. Was it running from the 12th of March?—A. No.

Q. When did it start to run?—A. About the 27th of April, I think.

Q. So that you were on the boat in the dock until the 27th of April, and thereafter return with the boat once a week to Port McNicoll for a day or two? —A. Yes sir.

Q. Did you board in the hotel in Port McNicoll during the whole of the winter of 1929 and 1930?—A. Well, with the exception of the time I was away for a week's vacation.

Q. I suppose that like most of these sailors you go away and see a little bit of the world in the winter time when the boats are not running?—A. It is the only time we have got.

Q. And when you went away from the hotel for this vacation in 1929—in the winter of 1929-30—did you give up your room in the hotel?—A. No sir.

Q. You still kept it?—A. Yes sir.

Q. And when was it you were away during the winter, do you remember?—A. I don't just remember the dates; just after the New Year.

Q. Some time early in the year 1930?—A. Yes.

Q. When you went to cast your ballot on election day in 1930, did any one raise any objection to your right to vote or anything of that kind?—A. No sir.

Q. None whatever? That is all I desire.

Mr. MacNicol: I would like to ask the witness a question. He stated a moment ago that he didn't give up his room in the hotel when he went on board ship—

Mr. Lawson: When he went for a week's holidays.

By Mr. MacNicol:

Q. You didn't pay any rent in the hotel when you were on the ship?—A. No.

Q. When you went away in the winter time for any length of time, did you keep the room in the hotel?—A. Yes.

Q. Were you ever away a month?—A. No.

Q. Two weeks?—A. I may have been away two weeks.

Q. Did you pay rent in the hotel for two weeks?—A. I paid my room rent; yes.

By Hon. Mr. Elliott:

Q. Have you any brothers or relatives in Port McNicoll?—A. I have two brothers.

Q. Are they L. Ramsay and D. Ramsay?—A. Yes sir.

Q. Have you lived with them at all during the time you were in Port McNicoll?—A. I lived with one of them in 1926 or 27. I cannot be just sure which. I think it was the winter of 1926.

Q. Did you go to Port McNicoll when they went?—A. No sir.

Q. Before or after?—A. After.

Q. And then you resided with one of them for a time in 1926?—A. Yes.

Q. When were you married?—A. When was I married? 1904, I guess it was.

Hon. Mr. Elliott: Oh, yes; some time before you went to Port McNicoll.

By the Chairman:

Q. It would be some time during the winter season that you stayed there?—A. Yes.

Q. And you were there only part of one winter?—A. Part of one winter; yes.

Witness discharged.

Mr. LAWSON: I would like to take the poll clerk first, Mr. Clifford Graham.

CLIFFORD GRAHAM, called and sworn.

By the Chairman:

Q. What is your post office address and occupation?—A. My address is Port McNicoll and my occupation is a painter.

By Mr. Lawson:

Q. I believe, Mr. Graham, you were the poll clerk in polling subdivision No. 1 at Port McNicoll for that half of the poll which had upon the list of names those surnames commencing with the letter M up to the letter Z?—A. Yes.

Q. I show you here a list of voters filed as Exhibit 2 filed for identification in this investigation with pen marks checked opposite the names of the voters?—A. Yes.

Q. Are those made by you?—A. No sir.

Q. Is that the list you had before you on election day?—A. I could not swear to that, sir.

Q. Did you have a list?—A. I did, sir.

Q. If the chief electoral officer for Canada returns this as the original list, used on election day, would you dispute that this is the list you had before you?—A. I would not dispute it.

Q. Did you have a list of this kind before you?—A. Yes.

Q. On the list which you had before you on election day, did you check off those voters who voted by putting a pencil or pen mark?—A. My poll clerk should check them off.

Q. I thought you were the poll clerk?—A. No, sir, I was the deputy returning officer.

Q. Oh, the man I wanted here was the poll clerk. You didn't mark the list at all?—A. No sir.

Q. What is the name of the poll clerk?—A. Ernest Baurrie.

By the Chairman:

Q. Just let me see that list. Do you know his handwriting?—A. I could not identify it.

Q. You could not identify it. I will show you his signature. This is the poll book. That is your signature?—A. Yes.

Q. And that is his signature?—A. I could not swear to it.

Q. Didn't you see him sign that, and didn't you administer the oath to him?—A. Yes.

Q. Well, whose signature is that?—A. Well, it is a long time since.

Q. Just recall the time?—A. It is pretty hard to do that.

Q. Don't you remember the 28th of July last ?—A. I sure do.

Q. Is that your signature there?—A. That is mine.

Q. And that is his signature there?—A. You say it is.

Q. I ask you if you did not administer the oath to him; didn't you see him sign it?—A. I did, sir.

Q. That is his signature then?—A. I don't remember, sir. I only saw him sign his name once.

Q. Now, let us see if that is so. Whose signature is that?—A. Ernest Baurrie.

Q. Did you see him sign that?—A. I must have, sir.

Q. Of course, you did and you signed that here?—A. Yes.

Q. Whose signature is that?—A. That must be his signature.

Q. Don't you know it is?—A. Now I do, sir.

Q. Of course you do?—A. Certainly.

Q. You, at least, saw this man sign his name three times?—A. Yes sir.

Q. Having seen him sign three times, whose handwriting is this on the poll book?—A. I cannot say.

Q. It says A. 1?—A. That is not A. 1.

Q. What is it?—A. That is A. P.

Q. You swear that is A. P.?—A. It looks like that to me.

Q. Is there anything wrong with your vision?—A. Not a thing.

Q. You swear that is A. P.? Whose handwriting is it?—A. I could not swear to that, sir.

Q. What would A. P. mean?—A. Advance poll.

The CHAIRMAN: That may be the true explanation.

By Mr. Lawson:

Q. Did Mr. Ramsay, whose name is checked off there, not vote on election day?—A. I could not swear to that now, sir, I don't remember.

Q. If Mr. Ramsay swears, as he did this morning, that he voted on election day—

Mr. GRAY: I think the Chairman ought to give the information—

The CHAIRMAN: Mr. Ramsay called me out a moment after he was off the stand and told me that he voted at the advance poll.

Mr. LAWSON: He did not tell me that.

By Mr. Gray:

Q. Do you know Mr. Finlayson, the Minister of Lands and Forests of the Ontario Government?—A. Yes.

Q. Was he in your poll during the day?—A. Yes.

Q. At your particular box?—A. Yes.

Q. What did he do there?—A. He was raising a disturbance.

Q. And what did you do?—A. I did my best to keep order, sir.

Q. And did he eventually leave your poll and go to the other? The last returning officer we had last week said that he had been to the next poll too?—A. He went back and forwards from one poll to the other, and I took a statement of everything that happened at that time, because I was positive about it. I have a copy in my pocket, and if you gentlemen want to see it I can pass it amongst you.

By Mr. Mercier:

Q. When did you make up those notes?—A. Right at the time it happened.

Q. Have you got them on you?—A. I have, sir.

Q. Can you tell the story referring to your notes?—A. I am on oath, and I would not like to say anything that was not perfectly fair.

By Mr. Gray:

Q. Was Mr. Finlayson abusive at the poll?—A. He certainly was, sir.

Q. What did he say?—A. Well, he used profane language for one thing.

Q. He used profane language?—A. Yes, sir.

Q. Did you order him out of the poll?—A. I certainly did, sir.

Q. And did he go?—A. Not at the time, but shortly after, sir.

Q. And when did he come to the poll?—A. He came to the poll about three o'clock on the afternoon of July 28.

Q. How long did he stay?—A. He stayed probably a half hour.

Q. And was that all the time he was there?—A. He may have been just a little longer than a half hour.

By Hon. Mr. Morand:

Q. Did he have an agent's certificate?—A. He did not, so far as I know.

Q. Did you ask him for it?—A. I did not.

Q. Did he produce one?—A. He did not, sir.

By Mr. Lawson:

Q. Was Mr. Connolly around the poll that day?—A. No, sir.
Q. Was he down at your poll at all?—A. Not that I saw, sir.

Hon. Mr. ELLIOTT: I would suggest, just to clear up that matter of this first witness, William Ramsay voting at the advance poll, that you recall him now.

Witness discharged.

WILLIAM RAMSAY recalled.

By Mr. Lawson:

Q. I believe that instead of voting on the 28th July, 1930, you voted at an advance poll in Port McNicoll?—A. Yes.

Witness discharged.

JOSEPH CONNOLLY, called and sworn.

By the Chairman:

Q. What is your occupation and where do you live?—A. Billiard room proprietor and tobacco store, Port McNicoll.

By Mr. Lawson:

Q. I believe you were registrar or rural enumerator for sub-division No. 1 of the town of Port McNicoll?—A. Yes, sir.
Q. And as such you made up a list of voters as required by the Dominion Elections Act, causing your preliminary list to be posted in certain places, including the post office?—A. Yes, sir.
Q. And upon that list—I am speaking now of the original list—there were the names of Alexander Campbell, of the village of Port McNicoll, and Frederick Benjamin Chidwick, of the village of Port McNicoll?—A. Yes.
Q. And subsequently you struck those two names off your list, when, as rural registrar, you were revising the same?—A. Yes.
Q. Who appeared before you and made complaint against those names being upon the list?—A. No one. When I took my preliminary list to the returning officer, he asked me if those sailors were all residents of Port McNicoll, and I said no, they were not. He said, " they are not entitled to vote ". So when I started to revise my list I struck them off.
Q. Why did you not strike Ramsay's name off?—A. Ramsay is a resident of Port McNicoll. He has lived in Port McNicoll for the last two or three years all winter.
Q. Did you know that he boarded in a hotel during the winter time?—A. Yes, quite well.
Q. And you knew that he went upon his boat, the *Assiniboia,* in the spring?—A. Yes, sir.
Q. And you knew that he went upon his boat in March of 1930?—A. Yes sir.
Q. You knew that Campbell, for example—

Hon. Mr. ELLIOTT: April, wasn't it?

Mr. LAWSON: No, March.

By Mr. Lawson:

Q. You knew that Campbell had resided in Port McNicoll, boarding in a boarding house there or in a hotel?—A. He didn't board in Port McNicoll.
Q. I beg your pardon?—A. He didn't board in Port McNicoll the previous winter.

Q. Which winter?—A. The winter of 1929-30.

Q. Did you know that he had boarded in Port McNicoll previous to that? —A. I did not know until after the election that he had stayed in Port McNicoll the year previous. He was only there for a short time.

Q. Did you know that in the winter of 1929-30 he stayed in Port McNicoll? —A. He did not stay.

Q. Just a minute. Wait until you hear my question before you answer it. Did you know that with the exception of the time when he took his trip to Scotland he boarded in Port McNicoll, during the winter of 1929-30?—A. Not in Port McNicoll, I did not.

Q. If the man swears that from the time he came off his boat until December 12, 1929—

Hon. Mr. ELLIOTT: Just a minute.

The CHAIRMAN: Don't answer, witness. State your question, Mr. Lawson.

Mr. LAWSON: Let me put it this way. In view of the fact that Campbell swore under oath before this Committee that from the time he came off his boat in 1929 until the 12th day of December when he left for a vacation in Scotland he boarded in Port McNicoll, would you deny that statement?

Hon. Mr. ELLIOTT: The evidence is at page 7, the last line:—

> "Q. And what time of the year did you go to reside in Port McNicoll? —A. June 1928, the 14th of June.
>
> "Q. How long did you continue to reside at Port McNicoll after June 14, 1928?—A. Until the 16th December, 1929, I took a trip home."

By Mr. Lawson:

Q. Did you know that the dock where the boat docks while in Port McNicoll is within the territorial limits of the village of Port McNicoll?—A. It is not classed as such. I do not know. It is not classed as such.

Q. I can take it that no one came to you and made a complaint under oath against Campbell being upon the list?—A. No sir.

Q. And of your own initiative you communicated with the returning officer, and after a conference with him, you struck these men's names off the list?—A. He asked me were these men residents of Port McNicoll? And so I merely went and struck the ones off that were not residents.

Q. The ones that you thought were not residents?—A. Yes.

By the Chairman:

Q. Did you give them notice?—A. I had the list posted up.

Q. Did you give them notice personally?—A. Not personally. I posted the list up and I drew the attention of Mr. Thompson's agents, Dr. McPhee and Mr. McCormick. I told several sailors. I do not say I told these two gentlemen, but I told several sailors.

By Mr. MacNicol:

Q. What was your authority to strike them off?—A. According to the instructions I got in the book.

By Mr. Lawson:

Q. I will refer the witness to rule 10 of schedule B of section 32 of the Dominion Elections Act, found on page 153 of the book which would be issued to you as rural registrar containing the Dominion Elections Act with amendments and election instructions which reads as follows:—

> "At any time after the posting up of a copy of the voters' list, and not later than 6 o'clock on the last of the days specified for the correction

thereof in the notices posted by him, on being fully satisfied from representations made to him by any credible person under oath or otherwise that the list as prepared by him in the index book requires amendment as hereinafter mentioned, the registrar may (*b*) strike out such list by drawing erasing lines through the name of any person who is not qualified as a voter or who is not resident of the polling division."

So that, without anyone appearing before you, or making any representations to you on their oath, you struck—

Hon. Mr. ELLIOTT: Under oath or otherwise, the Act says.

Mr. LAWSON: Under oath or otherwise.

Hon. Mr. ELLIOTT: I would like to point out to you that Mr. Lawson must be reading from an old edition of the Act. Read page 162.

Mr. LAWSON: It is the same as I had. I thought I had the last Election Act, but somebody instructed me this morning that I had not, and so I adopted this one.

The CHAIRMAN: I think perhaps you should read the 1930 one.

Mr. LAWSON: I say, without anyone appearing before you and making representations under oath or otherwise, you struck the names of Campbell and Chidwick from this list?

Hon. Mr. ELLIOTT: I submit that that is not a fair question to put to the witness after he has told you what occurred between him and the returning officer.

Mr. LAWSON: What is your ruling, Mr. Chairman?

The CHAIRMAN: My understanding of the law was that there was some notice to be given.

Mr. GRAY: Where do you find that, sir?

The CHAIRMAN: Will the reporter read that question again, please, which was objected to?

Question read as follows:—

Q. I say, without anyone appearing before you and making representations under oath or otherwise, you struck the names of Campbell and Chidwick from this list?

Hon Mr. ELLIOTT: I object to it because he has already stated that in conversation with the Returning Officer, or the Deputy Returning Officer, he told him not to put on sailors who were not resident.

The CHAIRMAN: I will allow the question subject to the objection. The facts are clear.

By Mr. Lawson:

Q. What is your answer, witness?—A. That I struck these names off without anybody appearing before me, do you say?

Q. Yes?—A. Well, I say yes, these two men never appeared before me There was quite a number of men came up and I talked to quite a number and told them they were struck off. I do not remember these two men.

Q. Did anyone appear before you and give you information as a result of which you struck these two men's names off the list?

Mr. GRAY: There is nothing which says " appear " in the Act; be fair, it says "representations."

Mr. LAWSON: I can ask him if anybody appeared, or if anybody wired or if anybody made representations.

By Mr. Lawson:

Q. Did anyone appear before you as an individual objecting to the names of Campbell and Chidwick being upon the list?—A. Not that I remember of, no.

Q. Did anyone write you objecting?—A. No.

Q. Did anyone telegraph you objecting?—A. Not that I remember, no.

Q. Did anyone make representations to you in writing with respect to anything, regarding these two men?—A. Not as I remember.

Q. You were exercising what you believed to be your knowledge as to whether or not they were residents in Port McNicoll?—A. No, sir.

Q. And that sums up the whole situation?—A. Yes, sir.

Q. You did, however, after you had prepared your original list, consult with the Returning Officer for the riding?—A. Yes, sir.

Q. When you made up your original list, why did you put these two men's names on that list?—A. I put all the sailors on, because it has been a custom in the past for those men to vote.

By the Chairman:

Q. They always voted in the past?—A. Yes.

By Mr. Lawson:

Q. And you had the same knowledge as to their residence or non-residence when you put them on the original list that you had when you struck them off in the revising?—A. Yes, I would say I had the same knowledge. I knew these men did not live in Port McNicoll.

Q. You thought you knew that?—A. I pretty well know. It is a very small village and I pretty well know the people in Port McNicoll.

Q. Then, as I say, you had no additional information when you struck them off the list, or knowledge, than you had when you originally put them on?—A. Only from the Returning Officer, who told me that the men who did not live in Port McNicoll were not eligible to vote.

Q. Did the Returning Officer define for you what constituted, as you say, living in Port McNicoll?—A. Yes.

Q. What qualifications did people have to have to vote in that riding?—A. They had to be resident in Port McNicoll two months previous to the date of election.

Q. That is, the Returning Officer for the riding told you that unless these men were living in Port McNicoll two months before the polling day they should be stricken from the list as non-residents—is that correct?—A. Yes.

Q. Now, two months before polling day would be the 28th day of May, 1930, would it not?—A. Yes.

Q. And did you not know that Ramsay had gone on his boat away back in the previous March?—A. Yes.

Q. Then why did you keep him on the list?—A. Because he had been a resident for the last two or three winters.

Q. What you just told me a few moments ago was that your instructions from the General Returning Officer for the riding were that unless they had been living in Port McNicoll two months before polling day they should be stricken off the list?—A. Well, that is alright, but what I interpreted out of it was that if these men had kept permanent residence in Port McNicoll in the winter time, that that made them a resident of Port McNicoll; but if they only came to Port McNicoll and went on the boat, they were not residents of Port McNicoll.

Q. At least you considered, in Ramsay's case, that he was a resident of Port McNicoll because he boarded in the hotel part of the winter preceding the election?—A. He was there part of the winter, anyway.

Q. He was not there from the 12th March, was he?—A. No, he was on the boat—yes, he was in the hotel after the 12th March; he still continued to board in the hotel.

Q. He swore here this morning that he went upon the boat—A. He went working on the boat, but he continued—

Q. He swore here this morning that he had his room and board upon the boat from the 12th day of March.—A. April, I think.

Q. But he said he lived on the boat from the 12th day of March, and I followed it up by asking him whether the boat was tied up to the dock from the 12th March?

Mr. W. RAMSAY: That was an error of mine.

By Mr. Lawson:

Q. Did any other person speak to you or approach you in connection with striking the names of these sailors off the list, other than your conference with the General Returning Officer for the riding?—A. No, sir.

Q. Throughout you exercised your own unfettered discretion, with the exception of your conference with the Returning Officer of which you have told us this morning?—A. Yes. I notified Mr. Thompson's agents.

Mr. THOMPSON: You notified them after you had struck them off.

The WITNESS: I was striking them off the day these men came in, and I told them I was striking them off.

Q. You had not given any notification to the people themselves?—A. No, sir.

By Hon. Mr. Elliott:

Q. How long have you lived in Port McNicoll?—A. Seventeen years.

Q. What is your business there?—A. I run a billiard room.

Q. How far is that from the dock?—A. About a block or block and a half.

Q. And what do you say as to your means of knowing the residences of these sailors?—A. I have been there so long that I know practically every sailor, and the majority of those sailors now come there. The after crews on the boats come along about the 15th of March, and they board at the hotel for two or three weeks and then they go on the boat; and the forward crews and the stewards come along about the 15th April and they go on the boats as soon as they come.

Q. What is that which enables you to speak as to where they reside when they come to Port McNicoll? Are you familiar with these men?—A. Oh, yes, I meet all of them practically. I might also add here that it is greatly exaggerated about the number of voters being disfranchised. This year, the election was in July while the boats were running on schedule, and as it happened they were all in to vote on election day, with the exception of the *Assiniboia,* and she voted on the advance poll on the Friday evening, the 25th. There was a number of those sailors living around Victoria Harbour and those places, and they all voted,—

By the Chairman:

Q. How do you know?—A. They all said that they voted. They left the boat to go home.

The CHAIRMAN: You could not tell whether they voted or not, unless you saw them vote.

By Mr. MacNicoll:

Q. The men living at Victoria Harbour, did they vote at Victoria Harbour or at Port McNicoll?—A. They voted at Victoria Harbour, that is what they told me; I had only their word.

By Hon. Mr. Elliott:

Q. What proportion would you say of the ninety or so voted elsewhere?—A. I am sorry I destroyed my list, I did not know anything about this as I was away, or I could have given you a definite answer. There was quite a number voted in Port McNicoll; I would say there must have been twenty-five or thirty at least of them that voted in the surrounding country.

By the Chairman:

Q. You mean that there were twenty-five or thirty who were entitled to vote there, but you do not know where they voted?—A. No, I cannot prove it, but I take the men's word that they went away to vote.

By Mr. Lawson:

Q. Were they on your list?—A. Some of them were on the list that were struck off.

By Mr. Gray:

Q. Where would these men ostensibly vote, or where were they entitled to vote in your opinion?—A. Victoria Harbour, I guess; there would be more from Victoria Harbour than from any place else. Of course the ones from Toronto did not vote; there are a number from Toronto and Owen Sound. I know some went to Owen Sound and Wiarton.

By the Chairman:

Q. Now, Mr. Connolly, when you made up this preliminary list, you made it up believing honestly that these men were entitled to vote?—A. That had been the custom.

Q. Did you or did you not honestly make up the list?—A. Yes.

Q. And without making any other enquiry except that of the returning officer, McNamara, you struck them off the list?—A. As soon as I learned that if they were not resident at Port McNicoll they should not be on the list, I cut them off, as I understood.

Q. What investigation did you make to verify whether these men or any of them were or were not residents of Port McNicoll, after your interview with Mr. McNamara?—A. I spoke to quite a few of the different sailors, and as I say, I know them personally, these fellows, practically all of them.

Q. You know them personally, but did you make any enquiry? Did you ask Campbell where he lived?—A. No.

Q. Although he was there every week?—A. Yes.

Q. The man was entitled to a vote, if he could come within the law, wasn't he?—A. He was there on election day—

Q. The man was entitled to a vote, if he could come within the law, wasn't he?

Hon. Mr. ELLIOTT: I suppose that is a question of law.

The WITNESS: So far as I knew he was not a resident of Port McNicoll.

By the Chairman:

Q. And you did not ask him or take any pains about him at all?—A. No, I thought I knew about him.

Q. When McNamara told you that none of these sailors were entitled to vote, you agreed and you struck them off without any more?—A. I used my own best judgment, certainly, when I found out that they were not residents, I cut them off.

Q. What steps did you take to find out that they were not residents?—A. That was my own personal—I thought I knew them well enough for that.

Q. You did not take any steps, did you?—A. You can call it that if you like.

By Mr. Spencer:

Q. I would like to ask to what extent does the registrar have to follow the instructions of the returning officer?

The CHAIRMAN: He does not have to follow them at all. He is an independent official.

By Hon. Mr. Elliott:

Q. I suppose these men were in and out of your pool room?—A. Yes, most of them.

Q. And you were familiar with them?—A. Yes, sir.

Q. I understand you have not been taking an active part, either one way or another up there, politically?—A. No, absolutely no.

The CHAIRMAN: That is a matter of opinion. I think he took a very active part.

By Hon. Mr. Elliott:

Q. And you sometimes vote one way and sometimes another?

The CHAIRMAN: I do not think you are entitled to ask the man that question. I would not ask that, myself.

Hon. Mr. ELLIOTT: Perhaps you know about that. He can say whether or not he has been active in the election.

The CHAIRMAN: No, but I do not think a man is entitled to be asked how he votes. That is his own business.

Hon. Mr. ELLIOTT: But he can say whether he has been active politically.

The WITNESS: As I say, I have taken a little interest. I made up the lists, and all that; but as far as being a real active partisan, I cannot say that I have been.

By Mr. Lawson:

Q. Never, Mr. Connolly?—A. Everybody knows how I vote up there, and if you want to know, I can tell you, too.

Q. Mr. Connolly, you never take an active part in politics?—A. I cannot say I am active.

Q. What were you doing hanging around the polling booth on election day?—A. I was looking to see who voted.

Q. Were you an agent for the Liberal candidate?—A. I went into the polling booth while the ballots were counted.

Q. Were you an agent for the Liberal candidate on the 28th day of July, 1930, in the riding of Simcoe East?—A. Well, I do not know whether you can call it that.

Q. Did you have an agent's credentials?—A. Yes, I had.

Q. And were you acting as an outside scrutineer at this poll?—A. Yes.

Q. And you never take an active part?—A. Well, if you call that active.

Q. You had a man by the name of Harvie come from thirty miles away, from Orillia, to act as inside scrutineer in this poll, at the last election, didn't you?—A. I had nothing to do with that.

Q. There was a man by the name of Harvie who came from thirty miles away, from Orillia, to act as inside scrutineer for the Liberal candidate at the last election, was there not?—A. Yes.

Q. And when Mr. Harvie arrived at Port McNicoll, you and Mr. Harvie conferred in connection with these sailors voting, and which of them should

vote, and so on, did you not?—A. He did not know the sailors and he asked me the ones who were entitled to vote, and I said that any ones that are struck off are not residents of Port McNicoll, as far as I know.

Q. When Mr. Harvie came to Port McNicoll that morning, did he go to your house or did you meet him at the poll?—A. I saw him at the poll.

Q. And had a conference, as you have told us, before the poll opened?—A. I cannot say that I had a conference, but I spoke to him. I told him that, certainly.

Q. And you stayed around this poll all day?—A. On the outside, yes.

Q. And from time to time communicated with Mr. Harvie about these different sailors who were there, and so on?—A. I think he came out two or three times, yes.

Q. And when he came out you were available to give him information?

Hon. Mr. ELLIOTT: There is no harm in that.

Mr. LAWSON: I do not say there was any harm, but I am getting at this man's idea of never participating in politics.

By Mr. Lawson:

Q. Now, you told Mr. Harvie, as a matter of fact, did you not, on the day when he came there to act as inside scrutineer at this poll, that a lot of these sailors who were not entitled to vote would make an attempt to vote that day? —A. No, I did not. I did not tell him that. I did not know it.

By Mr. Gray:

Q. Mr. Connolly, the last election at which sailors voted would be the provincial election?—A. I had nothing to do with that election, but I understood that they voted by proxy on that.

Mr. THOMPSON: That is when they vote away from their port.

By Mr. Lawson:

Q. I want to read to you, Mr. Connolly, what was sworn to here by Mr. Harvie as to his trip to Port McNicoll on election day and his activities. He said, "when I arrived there I conferred with Mr. Connolly about those who had been struck off; and he was present during the whole of the polling, and as each man came up, if he happened to be a man who was struck off the list I conferred with Mr. Connolly as to his right to vote and see to his being struck off the list."

> Q. "In what capacity was the registrar, Connolly, in the polling booth?—A. He was not in the booth. I do not recall whether he was an outside scrutineer, but he was on the job all day."

Do you agree with that?—A. I was on the outside, yes.

Q. Do you agree with Mr. Harvie when he says that when he went up to Port McNicoll in the morning he conferred with you about those who had been struck off the list?—A. Certainly he asked me, and I told him.

Q. And he says that Connolly was present during the whole of the polling, outside, of course, and as each man came up, if he happened to be a man who was struck off the list, I conferred with Mr. Connolly as to his right to vote and see to his being struck off the list. Is that correct?—A. I guess there were only two came up, as far as I recollect.

Q. Is Mr. Harvie correct when he says that as each man came up, who was struck off the list, to vote, he conferred with you?—A. I guess he is correct. I guess he came out to me. Nothing came up but, I think there were only two came up, as far as I know of.

Q. And do you still think you are not a partisan, as far as the election was concerned.

Mr. GRAY: This man is being cross-examined.

The CHAIRMAN: The question is alright.

Mr. GRAY: I object to the way in which the whole proceeding is being conducted, as an inquisition against this man.

Mr. GAGNON: He might object to the way Mr. Gray is asking the question.

Mr. LAWSON: You might observe, Mr. Chairman, and I will admit I am now cross-examining in respect to a subject matter on which my learned friend, Mr. Elliott, asked a direct leading question of this witness and got his answer, No, Mr. Elliott saying that he had not been an active partisan in this election, and the witness answering No. And I accept his answer.

Hon. Mr. ELLIOTT: It is without exception, I think.

The CHAIRMAN: I think Mr. Lawson ought to be allowed to cross-examine upon that at any rate.

By Mr. Lawson:

Q. Do you still swear to this committee that you did not take an active part in the election in Simcoe East?—A. I do not think I am partisan, because I think I am fair.

Q. Do you still want to swear to this committee, as you did this morning, that you did not participate actively in the election in Simcoe East?

Hon. Mr. ELLIOTT: That is what he said.

By Mr. Thompson:

Q. How far is Victoria Harbour from Port McNicoll?—A. Four and a half miles around by the road and one and a half miles by water.

Q. And if you knew a man was on the list in Victoria Harbour, you would not put him on your list, would you?—A. As I say, it has been the custom for the sailors to vote in Port McNicoll, and that is the reason I put them on.

Q. Do you mean to say that if you knew a man was on the list in Victoria Harbour, you would put him on your list in Port McNicoll?—A. On the preliminary list, I would.

By Mr. MacNicol:

Q. I want to try and find out how friendly you were to these two gentlemen? —A. Yes, I am friendly with these gentlemen.

Q. Did they play billiards and pool in your room?—A. They do still.

Q. I am speaking of Campbell and Chidwick, have they played in your pool room? Chidwick, who swore he had been there since 1923, and I think he says he had been in the pool room on and off for several years?—A. Yes, they have both been in; they do not play much pool, but they still come in the same as ever.

Q. Where did they make their home town?—A. Chidwick has made his home mostly in Toronto, as far as I know.

Q. Would not they both be right in considering Port McNicol as their home town?

By the Chairman:

Q. How do you know that Toronto is their home town?—A. I know Mr. Chidwick did not live in Port McNicoll, because it is a very small village and it is very easy to know who lives there in the winter time.

By Hon. Mr. Elliott:

Q. What is the population of Port McNicoll?—A. About 1,100.

Mr. MacNicol: Mr. Campbell swore that he had a room in Port McNicoll.

Hon. Mr. Elliott: Not in 1929 and 1930.

Mr. Gray: That is referred to on page 7.

Hon. Mr. Elliott: He went onto the boat when he came back from Scotland.

Mr. MacNicol: Campbell, in his evidence, on page 5, was asked the question:

> "What is the nature of your residence in Port McNicoll during these years. I mean by that, do you maintain a house or do you rent a room?—A. I room."

And then he goes on to say that he had his meals sent to that same room.

Mr. Mercier: May I suggest that that must be connected and completed by the next question.

By Mr. MacNicol:

Q. Would you have any particular reason for preventing Campbell and Chidwick from voting?—A. Absolutely not.

Q. Had you any feeling against them?—A. Against none of the sailors. I am good friends with both of them, with all of them. It would be very poor policy for me to cut them off, if I was doing it. I did it because it was my duty to do it.

By Mr. Spencer:

Q. You had instructions from the Returning Officer?—A. Certainly.

By Mr. MacNicol:

Q. You went to the Returning Officer, he did not come to you?—A. I took my preliminary list up to the Returning Officer. He asked me were those sailors residents of Port McNicoll, and I said no, there was quite a few of them were not.

Q. These two men would be entitled to vote somewhere. They were both under the impression that their home town was Port McNicoll. Being under that impression through having resided there, Campbell for a couple of years on and off, and Chidwick for a matter of seven years, then went from their rooms onto the boats, the town being the headquarters for the boats, wouldn't they be right in considering Port McNicoll as their residence?—A. As far as I am instructed, being on the boat is not classed as residence.

Q. Why were you so anxious to strike these two men off?—A. I was not anxious to strike them off at all. I was merely doing my duty. That was all. I did not want to strike them off.

Q. My idea is that you would not strike them off unless somebody made a representation that they had not a right to vote.

Hon. Mr. Elliott: And somebody did, the Returning Officer.

Mr. MacNicol: What duty had the Returning Officer to make a representation? He is supposed to be impartial.

Mr. Gray: The Returning Officer would have a right to see that this man's duty was done.

Mr. Turnbull: The Returning Officer made no representation, according to the evidence there, but all he did was to say that anyone without a residence there had no right to vote.

By Mr. MacNicol:

Q. It would seem to me, Mr. Connolly, as if you had made an extra special effort to strike these two men off?—A. I did not, and I did not want to strike them off at all.

By Hon. Mr Morand:

Q. You say you knew the people who worked on the boats?—A. Pretty much, in a small place.

Mr. MacNicol: I do not say, Mr. Connolly, that you did deliberately strike them off.

By Mr. Gagnon:

Q. I understand you acted in the election of 1930. Did you not act as registrar in the previous election of 1925 and 1926?—A. Yes.

Mr. Gray: That proves impartiality for you, because one was under the control of your government.

By Mr. Thompson:

Q. You were not the registrar in 1926?—A. Yes, sir.

Q. You were in 1925?—A. I was registrar before. I won't exactly say, since you draw my attention to it; but I was registrar in one election before. I am not swearing just which one it was.

By the Chairman:

Q. You were registrar in either 1925 or 1926?—A. Yes, I was.

Q. And in the election of 1925 or 1926, these sailors were on the list at Port McNicoll and voted?—A. Yes.

Q. What change had there been with respect to their residence between 1925 or 1926 and 1930?—A. None that I know of.

By Mr. MacNicol:

Q. Did Campbell vote in 1925?—A. That I could not say.

By Mr. Anderson:

Q. And, Mr. Connolly, you put their names on the list for 1930?—A. Yes, sir.

Q. And that was the knowledge which you had when you prepared that list?—A. Yes.

Q. And the responsibility was only yours in the preparation of that list?—A. Yes.

Q. And you were supposed to be honest in doing that, weren't you?—A. Yes.

Q. What took place between that time and the revision?—A. When I took the list to the Returning Officer, he asked if these sailors were residents, and I said "No." And I struck them off.

Q. And no other representations were made than in that question he asked you?—A. Not particularly. I have talked to quite a number of sailors there and Mr. Thompson's agents there whom I saw on the day I struck them off.

By Mr. MacNicol:

Q. You say he asked you if the sailors were residents?—A. Yes.

Q. All the sailors were these two?—A. Oh, no; one was particularly taken out; that was generally. I struck them all off, and I did not single out any individual.

By Mr. Lawson:

Q. You did not strike Ramsay off?—A. No, because he was a resident in Port McNicoll.

Q. Although he had gone up on the boat about two months before the day of the election, you still say he was a resident, although these other two were not residents?

Mr. GRAY: The other ninety.

By Mr. Lawson:

Q. I only speak of the two that I know of?—A. Politics was not thought of at all.

Q. Those poster lists, A to L, were red lined in the case of certain names. I call your attention to the rule in the Elections Act which provides every correction made by the registrar aforesaid by the addition, erasure or correction of any entry therein shall be verified by there being appended the initials of the registrar and the date upon which the same was made. Did you do that?—A. I thought I done it according to—

Q. Look at it?

Mr. LAWSON: None of the lists are initialled.

Mr. MERCIER: In the case of an inquiry of this kind being sustained, do I understand that this election must be called off and that we must have another election?

The CHAIRMAN: I do not know; but Mr. Thompson desires to have it established with respect to these sailors—90 of them, were, apparently, disenfranchised.

Hon. Mr. ELLIOTT: You said that 90 were disenfranchised. That is not the evidence I submit. The evidence is that a number of these sailors were from different places.

The CHAIRMAN: There is no evidence to that effect. There is hearsay evidence.

Hon. Mr LAPOINTE: There is no evidence of what you say either.

The CHAIRMAN: That is the contention. I will put it that way.

By the Chairman:

Q. Now, Mr. Connolly, you did draw these red lines through these names, but you didn't carry out the law with respect to initialling them or putting the date on them?—A. As I understand the Act, that is the list used on election day, we were not to put marks on it at all outside the red line.

Q. This is your original list, isn't it?—A. Is not that—

Q. This is the list that came into the poll box?—A. I understood that you were not to put any marks on it.

Q. Where did you put your initials and the date, on anything, when you struck these out?—A. I made out other lists.

Mr. LAWSON: He has to make five copies by statute.

The CHAIRMAN: I call your attention again to rule 11, "every correction made by the registrar as aforesaid in the list of the index book...."

Mr. GRAY: Is that the index book?

By the Chairman:

Q. Is there any official list that you had in which you followed out provisions of rule 11?—A. As I understand it, I did.

Q. What was that?—A. I put my initials on it.

By Mr. Gray:

Q. Is there a book besides that?—A. Yes, there is a book.

Mr. LAWSON: There is a poll book.

Mr. GRAY: Is there an index book?

The CHAIRMAN: If he did it in the index book, that settles it.

Mr. THOMPSON: Where is the index book?

The CHAIRMAN: They have it down in the department. We can get it if you want it.

Mr. LAWSON: What difference does it make. They lost their vote, and we are investigating why.

Hon. Mr. ELLIOTT: I want to know if it is contended that these men whose names were on that list, who are said to have been residents of Victoria Harbour, were not allowed to vote?

The CHAIRMAN: I do not know that any of them are said to have been resident at Victoria Harbour.

Mr. ELLIOTT: Yes, he said that a number of those 90 were resident at Victoria Harbour.

The WITNESS: I know them personally.

By Mr. Lawson:

Q. Why did you put them on the list originally?—A. It has been the custom in the past for the sailors on the boats to vote in Port McNicoll. It is not the same living—

By Mr. Thompson:

Q. How many sailors are there on the four boats?—A. I cannot tell you offhand.

Q. Roughly speaking?—A. I suppose there is around possibly 125 or 130.

Q. That would comprise the crews of the four boats?—A. Something like that—the ones that have votes, but there are quite a number that have no votes.

Q. You mean that they are not of age?—A. Yes.

By Mr. Elliott:

Q. I want to ask this witness a question which is subject to your ruling. This appeals to me. A man who runs a pool-room of which sailors make a rendezvous more or less would know their residences about as well as any man in the community. Now, he states there were people up at Victoria Harbour which is only four miles away, and he gathered from them that they were going over to vote at Victoria Harbour. Now, can you give us an idea how many of those stricken off resided at Victoria Harbour?—A. I am sorry. If I had the list and checked it over I could tell you exactly, because I know them.

The CHAIRMAN: There is the list. Check it over.

The WITNESS: Arbour Henry. He votes in Victoria.

By Mr. Lawson:

Q. How do you know?—A. He went over there. I thought he voted.

The CHAIRMAN: Don't tell us about a matter of which you have not direct knowledge.

Mr. MERCIER: He is not only warned; he is afraid.

The WITNESS: I think. Is that satisfactory? I think.

Mr. LAWSON: The question which was put was a perfectly proper question; the witness is answering just as improperly as it is possible. The question which has been asked by my hon. friend, Mr. Elliott, is—he has asked the witness to give from his knowledge the number of persons on this list who are shown as stricken off whom he knows reside at Victoria Harbour. That is the question. He did not say voted. He said lived there.

Hon. Mr. ELLIOTT: Now, just as a committee trying to get at the facts in regard to this matter, don't you think we should take the evidence of this witness as to what information he had as to those men going over there to vote?

The CHAIRMAN: Not if it is hearsay.

Hon. Mr. ELLIOTT: It is not hearsay, I submit, if the man told him he voted at Victoria Harbour.

The CHAIRMAN: He can only say that the voter said that.

Mr. LAWSON: I would suggest as a lawyer—

The CHAIRMAN: All he could say is that the man told him.

Hon. Mr. LAPOINTE: We have heard the statement made before in this Committee that 90 men were deprived of their votes, without any justification for the statement. Surely the question of Mr. Elliott—

The CHAIRMAN: It may not be 90. The question is a perfectly proper one. The witness can not swear they voted.

Hon. Mr. MORAND: How can those men vote anywhere else if they could not vote there?

The CHAIRMAN: If the witness still wants to go over the list, he might leave the chair, and let somebody else go on until he is ready.

Hon. Mr. ELLIOTT: He knows these men. He will only take a minute.

The WITNESS: Arbour Henry, Victoria Harbour, J. H. Bridges and Mrs. Bridges, Midland.

The CHAIRMAN: Never mind Midland; stick to Victoria Harbour and answer the question put.

The WITNESS: Romeo Gaddault, Gervais.

Hon. Mr. ELLIOTT: What about W. Cadieux?

The WITNESS: Did I miss him? Yes, he is Victoria Harbour. Gervais, George; Hoffman, W. T.; Jackson; Jones; Kirkwood, W.; Lyle, W.; McEvoy. Ed.; Murray, Steve; Prentice, C.; Pelletier, Eli.; Stoddard; Swales; Stewart; Vent; Charles; Vallée, J.; Wilson, P. J. I think that is all.

Hon. Mr. ELLIOTT: Where does Jack Tillie live?

The WITNESS: I don't know positively. I think it is Victoria Harbour but I could not swear to it.

By Mr. MacNicol:

Q. Why were those names first put on the list at all when the registrar knew? Did you take the names down?—A. It was my mistake I guess. As I say, it had been the custom in previous years to have them vote in Port McNicoll.

By Mr. Lawson:

Q. In every one of these cases you have just given you have filled in the residence of those people as Port McNicoll?—A. In the preliminary list?

Q In the preliminary list?—A. Yes.

By Hon. Mr. Elliott:

Q. Can you tell us how many were in Midland—entitled to vote in Midland?—A. Not so many. There were the two Bridges. They are on the first page. I know them too.

By Mr. MacNicol:

Q. When you finally struck these people off the list in Port McNicoll, were you sure that those men who were stricken off were not on the list at Midland or at Victoria?—A. I took it for granted that they were because they were resident there.

Q. You are not sure that they were not disenfranchised?—A. They were residents of Victoria Harbour and Midland.

Q. The chances are that they were if they registered with you?—A. They did not register. They do not register.

Mr. GRAY: Mr. NacNicol, even though they were stricken off at Port McNicoll, if they were residents at Victoria Harbour, they could still get sworn in.

Mr. LAWSON: Provided they were not intimidated by charges of perjury.

Mr. GRAY: Or by Mr. Finlayson.

By Hon. Mr. Lapointe:

Q. You say you have personal knowledge of these men?—A. Yes, sir.

Q. Do you know whether some of them are married?—A. Oh, yes; quite a number of them are married.

Q. And their wives do not live at Port McNicoll?—A. No, their wives do not live at Port McNicoll.

By Hon. Mr. Elliott:

Q. Will you finish the Midland list?—A. The two Days. I guess that is all.

The CHAIRMAN: Two at Midland.

Hon. Mr. ELLIOTT: He has given the Bridges and the two Days, and he has given Gervais.

The WITNESS: Alf. Pineau. I might have missed another.

Witness discharged.

Mr. LAWSON: Mr. Chairman, I do not know of anything at the moment that I want to ask the returning officer—the general returning officer for the riding, Mr. McNamara—unless some of the other gentlemen here do. In view of the developments here, I know of nothing that he can assist us in.

Mr. GRAY: I would like to clear up something that I have on my notes. I think Ramsay said that on the 12th of March he ceased to board at the hotel and went on the boat.

Mr. W. RAMSAY, recalled.

By Mr. Lawson:

Q. Mr. Ramsay, in your evidence you told me that you had ceased to board at the hotel—that you had been boarding at the hotel and that you went on the boat on the 12th March; and I asked you if after you went upon the boat you had your board upon the boat, and your room there and that sort of thing, and I understood you to answer yes. Now, I understand that is not correct?—A. The correct situation is that we started to work on the boat—we worked about two weeks on the boat and boarded at the hotel.

Q. Did you do that in this year?—A. Yes every year.

Q. So you continued at the hotel for two weeks after the 12th March?—A. Yes, about that.

Q. Then, did you move your clothes and everything over to the boat?—A. Yes.

Q. And you gave up your room at the hotel?—A. Yes.

Q. So that you had severed all your connection with your room and board in the hotel before the end of March, or approximately?—A. Yes.

By the Chairman:

Q. About the 28th of March?—A. Somewhere around that.

Q. In the year 1930—A. Yes.

JOSEPH D. J. MCNAMARA, called and sworn.

By the Chairman:

Q. What is your address and occupation?—A. My address is Penetanguishene.

Q. Occupation?—A. Insurance agent.

By Mr. Lawson:

Q. Did you have any communication with the Chief Electoral Officer for Canada with reference to the right of sailors to vote, other than by wire and letter?—A. No; nothing else but wire and letter.

By Mr. Spencer:

Q. Do I understand that you appointed Mr. Connolly as registrar?—A. Yes.

Q. And it has been the habit before to put all the sailors on the polling list?—A. I do not know anything about that.

Q. That is what Mr. Connolly said. Now this year he did the same thing?—A. Yes; but I understand that after consulting—

Q. That after consulting with you he took a large number of names off?—A. The official list had a large number of names off.

The CHAIRMAN: The preliminary list?

The WITNESS: The final list.

By Mr. Spencer:

Q. What advice did you give the registrar when he went to you with his list?—A. That anyone who was not a resident of Port McNicoll was not entitled to vote at Port McNicoll.

Q. And on that advice he took the names off?—A. That is the advice I gave him, and he struck the names off.

Q. And you got your advice from whom?—A. Advice to strike the names off?

Q. Anyone who was not a resident could not vote?—A. Now, I might explain that here. When I spoke to Mr. Connolly about it—when he came in with this list—he said the reason why those names were on the list was that it had been customary to put the names of all the sailors on the list for Port McNicoll.

The CHAIRMAN: That being the home port?

The WITNESS: That is what he called it. He said it had been customary, and we looked over the instructions and the Election instructions, and he said. "of course, this is only the home ports of the boats."

By Mr. MacNicol:

Q. Who said that—Connolly?—A. Yes, and that is the reason why he put them on. So I could not find any instructions in the book where there was anything mentioned about a home port concerning any boat.

By Mr. Spencer:

Q. I take it you had some doubt about the instructions you were giving Mr. Connolly. To make sure of your ground you communicated with the Chief Electoral Officer?—A. Yes. I could not see anything in the book whereby there is anything mentioned about a home port or anything like that, and I said as far as the instructions were that they cannot vote there if they are not residents of Port McNicoll, but, I said, "I will not take upon myself the interpretation of the Act any further than that." And to satisfy Mr. Connolly, I said, "I will write to the Chief Electoral Officer and ask him his definition." And his answer is exactly as I have it there in my letter.

Q. Therefore, it was on the instructions that you obtained from the Chief Electoral Officer that you gave Connolly his instructions, and he struck the names off?—A. I could not say exactly on the instructions.

Q. Do you think he would have struck those names off if he had not got that advice from you?—A. I do not think so. He put them on in the first place. He said it had been customary to put them on.

Q. After getting further information from you he struck them off?—A. Yes.

Q. It was on the instructions which you obtained from the Chief Electoral Officer, which you gave to Mr. Connolly, that he struck the names off?—A. I could not say exactly on the instructions.

Q. Do you think he would have struck those names off if he had not got that advice from you?—A. I do not think so. He put them on in the first place because, he said, it was the custom to put them on, you see.

Q. And on instructions from you he struck them off?—A. And when we looked over the Act there was not any authority.

By the Chairman:

Q. Had you seen Mr. Connolly from the time of the election?—A. I had never seen Mr. Connolly from that time until to-day.

Q So that it was not the result of anything which you heard from Ottawa that he struck them off, but it was the result of a conversation which you had with him? You had no further communication with Mr. Connolly after that personal interview with him on that particular occasion which you have referred to?—A. I thought you meant after the election was over. When I got the answer back, you see, naturally I told him and the answer was exactly as I had interpreted the Act. In fact I went down and showed him the letter.

Q. You showed the letter to Mr. Connolly?—A. Yes.

Q. Was that before or after the names were struck off.—A. Oh, that was before.

Q. Did you name Mr. Connolly as the rural registrar of that riding?—A. Yes, sir.

Q. Off your own bat or under instructions?—A. Not under instructions.

Q. You named him yourself without any intimation from any one?—A. Yes, sir. I will tell you how. The way I appointed Mr. Connelly, I was going down to that part of the country and I met a man whom I know, Ed. Dutton, who was working on the road for the Provincial Government, and he was also Reeve for the township of Tay, or one of those townships, and I asked him if

he knew somebody down at Victoria Harbour—I did not know anybody down at Victoria Harbour—who would be a registrar there—Port McNicoll, I mean; and he said he thought Mr. Connolly had acted as registrar there before; and I said I would see Mr. Connolly.

Q. He was a stranger to you?—A. I had never met him before.

Q. Had you heard of him?—A. I had never heard of him before.

By Mr. Thompson:

Q. The Liberal organization must have been sound asleep up there?—A. I do not know.

Mr. GRAY: I would agree with you, with all respect Mr. Thompson.

By the Chairman:

Q. In your conversation with Mr. Connolly, did you tell him—you were endeavouring to instruct him—that it would be important for him to investigate the actual status of the residence of every man before he struck him off?—A. No. I referred him to—

Q. You knew it was a serious thing to strike a man off the lists when his name was put on by the official?—A. I referred him to the instructions which he had.

Q. He already had those instructions?—A. Yes.

Q. But did you not impress upon him the necessity of investigating carefully before striking any one off?—A. I just told him that those who were non-resident should not be on.

Q. But investigating the name of any individual?—A. I did not know any of them.

Colonel OLIVER MOWAT BIGGAR, a witness called, and being duly sworn, testified as follows:—

By Mr. Lawson:

Q. You have been practising law for how many years?—A. Thirty.

Q. And during the course of that time, I believe you have had special experience with reference to election matters or the Election Act, etc.?—A. During the last eleven years.

Q. I believe you were specially retained as advisor to the Chief Electoral Officer for Canada for the purpose of the Dominion Elections of 1930?—A. Yes.

Q. And, while acting in that capacity, was there submitted to you for your opinion any memorandum with reference to the situation of sailors at Port McNicoll, or as to the question of the residence. If so, what memorandum was submitted to you, and what was your opinion given in respect thereof?—A. I got Mr. Castonguay to let me have a copy of the correspondence which is on the file on the subject.

Q. There is nothing on the file, I may say, which was brought down to the House to indicate that you ever received any written memoranda or gave any written opinion?—A. The way that that worked out, at the last election, was that I spent almost all of every day at the Chief Electoral Officer's office, and as the correspondence came in, Mr. Castonguay passed to me all the letters which involved some question of law that he would like me to deal with, and I dealt with those letters by dictating the answers to them myself, and then initialling that copy of them, which was on the file, and sending them in with my initials on them, to Mr. Castonguay for signature.

Q. To indicate that you had dictated them?—A. Yes, and that I had approved of the letter as extended.

Q. Then may I take it that there is not any written memoranda which passed between the Chief Electoral Officer and yourself in the form of memoranda?—A. Oh, no, everything on that was done directly on the Chief Electoral Officer's own file.

By the Chairman:

Q. That is to say there is no written communication between the two of you?—A. No.

Mr. LAWSON: But Colonel Biggar dictated most of the letters and can identify them by the initialling of the copies which he did from time to time.

By Mr. Lawson:

Q. Now, Colonel, would you look at section 29 of the Elections Act, which deals with the qualifications of electors, particularly clause C of subsection 1?—A. Yes, I am very familiar with that section.

Q. I would ask you to look at the words—

> "Has been ordinarily resident in Canada for at least twelve months and in the electoral district wherein such person seeks to vote for at least two months immediately preceding the issue of the writ of election."

A. Are you referring to section 29? I think that is the old Act, is it not?

Q. Yes, I have an old copy.—A. It is:—

> "was ordinarily resident in the electoral district at the date of the issue of the writ of election."

Q. What I have in mind are the operative words of the section, which are "ordinarily resident"?—A. Quite.

Q. Then I would ask you, Colonel Biggar, to look at a letter from the Chief Electoral Officer to Joseph D. McNamara, of June 24, 1930, and tell me if that was one of the letters which you dictated?—A. I can tell by reference to the original. My copies have not got the initials on. Referring to the Chief Electoral Officer's file, I find a typewritten initial which indicates that that letter was dictated by me, and an ink initialling which indicates it was approved by me after extension.

By the Chairman:

Q. That was your own initial?—A. Yes.

By Mr. Lawson:

Q. So that this is really your own opinion, out of the mouth of the Chief Electoral Officer?—A. Yes, sir.

Q. This is to Joseph D. McNamara, Esq., Returning Officer for the Riding of Simcoe East, and is as follows:—

> "I beg to acknowledge your letter of the 21st.
>
> "In view of what you say there is no doubt whatever that the only persons employed on the Canadian Pacific steamships who are entitled to vote in Port McNicoll are those few of them who actually reside there. Since the ships are registered at Montreal, the fact that Port McNicoll is described as their "home port" is quite without importance and confers no right to vote there upon members of their crews."

I call your attention to the words "actually reside there."—A. You see, the form of the expression is in the letter from the Returning Officer to which that is a reply.

Q. Then, Colonel, would you refer to a letter from the Chief Electoral Officer to A. B. Thompson, of Orillia, dated Ottawa, July 4, 1930, and tell me if that is a telegram which you dictated?—A. Yes, that is dictated for the Chief Electoral Officer by me.

Q. This reads as follows:—

> "Question dealt with in my letter to Returning Officer related to persons forming crew of C.P.R. boats registered in Montreal and plying between Port McNicoll and other ports. Port McNicoll being described as vessels' home port by reason of their spending occasional lay-over days there stop On these facts and assuming individuals concerned continuously housed on board, they are clearly not entitled to vote in Simcoe East stop I advised Returning Officer that only persons really resident in Port McNicoll should be placed on lists for that place."

A. Yes.

Q. Was there any significance, in your opinion as expressed, that you transposed the words of the statute "ordinarily resident" into "actually resident" in one ruling, and "really resident" in another?—A. Yes.

Q. What is the explanation?—A. The explanation is due to the terms of the letter from the Returning Officer, to which the letter of June 24th was a reply. You see, that letter from the Returning Officer says:—

> "Replying to your letter of the 16th in reference to employees on C.P.R. steamships at Port McNicoll, might say that I have ascertained that these boats are registered in Montreal.
>
> These people claim that they should be on the lists for Port McNicoll because they claim that this is the home port of the boats. However, very few of them are residents of the village of Port McNicoll."

He was making a clear distinction there, you see, between whatever claim to residence might arise from the fact that they lived on the boats or that the boats came there regularly; and what I intended to define by really residents, he goes on to say that very few of them are resident in the village. You see the distinction there. He makes the distinction; and in answering these letters I always tried myself to really address the point that was in the man's mind.

By the Chairman:

Q. Colonel, when the statute says "ordinarily resident" why didn't you use the term used in the statute?—A. He told me that they were not resident.

Q. "However very few of them are residents"?—A. Yes.

Q. But some were?—A. Yes.

Q. Why did you not tell him that those who were ordinarily resident in Port McNicoll had the right to vote?—A. I did not need to.

Q. I think it was incumbent upon you, when you were telling him what the law was?—A. I was not telling him what the law was.

Q. But you advised him on the legal question arising out of the election?—A. Mr. Chairman, are you criticizing the terms? There it is. I cannot defend it. I mean that one uses in correspondence ordinary language. When one is dealing with a statute, one uses the language of the statute The Returning Officer had very full instructions as to the legal position, defined as fully as they could possibly be defined before him in print.

Q. You are referring to the Election Instructions?—A. Yes, and that is what those are for. And this correspondence, of which there were hundreds of letters of the kind, was all written in the light of the information which officially and in print had been distributed to every election officer. One did not need to be meticulous about the exact words of the correspondence. It was all in the light of the instructions. That is the view I took.

The CHAIRMAN: I do not agree with that, when you were giving a legal opinion on the instructions.

By Mr. Lawson:

Q. Assuming, for example, that I have a permanent place of abode in the Riding of West York, and I go and board in a hotel at Port McNicoll, and that I go there to board in March preceding the election in July, and I am going to remain there for a period of six months in connection with work which I am doing, would I not be resident in Port McNicoll within the definition of "ordinarily resident" within the statute, but I am actually a resident of the Riding of West York?—A. I would not agree with your phraseology, but I quite agree with your conclusion.

Q. If you do not agree with my phraseology, where is the distinction between that and the conclusion.—A. I do not think it is quite right, for the purposes of the Elections Act, to say that you are actually a resident within West York. You see here it was a very easy distinction, because what we were dealing with were people who just came to Port McNicoll because the boat on which they worked came there from time to time. That is what I was dealing with.

Q. I might shorten the matter, because I do not want to get into a legal argument on the matter. Let us put it in this way: Here is a man, Campbell, who had no residence in Canada for the last six years, at least, other than Port McNicoll. During the summers he lived upon the boat—A. Is that a fair way to put it? I was not dealing with any individual case, but I was dealing with the whole of the crew.

Q. Now I am asking you to deal with an individual case?—A. Oh, quite.

Q. Here is a man, Campbell, who boarded in Port McNicoll. It is true that he went away to take holidays, but he always continued there to board. During 1929 he took a holiday to Scotland, and he comes back to Port McNicoll in 1930, because the boat on which he works is tied to the dock for thirty-six hours every week within the municipality of Port McNicoll, and he had his place upon that boat. You heard the evidence?—A. Yes.

Q. Is it your opinion, as the Act endeavours to enfranchise everybody, that he had the right to vote?—A. When you combine the two cases, it is difficult to answer. I have not any doubt that merely because a lake boat which runs between two termini happens to stay in one of those termini over night, that that fact does not enfranchise in that electoral district the persons who live on that boat that fact alone. Then, for the purpose of your case, let us leave aside altogether the question of his living on the boat, because that could not give him the qualifications.

Q. In itself?—A. No.

By the Chairman:

Q. It is a factor, though?—A. I do not think so. My view is that for the purpose of considering qualifications you have got to exclude that altogether; then you have a very difficult problem, really, with regard to the other thing; it is only within narrow limits, true, to say that everybody is enfranchised—

By Mr. Lawson:

Q. I mean in the desire of the statute and its intention?—A. Or within the desire of the statute. The purpose of the legislation, amendments of which I recommended between 1920 and 1930, was to reduce the number of cases in which there was a disfranchisement by reason of residence. In 1920 there was a very large number of people that were disfranchised by reason of residence. In 1920 it was necessary in order for a man to be enfranchised in any particular electoral district, that he should have lived there for the two months next pre-

ceding that date of the election, and that really made an enormous amount of difference, because it meant that everybody who moved from his place of residence at any time within four months before polling day, in effect, was disenfranchised.

Q. I am not so much interested in what the law was in the past?—A. But I want to put it to you historically.

Q. Predicated upon that we may want to amend the Elections Act. I ask you the specific question whether in your opinion, with your experience as a lawyer and knowing as you do now all the facts in the Campbell case, he was ordinarily resident, as defined within that statute, the Dominion Elections Act, and was entitled to vote in the last Dominion election?—A. Which was Campbell? There were two men. He was the man who came in 1927 to Canada?

Q. He came to Canada in 1927 and spent one year in Owen Sound and then went to Port McNicoll. With the exception of the times he was upon the boat and with the exception of the times when he went away for two or three weeks vacation, as he gave the facts, during the winter, he continued to reside in Port McNicoll?—A. The impression that I got from his evidence was not that.

Hon. Mr. ELLIOTT: Is that a proper way to ask the witness?

Mr. LAWSON: We will give Colonel Biggar a complete copy of Campbell's evidence.

Hon. Mr. ELLIOTT: It might be only fair to Colonel Biggar to give him the interpretation which we put upon that evidence. This is the evidence, that he went upon the boat, and without taking up a room in Port McNicoll, in the Fall of 1929 he went to Scotland—

The CHAIRMAN: You ought to tell him also that previous to that time the boat was more at the dock than elsewhere.

Hon. Mr. ELLIOTT: Colonel Biggar has dealt with the question of the casual visits. Let me put my question. He went from the boat, without taking up a room any place else, to Scotland. He came back from Scotland, and reaching Port McNicoll went right onto the boat again on the 16th April, 1930, and remained on the boat except for such times as he landed wherever the boat landed, until election day.

The CHAIRMAN: And again I draw your attention to the fact that the boat remained more at dock at Port McNicoll than anywhere else.

The WITNESS: I would not have any hesitation, without waiting, to answer that question; because quite clearly on that statement of facts the man was not resident at Port McNicoll on the 30th April, 1930.

Mr. LAWSON: I would like to get upon the record the things which I would like Colonel Biggar to advise us upon. I would like Colonel Biggar, if he will, to take the record of the evidence given here by Campbell, and having regard to that evidence advise this Committee whether or not in his opinion Campbell was entitled to vote.

The WITNESS: I will be very glad to do that.

Mr. LAWSON: And I would like Colonel Biggar to take the evidence given before this Committee by Chidwick, and having read that evidence, upon the facts therein contained because that is the only evidence we have, give us the benefit of his opinion as to whether Chidwick had or had not the right to vote.

I would like Colonel Biggar to consider the correspondence between the Chief Electoral Officer and other persons and tell us where in his opinion the question of the port of entry of the boat had anything to do with the right or qualification of these men.

The WITNESS: I would like to answer that last question now. The reason for the reservation of the port of entry in my first letter was due to a vague notion which I then had in my head that under the British Elections Act,—I

may be wrong in that, you know,—there was some provision whereby mariners might vote at the port of registry of the respective boats, and I wanted to save myself, and if Port McNicoll was the port of registry of this boat I wanted to be sure that I was not giving a ruling against the qualification without having had an opportunity to consider that port of registry question. As a matter of fact, since the boat was not registered at Port McNicoll that question simply fell.

By the Chairman:

Q. There is and never has been anything in our Act as to that.—A. That is true, but I was afraid that might affect the question, and I wanted to be perfectly clear that this boat was not registered there whereby the rule should apply that they might vote at the port of registry. It was purely a vague idea in my mind that there was or might be such a rule.

By Hon. Mr. Elliott:

Q. But you were not giving an opinion upon that?—A. As a matter of fact I did not want to go into it, if I could avoid it.

By Mr. Anderson:

Q. Upon the evidence of Campbell and Chidwick, in your opinion did either of them ever acquire residence at Port McNicoll sufficient to entitle them to vote?—A. Do you mean no matter at what time the writ was issued?

Q. Were either of these men at any time really residents of Port McNicoll? —A. So as to entitle them to vote?

Q. And if not ordinarily residents of Port McNicoll, where were they ordinarily resident? And if they or either of them were ordinarily resident in Port McNicoll at any time, when and where did they lose their ordinary residence in that place?—A. I do not know whether that last question is capable of being answered.

The CHAIRMAN: That is in the evidence.

The WITNESS: All right.

By Mr. Anderson:

Q. If they were ordinarily resident at Port McNicoll, they would have the right to vote unless something changed their residence?—A. I doubt that. You see the rule is that in order to give a right in a given district the person must be ordinarily resident on a specified date.

Q. When one acquires an ordinary residence at a particular place, one retains that residence until something changes it?—A. No, that is not true of residence; it is true of domicile. Special provision has been made for sailors under certain Acts.

By Mr. Mercier:

Q. If there was no right to Campbell and Chidwick to vote, what suggestion would you make to allow them to vote?—A. As a matter of fact, I think there was something in the last report which I made as Chief Electoral Officer. The real way of meeting those difficulties is either by special provisions such as they have in Ontario for mariners voting in a particular way, or by provisions for absentee voters.

Q. Might I ask if you would bring to us the legislation which you prepared last year?—A. I did not prepare legislation. It is somewhere in some report.

By the Chairman:

Q. Last year the Committee did consider this and we found it a very difficult subject to deal with.—A. It is very difficult; as a matter of fact, I

think it is impossible. It is the most difficult kind of problem which arises under the Dominion Elections Act. If it were not for the difficulty of colonization, that is the difficulty of a man selecting a particular electoral district in which he desires to vote because the balance there is even between the candidates, and if it were not for the prevention of switching of votes from one electoral district to another electoral district, which has always been in our Elections Act, it might be possible. The moment you do that you have a tremendously difficult problem of determining where your voting population resides.

Q. Was your attention called to a situation in a constituency in Ontario where a dredge crew were resident?—A. I have not any memory of it, but there is an enormous number of such cases.

Q. In a county of Ontario, a dredge crew was brought in on a dredge to work?—A. I do not remember it.

Mr. THOMPSON: That was in Oshawa.

By the Chairman:

Q. And that contention was no doubt brought before the Chief Electoral Officer?—A. If it was, I would have a memo. about it.

The CHAIRMAN: And Dr. Kaiser protested, and they voted.

Mr. MERCIER: I always understood that the advance poll was established in order to give a right to vote to travellers and railway men. And those sailors who were in Victoria Harbour or Port McNicoll, if their families were living in Toronto, must vote where their families are.

The CHAIRMAN: They are entitled to vote where they are ordinarily resident. The only quarrel I have with Colonel Biggar is that he used the words "actually resident." I would have thought the wise thing would have been to use the words of the statute.

Colonel BIGGAR: That might be.

Hon. Mr. ELLIOTT: Why was it necessary for Colonel Biggar to use the words in the statute? The thing which strikes me in connection with Colonel Biggar's statement is that it was very reasonable, it was in the correspondence defining "actually" or "really resident."

The CHAIRMAN: It strikes me that in giving a written legal opinion I would have stuck to the words of the statute.

By Mr. Lawson:

Q. Would you be good enough, before you close your portfolio, to tell me whether or not you dictated the letter from the Chief Electral Officer to Mr. A. B. Thompson of July 9th, 1930?—A. Yes. May I say in answer to your remarks, that I have found it very useless, in writing election officers, to use the same words as the statute, because their difficulty is in applying that word and they want something different.

Q. The thing I cannot understand is that knowing you were dealing with a man who was not a lawyer and who would not interpret legal language, you use words stronger than the statute instead of saying to the man that the words of the statute are "ordinarily resident." I would consider "ordinarily resident" to mean that a man lived there most of his time and was, ordinarily resident.—A. The Returning Officer himself had made the distinction, and I was simply following him.

The CHAIRMAN: Is there any other instructions you want to give to Col. Biggar before we adjourn? To what day shall we adjourn? I take it for granted you are through with outside witnesses.

Mr. LAWSON: Yes, so far as I am concerned.

Mr. MACNICOL: Do you not want the Clerk?

Mr. LAWSON: No; I do not think anything useful can be served by calling him.

Mr. THOMPSON: You want Col. Biggar to make suggestions as to how the Act should be amended?

The CHAIRMAN: Some of the members of the Committee—we will have to make some report on these questions. Here you have a certain number of men disfranchised, 90 men or thereabouts have been disfranchised. You might as well grapple with the situation now. I think it is a hopeless mess. In the discussion last year it was felt that some new dangers would arise if we made any change. I think this ought to be taken into consideration.

Hon. Mr. ELLIOTT: I submit, Mr. Chairman, that consideration has been given to the question of sailors in the province of Ontario for the last few years, and it was felt it would be dangerous to interfere with the Act as it is now, and taking the men away from their real or actual residence, that you are going—

Mr. CASGRAIN: Ordinary, not actual.

Hon. Mr. ELLIOTT: No. You are going to get into trouble.

The CHAIRMAN: That may well be.

Hon. Mr. ELLIOTT: I would like to know this, for the information of the Committee, I do not know what will result from it, I would like to see the Victoria Harbour file.

The CHAIRMAN: We can get that.

Mr. LAWSON: The Chief Electoral Officer can get you that; it does not need a witness for that.

The CHAIRMAN: It will be produced.

Mr. THOMPSON: My idea is there should be an appeal from the decision of the Registrar to the County Judge.

Hon. Mr. ELLIOTT: You and I have fought a lot of elections in rural constituencies. Who is going to look after the poll when it gets to the point—

Mr. LAWSON: May I suggest that we discuss this at a subsequent session?

The CHAIRMAN: To what day shall we adjourn?

Mr. LAWSON: On what day do you want to meet again, gentlemen?

Some Hon. MEMBERS: Thursday.

The Committee adjourned until Thursday, June 25.

HOUSE OF COMMONS, ROOM 268.

TUESDAY, July 7th, 1931.

The Select Standing Committee on Privileges and Elections met at eleven o'clock.

Mr. ELLIOTT: I would propose that, in the absence of Mr. Hanson, the Chairman, Mr. Finlay MacDonald take the chair for the meeting.

Mr. LAWSON: Carried.

Minutes of last meeting read and approved.

Mr. LAWSON: Mr. Chairman, at the time of the last adjournment we had just one matter left to deal with. Colonel Biggar, having regard to the evidence given before this Committee with reference to the specific cases of Campbell and Chidwick, was going to give us his opinion whether or not, on the facts as now available to him, either or both of those gentlemen should have been allowed to vote on election day, under the statute; and I would suggest that we might proceed by calling Colonel Biggar to let us have the benefit of the written opinion which he is going to give us.

Mr. BIGGAR: Mr. Chairman, when I was in attendance the last time, of course it was only two days after the previous meeting and I had no time to prepare any written memorandum; but as a result of a suggestion made by the Chairman, in the meantime I have prepared a written opinion which I thought would be more useful.

As a matter of fact I sent three copies of it to the Chairman last Friday; so I will just read the memorandum as I wrote it. I may say I have dealt with it at some length because I thought it was a point of some importance.

MEMORANDUM

Submitted by Colonel O. M. Biggar, K.C.

The question upon which I am asked to express an opinion is as to whether, in the light of all the facts brought out in evidence, the witnesses Alexander Campbell and F. B. Chidwick are to be held to have been ordinarily resident in the electoral district of Simcoe East on May 30th, 1930. The question of their right to vote in any particular polling division under Section 64 may for the present purpose be neglected. If it were dealt with the conclusion hereafter expressed on the main point would doubtless be reinforced.

Campbell's and Chidwick's residential qualification to vote in Simcoe East is to be considered (*a*) in the light of their employment on the C.P.R. ss. *Keewatin*, and (*b*) in the light of their association with Port McNicoll independently of that employment.

So far as concerns the first point, the relevant facts are identical in each of the two cases. Both men were employed in 1930 on the steamship and had been so employed in previous years. It appears that the steamship was placed in commission at Port McNicoll in or about the month of April in each year, and that in 1930, and perhaps previously, her schedule during the ensuing seven months had been such that she ordinarily left Port McNicoll on Wednesday afternoon, returning there on the following Monday morning and spending the intervening period of slightly more than two days at a dock, which is to be assumed on the evidence to be within the boundaries of the village, and

is without doubt within those of the electoral district. The evidence is silent as to the ship's terminus at the other end of her run and as to the length of her usual lay-over there; the facts on these points may, however, be assumed to be in favour of her association with Port McNicoll. At the end of the navigation season she appears to have been laid up and to have remained there through the winter until the time arrived for her to be again put into commission in the following spring.

In the course of the general election of 1930 upon a reference to me of the question whether the names of the persons employed on certain C.P.R. steamships, of which the *Keewatin* was presumably one, should be included in the list of voters for Port McNicoll by reason of the facts that they remained on the ships for about seven months in the year and that Port McNicoll was the ship's home port, I advised that it could not be inferred from these facts that the employees living on board were ordinarily resident in the electoral district of Simcoe East on May 30th, the date of the issue of the writs of election. The question now arises whether this conclusion is subject to any modification in the light of the fuller statement of the facts now available with respect to the ss. *Keewatin*.

My general views with regard to the interpretation of the provisions of the *Dominion Elections Act* on the subject of residence are stated in paragraphs 109 and 186 of the Election Instructions. In these, residence of in effect, two kinds is recognized as sufficient to confer qualification in a given electoral district. The election officers concerned are advised that a person may be qualified as ordinarily resident in a given electoral district either by reason of his association with a permanent establishment therein quite independently of whether or not he was at home on the date of the issue of the writ, or by reason of his having had a lodging in the district on the material date, provided his occupation of this lodging was for some purpose other than a purely transitory one. I have always taken the view that it was the intention of the Act to permit the casting of their votes by the very numerous persons who in Canada are engaged in seasonal occupations, notwithstanding that this at any season inevitably gives to certain classes of voters residential qualifications in two alternative districts. Abuses have not in fact arisen owing to the distances generally involved. I think, however, that the central idea of qualification depending on some definite place of abode in the district on the material date is one which must be maintained. Without it the situation, difficult enough as it stands, would become entirely chaotic owing to the difficulty of formulating any rule whatever.

The ss. *Keewatin* would not, in my opinion, constitute a fixed place of abode in the electoral district of Simcoe East, notwithstanding the facts above outlined with regard to her association with that port. To attribute to the members of her crew an ordinary residence in the district by reason of that association would create serious difficulties in the administration of the election law. It would, I think, be impossible to make a satisfactory distinction between a ship running between two Canadian terminal ports and one assigned to an international run. Equally a distinction between a mere schedule terminus and a terminus used as here not only when the ship was in commission but also as winter quarters, would be too tenuous to be practically acceptable. And to attempt to examine and compare the lengths of the lay-overs at the two terminal ports of a scheduled route would be open to even greater objection, even if, by delicate refinements of reasoning, it led to conclusions which anyone would be prepared to accept.

I am confirmed in my conclusion that the members of the *Keewatin's* crew were not qualified by residence to vote in Simcoe East by some less directly relevant considerations. I have examined the statutory definitions of a number of electoral districts bordering on some of the principal ports in Canada and I

find that in many cases the districts are defined so as to exclude the harbours. It would, I think, be unsatisfactory from the public standpoint if on identically similar states of fact qualification was conceded in one electoral district and denied in another merely by reason of the terms used in the *Representation Act* to define an electoral district, and without doubt not so used with any intention of producing any such differing results. Moreover any other conclusion might raise difficulties in the case of harbours at cities divided into more than one electoral district, where qualification would presumably have to depend upon the accidental location of a particular wharf. It might also confer an undesirable double residential qualification in closely adjacent districts by reason of the individual's maintenance of a permanent home in the same centre of population but in an electoral district other than that in which the boat was usually tied up. These objections to any other conclusion are, I think, of considerable weight.

There remain for consideration the personal grounds of Chidwick's and Campbell's possible residential qualification in Simcoe East. Both were unmarried men, and, so far as appears, neither of them had any personal or family home anywhere. Chidwick, before the beginning of the 1929 navigation season, had from time to time boarded in Port McNicoll at an hotel or boarding house, and although the evidence on the point is not quite clear, may in 1929 have spent most of the months of March, April and May in the village. The interval between December 1929, however, when the *Keewatin* was laid up, and April, 1930, when she was recommissioned, he spent travelling about to different places, in some of which he accepted employment and took what he describes as "short vacations" to Port McNicoll. He himself says that he "did not reside nowhere in particular" during this interval. For at least a year before May 30th, 1930, therefore, his only connection with the village, apart from the ss. *Keewatin*, was that he got his mail and had his laundry done there. Campbell was in much the same position. In December 1929, he left for England immediately upon ceasing to live on the ship, and on his return again immediately took up his quarters upon it. His next preceding residence in Port McNicoll was not earlier than the winter of 1928-29, when he may have lodged in quarters which he had been in the habit of taking from time to time, paying for them however only when he occupied them and having no connection with them in intervals of absence afloat or ashore, except that some of his mail was sent to him in care of the landlord's post office box.

In these circumstances it is, in my opinion, quite impossible to say that either Campbell or Chidwick was ordinarily resident in Port McNicoll on May 30th, 1930. The farthest one can go is to say that each was frequently resident there when not resident elsewhere, but that on May 30th, 1930, they were ordinarily resident elsewhere and not in the village. If at the time they had been in fact resident, that is had had a place of abode, in some other electoral district than Simcoe East, they would clearly have been entitled to vote in that other electoral district, but in the absence of their having on May 30th, 1930, some definite association with an abode in some particular electoral district, there was no district in which they could be held to be qualified as voters.

This was a situation which very commonly arose under the *Dominion Elections Act* prior to the amendment of Section 29 by 1929, chap. 40, section 13. Until that change in the law no one was entitled to vote in a given electoral district unless he had been ordinarily resident in it for the two months immediately preceding the date of the issue of the writs, and there were very large numbers of persons otherwise qualified who, by reason of a change of residence within that two months, were deprived by law of an opportunity to vote for the candidates in any electoral district. The number of persons thus disqualified by law from voting even at a general election was so reduced by the amendment

as to leave only a negligible remnant, in which, however, the two men in question must be included. They, however, share practical disqualification with a much more considerable fraction of the electorate, namely all those who, having moved from one electoral district to another during the eight weeks intervening between the date of the issue of the writs and polling day, are prevented for geographic and economic reasons from returning to vote in the district in which they formerly resided. The number of possible voters in this category was reduced, but only very slightly, in 1929 by the provisions affecting ministers, teachers and pupils which now appears as section 29A (4).

One of the members of the Committee asked me to suggest, if I could, amendments to the statute which would have the effect of preventing such disqualifications as have been referred to. It is no doubt desirable on general grounds that at a general election every adult British subject resident in Canada should be entitled to cast a vote and the amendments made in 1929 to which I have referred are merely the last of the steps which have been taken since 1920 towards that goal. Consistently, however, with the general principles of the present election law, under which lists of voters are prepared only after the issue of the writs, I doubt whether any further substantial step in this direction can be taken without involving disadvantages more serious than any advantage which would accrue. The privilege conferred upon ministers and teachers by Section 29A (4) might perhaps without objection be extended to their wives and families but I can suggest nothing of more general application.

I do not think that an attempt to graft provisions for absentee voters on the present system would turn out to be really workable, although I do not exclude the possibility of some safe and practical system being devised. Even such a system would, however, not meet cases such as those of Chidwick and Campbell and I see no way in which such cases could be met short of the abandonment of the present electoral procedure and the substitution for it of a radically different system according to which lists were prepared independently of and in advance of there being any occasion for their use. A scheme along these lines was discussed in my reports as Chief Electoral Officer in 1926, but I was then and I am still doubtful if a reasonably economicaland entirely satisfactory system of the kind could be worked out. The Parliamentary Committee which gave the subject some consideration was moreover inclined against any so radical change in the law. Short of some such radical departure, combined with a provision for voting by absentee voters, I can conceive of no statutory phraseology which would at the same time entitle men without homes, who cannot on a given date be said to be ordinarily resident in any electoral district, to vote in some district with which they have some tenuous and necessarily uncertain association. To attempt to define the weight to be attached for the purpose of qualification to the number of visits made by an individual to a given electoral district, the intervals between them, the lapse of time between the last of them and the date of the issue of the writs and other like factors, would, I think, be an impossible exercise in draughtmanship. Even if it were capable of being carried out with reasonable success, the application of the provision would give rise to such a number of disputes and suspicions of "colonization" as to be considered by candidates and election officers not to have been worth the attempt.

In my opinion, therefore, while a territorial basis of representation for the House of Commons is maintained and voters are not entitled to vote for one Government or one Prime Minister instead of another, persons who, on the date of the issue of the writs, are without any legal, familial or actual and ordinary relationship to specific premises in a specific electoral district, and who therefore cannot be said to be ordinarily resident on that date in any district, must continue in the general interest to be disqualified for voting even at a general election.

(Sgd.) O. M. BIGGAR,

OTTAWA, 29th June, 1931.

Mr. MERCIER: I move that Mr. Biggar furnish the stenographer with a copy of his report, to appear in our report.

Mr. LAWSON: I will second the motion.

Motion agreed to.

Mr. LAWSON: I would like to get some information from Colonel Biggar, because this Committee may be considering some amendments to the Act at some future time. Colonel, I suppose you would agree that in law every man, other than a tramp or a vagrant, must have some place of residence?

Mr. BIGGAR: He has a place of residence every night.

Mr. LAWSON: From day to day.

Mr. BIGGAR: Yes. I would not include tramps and vagrants. On each night the tramp or vagrant resides where he sleeps. That is what the election instructions say.

Mr. LAWSON: Then, if I understand your opinion correctly, you interpret the words " ordinarily resident " as requiring something more than mere residence?

Mr. BIGGAR: Quite definitely. For instance, if being without any permanent home I went and stayed at the Royal York Hotel in Toronto, I would not thereby become qualified to vote in Toronto South.

Mr. LAWSON: Then would you agree with me in this, that every person other than, say, a vagrant or a tramp, must have an ordinary residence somewhere?

Mr. BIGGAR: If you put the classification of tramp and vagrant widely enough, I would say that everybody was, in an electoral sense, a vagrant or a tramp who was without an ordinary residence on the material date.

Mr. LAWSON: That is beside the point I want to get at. I want to exclude that class of person who shifts about from place to place daily or weekly.

Mr. BIGGAR: And are not tramps or vagrants?

Mr. LAWSON: Including them in the tramps and vagrants class, if you will.

Mr. BIGGAR: Yes.

Mr. LAWSON: Must not any person, other than those I have outlined, have even an ordinary residence somewhere in law?

Mr. BIGGAR: No, I do not think so.

Mr. LAWSON: You think not?

Mr. BIGGAR: I think not.

Mr. LAWSON: Then may I take it that the result of your opinion is that Chidwick and Campbell did not have any ordinary residence anywhere?

Mr. BIGGAR: For electoral purposes, certainly not.

Mr. LAWSON: For electoral purposes under this Act on the 30th day of May, 1930?

Mr. BIGGAR: Certainly not; in no electoral district.

Mr. LAWSON: Then let me assume that a man was living on a house-boat tied to a dock in Port McNicoll, which is within the territorial limits of Simcoe East, on the 30th day of May, 1930, and he had his clothes there and took his meals there, and in the ordinary sense was living there, would you consider him qualified by residence there.

Mr. BIGGAR: That would depend. If the house-boat was simply on the move around Georgian Bay, no.

Mr. LAWSON: Assuming that the house-boat was quartered there permanently for a period of five or six months?

Mr. BIGGAR: If it had gone there at the beginning of the summer and stayed there the length of the summer, I would think it was the same as any residence.

Mr. LAWSON: You would think he was ordinarily resident there?

Mr. BIGGAR: Yes.

Mr. LAWSON: Then if he went off the house-boat for two or three days in the week, and in the course of his employment went to two or three different places outside of Simcoe East, always returning to the house-boat, you would, I take it, consider he was entitled to residence?

Mr. BIGGAR: Yes, in the sense which I have mentioned.

Mr. LAWSON: But the distinction between the hypothetical case which I have mentioned and the cases of Campbell and Chidwick was because these men were on a boat which in the very nature of circumstances only stops at Port McNicoll for two or three days stop-over each week, and they are not ordinarily resident within the terms of the Elections Act?

Mr. BIGGAR: Yes, I think that is so.

Mr. LAWSON: Then you might go a step further. Would you consider that for electoral purposes Campbell and Chidwick had not any ordinary residence on election day?

Mr. BIGGAR: In any electoral district.

Mr. LAWSON: So that if we were to attempt to amend the Elections Act, in order to give men in this position a vote, beyond all doubt you would think what we must change would be the definition of ordinary residence?

Mr. BIGGAR: Yes, unless you said a particular class of persons were not required to be ordinarily resident.

Hon. Mr. ELLIOTT: Just one question in order that there may be no misunderstanding as to the interpretation that you are putting upon the word "vagrant" used in connection with "tramp." I take it that you are referring to "vagrant" as meaning somebody covered by the word vagrant?

Mr. BIGGAR: You can put it whichever way you like, I was wondering—

Hon. Mr. ELLIOTT: An ordinary vagrant or wanderer?

Mr. BIGGAR: Somebody who has no association at a given time with a fixed premises anywhere, fixed place of abode.

Hon. Mr. ELLIOTT: That is, the distinction which you made between the house-boat which is attached to the dock and stays there, and the ship which is sailing around from place to place, is that one has a fixed place of location and the other has not?

Mr. BIGGAR: Exactly. The fixed place of abode is the significant thing.

Mr. LAWSON: Just one other thing occurs to me. For the purpose of the information which you have given us, you have taken for granted that these men had every other qualification mentioned, required by the Act?

Mr. BIGGAR: Quite.

Mr. LAWSON: And your own opinion is based purely upon the question whether or not they are ordinarily resident in Simcoe East on the particular day, the 30th May, 1930.

Mr. BIGGAR: Exactly.

Mr. THOMPSON: Taking the case of Chidwick, suppose he had gone to Port McNicoll on the 30th March and had lived there for one month, would not that month's residence have established his residence?

Mr. BIGGAR: No, he has under the statute to be ordinarily resident there, other than on the boat.

Mr. THOMPSON: I have had about thirty years' experience in courts and before county judges in Ontario, and I say unhesitatingly that no county judge would have disfranchised that man.

Mr. LAWSON: You are speaking of the sense in which the expression is used in the Elections Act, and not in the law generally?

Mr. BIGGAR: No, that is really the difficulty about residence, that whenever you go to find authority on the point, on the meaning of "residence" you always find it is interpreted by reference to the provisions of a particular statute.

Mr. THOMPSON: You spoke of certain men not being able to vote, on account of being away from their homes. This is not a special case, because they are on the list. I contend that every man has a right to be on the list somewhere. He may disqualify himself by going away, but he has a right to be on the list somewhere.

Mr. BIGGAR: In my experience up until the last general election the number of people who are not entitled to get on the list anywhere was very large; and it was as the result of my suggestion to the Committee in 1929 that the two months' ordinary residence was dropped, and you simply required ordinary residence some place on the specific date of the issue of the writ.

Hon. Mr. MORAND: Had that boat been tied to the dock and these men had been living on it and working, would these men have been qualified to vote?

Mr. BIGGAR: It is very difficult to say. I can conceive cases where the circumstances would be such as to give them qualification. I can see that a tender on an abandoned ship laid up in Kingston harbour might quite possibly under similar circumstances be held to have a right to a vote in Kingston.

Mr. LAWSON: Or the house-boat case?

Mr. BIGGAR: Yes, because his residence is ordinarily there.

Hon. Mr. MORAND: For many years constituencies did not include the docks or wharves in the constituencies?

Mr. BIGGAR: Yes, the harbours were defined by reference to the banks of the harbour or the bank of the river or something like that.

Hon. Mr. MORAND: There was a chance to improve that anyway.

Mr. BIGGAR: As a matter of fact the thing won't arise, as far as tenders are concerned or watchmen.

The ACTING CHAIRMAN: Would there have been any difference if these boats had been registered in Port McNicoll?

Mr. BIGGAR: I do not know. I did not go into that question. I explained to the Committee the last time that when I wrote my letter it was in my mind that that might make a difference. I did not want to say that it did not make any difference, without having had an opportunity to go into it; and I have never gone into it. It is not in our Act at all. It was vaguely in my mind that the point had arisen under the English Act.

Mr. MACNICOL: Both these men, Chidwick and Campbell, manifested a desire to vote by the fact that they went and registered.

Hon. Mr. ELLIOTT: They did not go to register. They were registered by Connolly. They went to vote.

Mr. MACNICOL: They apparently exercised all the precautions they thought they should exercise to be entitled to vote, but in the long run they were not entitled to vote. Was there anything they could have done, having the desire to vote, to have entitled themselves to vote?

Mr. BIGGAR: Do you mean, for example, on polling day?

Mr. MACNICOL: Prior to polling day.

Mr. BIGGAR: They could not have acquired a fixed residence on the 30th May if they had none before that. They could not have acquired a fixed residence in Simcoe East on the 30th May if they had known what was ahead of them; they might have acquired it, but it would have involved giving up that particular employment.

Mr. MacNicol: You mean if they had rented a room.

Mr. Biggar: If they had occupied it. The mere renting of it would not have made much difference.

Mr. MacNicol: They both struck me as being of the opinion that their home was in Port McNicoll.

Mr. Biggar: That was the place to which from time to time Campbell returned, not having a home elsewhere. You remember Chidwick himself said he was not residing anywhere in particular all through the winter of 1929-1930, that he had been working around in different places, that he had travelled from place to place and took vacations at Port McNicoll.

Mr. Lawson: Mr. Chairman, I was going to suggest, after the Committee got all the information they wanted from Colonel Biggar—

Hon. Mr. Elliott: May I interrupt? To sum up what you have said, you were Electoral Officer for a number of years and have been giving special attention to the matter of residence and other matters in connection with the *Dominion Elections Act*?

Mr. Biggar: No problem in connection with the Dominion Elections law is so difficult as this question of residence.

Hon. Mr. Elliott: And this matter and other questions akin to it have been discussed from time to time by various committees which have met here, and as I gather, your opinion after careful consideration of practically this same subject in 1926, was that the list of those who were not entitled to vote anywhere had, by the abolition of the sixty days' residence period, been cut down as far as you could do it with reasonable safety.

Mr. Biggar: With any sort of safety, yes.

Mr. Lawson: I would like to know what the "yes" refers to, because my honourable friend has combined two questions in one. The first part of his question was that the Committee, since 1926, has considered on more than one occasion the question of residence; and the other part of the response was as to the effect of the amendment made in 1929. Now, to which part of the question is Colonel Biggar answering "Yes"?

Mr. Biggar: Well, I cannot be quite sure about the plural with regard to the committees. Certainly the question of residence was considered by the committee in 1929, and I think it was considered by the committee in 1922. I think those were the only two committees.

Mr. Lawson: Shall I make my suggestion now?

Hon. Mr. Elliott: Yes.

Mr. Lawson: Mr. Chairman, I was going to suggest that as we now have available Colonel Biggar's opinion, personally I would like to read it and consider it with more care than I can do by hearing it read once, and I would suggest that the Committee adjourn to some convenient date when we might meet for the purpose of compiling a report and dealing with the matter.

If you will excuse me, there is one thing I wanted to get on the record from Colonel Biggar. I understood you to say, Colonel, that you drew these Elections Instructions which went out to the returning officers, on the Elections Act.

Mr. Biggar: Yes.

Hon. Mr. Elliott: There are one or two things I wanted to ask Mr. Castonguay before we adjourn.

The Acting Chairman: Would Mr. Castonguay take the stand.

JULES CASTONGUAY, recalled.

Hon. Mr. ELLIOTT: Mr. Castonguay, at the last meeting I think you were asked to make a list showing those who were marked on Connolly's list, we will call it, as living at Victoria Harbour, who had voted at Victoria Harbour in the last election?

Mr. CASTONGUAY: I remember something was said about it.

Hon. Mr. ELLIOTT: Did you make such a list? Perhaps first of all you can show the record of changes made by Mr. Connolly.

Mr. CASTONGUAY: Here is a schedule of the changes made by Mr. Connolly. That is the original copy.

Hon. Mr. ELLIOTT: And if I ran over the original list correctly, the other day, you showed how many men had been resident at Victoria Harbour, who were on the Keewatin.

Mr. CASTONGUAY: I found twenty-one.

Hon. Mr. ELLIOTT: You have since had an opportunity of looking over the list of those who voted at Victoria Harbour on this particular polling day.

Mr. CASTONGUAY: I have examined the poll books for the four polling stations at Victoria Harbour, and I found that out of those twenty-one names twelve had voted at some of the booths.

Hon. Mr. ELLIOTT: That twelve had voted at Victoria Harbour, as shown by the list of those who voted there. And can you tell me if that twelve who voted at Victoria Harbour, were listed by the returning officer in his list of where these people lived as at Victoria Harbour?

Mr. CASTONGUAY: I did not get that.

Hon. Mr. ELLIOTT: Listed, I should have said, by the enumerator.

Mr. CASTONGUAY: These twenty-one names appeared on the preliminary lists and were struck off the lists.

Hon. Mr. MORAND: Where?

Mr. CASTONGUAY: They were struck off by the rural registrar at Port McNicoll.

Hon. Mr. ELLIOTT: On the original list they were put on at Port McNicoll by Connolly, the registrar, these twenty-one?

Mr. CASTONGUAY: Yes, sir.

Hon. Mr. ELLIOTT: And the other sailors as well,—a number of other sailors, and their residences were marked as what?

Mr. CASTONGUAY: Port McNicoll.

Hon. Mr. ELLIOTT: And then after his interview with the returning officer, apparently, from the evidence, these names were stricken off?

Mr. CASTONGUAY: They were stricken off by the registrar during the three days that he sat for revision of his list, apparently.

Hon. Mr. ELLIOTT: And there is a list on which the residences of these men are marked as Victoria Harbour, Midland, Toronto, Owen Sound, and the various places where he thought they resided?

Mr. CASTONGUAY: That is given on his statement of changes and additions. Every name that is struck off—and I notice that he struck off a good many of them—he has stated their residences as far as they were known to him.

Hon. Mr. ELLIOTT: This is the statement of changes and additions, which you have given us here?

Mr. CASTONGUAY: That is the original copy.

Hon. Mr. ELLIOTT: I think this should go in, when we are through with it here. On that statement of changes and additions, how many do you find marked as resident at Victoria Harbour?

Mr. CASTONGUAY: I find twenty-one.

Hon. Mr. ELLIOTT: And, as you have already stated, you now find by reference to the Victoria Harbour poll books, or something of that kind, that twelve of that twenty-one actually did vote at Victoria Harbour?

Mr. CASTONGUAY: Yes.

Hon. Mr. ELLIOTT: Have you examined Midland or Owen Sound or any of the other places? You were not asked to do so.

Mr. CASTONGUAY: No. I looked up, but there were about forty polls, and the examination of the poll books is quite a difficult job.

Mr. THOMPSON: You do not know that these were the same men, although of the same name?

Mr. CASTONGUAY: They were under the same names and the same occupation.

Mr. THOMPSON: The first is Arbour, and you do not know that that is the same Arbour which was on at Port McNicoll?

Mr. CASTONGUAY: It was the same name.

Hon. Mr. ELLIOTT: I would think it was a pretty strong supposition, when you find Henry Arbour, sailor, and Mr. Connolly put him in as an ordinarily resident at Victoria Harbour, and a man named Henry Arbour voted at Victoria Harbour.

Mr. THOMPSON: It is a very common name.

Mr. LAWSON: Is Victoria Harbour in the same constituency as Port McNicoll?

Mr. CASTONGUAY: Yes, sir, it is in the same constituency, Simcoe East.

I have brought with me the index book prepared by Connolly. There was some question the other day about the fact that he did not initial the changes in the final list. I find his index book contains all the notes and the initials.

Mr. THOMPSON: Is the date there too?

Mr. CASTONGUAY: Yes, the date and everything. They appear to have been struck off on July 2. The Committee may have this if they like.

Mr. LAWSON: As a matter of fact, I think it was the Chairman who asked for it.

The ACTING CHAIRMAN: It might be marked as an exhibit, if the Committee likes.

Hon. Mr. ELLIOTT: You have been here through the whole inquiry, Mr. Castonguay. Is there anything that has arisen that you feel an explanation from you would assist the Committee in this regard, further than has been stated?

Mr. CASTONGUAY: I do not think there is anything else.

Mr. LAWSON: I would move, Mr. Chairman, that the Committee do now adjourn to a day to be fixed.

Hon. Mr. ELLIOTT: Before that motion is put, I think it has been the practice in the Privileges and Elections Committee as far as possible to endeavour to arrive at a solution, if there is a solution, of whatever problem the Committee is considering. I was going to ask whether members of the Committee would make any suggestion they may have to make, so that they might be considered between now and the next meeting. Does anybody really feel that we are not embarking on too dangerous a sea to make a change?

Mr. MACNICOL: I would like to read Colonel Biggar's report. He has made very diligent inquiry and has given a very full report.

Mr. GAGNON: I would think we are not prepared to make any further suggestions this morning, because Colonel Biggar has made a long and thorough written report which we have not had the opportunity to study, and the studying of that might help us in forming an opinion.

Hon. Mr. ELLIOTT: It seems to me that the opinion is to be boiled down to the one thing that residence must be a more or less fixed point.

Mr. GAGNON: The law may have to be amended.

Mr. MACNICOL: This has nothing to do with the case in hand, but if the Committee is meeting and the report is to be brought in, it may not be entirely out of place. I do not ask it to be dealt with unless it is in place. I think there were about three hundred altogether disfranchised in my riding. They all had their receipts. The enumerator came to them and put down their names and addresses and handed them a receipt; but in compiling the list, some 342 were not able to vote because their names were left off the list.

If this Committee has power to deal with that, not to-day but later on, I think we ought to make some recommendation along that line.

Hon. Mr. ELLIOTT: I assume the Committee is considering what was referred to them by the member for Simcoe East, Mr. Thompson. I have no doubt there would be no objections to our considering anything which may assist in improving the election law.

Mr. LAWSON: I would raise the question whether this is just the time to consider it. Undoubtedly this Committee will, before the next general election, be considering suggestions as to the Elections Act. I had the same experience as Mr. MacNicol refers to, excepting that a greater number were in the same position in West York; that is possibly because I had the most numerous population of any riding in Canada. The enumerator went around and took down the people's names. The Elections Act requires the enumerator to give a certificate to the voter that he had recorded his name, and so on. The enumerators handed out those certificates, but when the people went to vote, their names were not on the list, and in spite of the fact that they had a certificate that the man who made the list out put them on, they were not entitled to vote. These are urban polls.

Mr. MERCIER: We had the same difficulty in our riding.

Mr. LAWSON: Although West York is a rural riding for some purposes, the electoral officer held we were urban for election purposes.

Mr. CASTONGUAY: If the Committee will allow me, in view of what Mr. Lawson has said, that a large number of names of voters who were given slips by the enumerator did not find their names on the list, I made a suggestion in my report to the Speaker in September last, that I thought it would be well to adopt a new system based upon the present system, which I think would be of great advantage.

The ACTING CHAIRMAN: What was the suggestion you made?

Mr. CASTONGUAY: The suggestion I made would have the effect of shortening the period that is necessary to prepare lists. Now it takes eight full weeks to prepare lists in an urban riding. My suggestion would make it possible to prepare those lists in six weeks. Have double enumerators, print the lists as soon as they have been enumerated, and have copies enough so as to be able to send one to each dwelling in the polling subdivision, that would be about eighty copies; and there would be no revision until within about ten days of the polling, and then the revising officer would print the lists.

Mr. LAWSON: All these matters suggested by the Chief Electoral Officer would come eventually before the Committee when it comes to finally consider the revision of the Elections Act.

Mr. DUFF: Would the original list be posted?

Mr. CASTONGUAY: The enumerator would make a list of the voters and the addresses, and my idea is that when the lists are printed a copy of the list would be mailed to each house in the polling subdivision, and in that way a

notice would be given of where the revision is to take place, and also the location of the polling subdivision. I think this would be more acceptable than posting.

Mr. DUFF: If it went to the individual, they might say that they had never received it.

Mr. CASTONGUAY: It is not posted now.

Mr. LAWSON: Mr. Elliott, I think, was asking for suggestions from the Committee at this time. I find that very difficult to do, for it seems to me the first thing this Committee must determine is whether we do or do not agree with the opinion given by the Chief Electoral Officer. If we agree with that opinion, then do we deem it advisable to make recommendations as to the amendment of the Act? If we do not agree, and if we are substantially of the opinion that these men are already qualified to vote, there would be no need to amend the Act. Therefore we require some time to come to a conclusion in that regard after reading the carefully prepared opinion of Colonel Biggar given us this morning. I do now move that we adjourn to some date satisfactory to the members of the Committee, at which date we re-convene for the purpose of framing our report.

Hon. Mr. Elliott: I quite agree. That will be satisfactory to me.

The ACTING CHAIRMAN: Would you agree now upon Tuesday the 14th?

Committee adjourned until Tuesday, 14th July, 1931, at 11 a.m., to prepare report for the House.

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McNAMARA, JOSEPH D. J., Returning Officer for Simcoe East: Appointed Mr. Connolly as Registrar; Instructions given; Considers Port McNicoll home port for the boats; Wrote Chief Electoral Officer for advice and instructions were received by letter which he communicated to Registrar Connolly, 52-54.

RAMSAY, WILLIAM, Sailor: Examined as to place of residence and qualifications as an elector; States that he voted; No objection raised as to his right to vote, 33, 34—Says he voted at advance poll, 37—Further examined as to place of boarding and rooming, 51, 52.

VOTERS LISTS: Copies of Voters' lists produced by Chief Electoral Officer, examined and marked Exhibit 1, Exhibit 2, 28, 29—Suggestion made by Chief Electoral Officer that voters' lists be prepared in six weeks instead of eight, as at present, in urban ridings, 73.

YOUNG, JAMES C., Municipal Clerk, Port McNicoll: Has known Alexander Campbell personally for two years; Saw Campbell's name on original voters' list; name struck off list seen at Committee meeting; Knew Campbell to board at Mrs. Scott's, 2, 3—Saw Frederick Benjamin Chidwick's name on original list; name struck off list seen at Committee meeting; Discussion follows, 3, 4.

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

OWNED, OPERATED AND CONTROLLED
BY THE GOVERNMENT

SESSION 1931

MINUTES OF PROCEEDINGS
AND EVIDENCE

Printed by Order of Parliament

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

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MEMBERS OF THE COMMITTEE

HON. JAMES DEW CHAPLIN, *Chairman*

and Messieurs

Beaubien,
Bell *(St. Antoine)*,
Bothwell,
Cantley,
Duff,
Euler,
Fiset *(Sir Eugène)*,
Fraser *(Cariboo)*,
Geary,
Gobeil,
Gray,
Hanbury,
Hanson *(York-Sunbury)*,
Heaps,
Kennedy *(Peace River)*,
McGibbon,
MacMillan *(Saskatoon)*,
Manion,
Power,
Rogers,
Stewart *(Lethbridge)*.

JOHN T. DUN,
Clerk of the Committee.

and

E. L. MORRIS,
Acting Clerk of the Committee.

33542—1½

ORDERS OF REFERENCE

HOUSE OF COMMONS,
THURSDAY, May 14, 1931.

Resolved,—That Standing Order 63 of the House of Commons, relating to the appointment of the Select Standing Committees of the House, be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the accounts and the estimates of the Canadian National Railways and the Canadian Government Merchant Marine for the present session, for consideration and report to the House.

Provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply, and that the said Committee consist of Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Power, Rogers, Stewart (*Lethbridge*).

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, June 5, 1931.

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

That 500 copies of proceedings and evidence which may be taken by the said Committee be printed from day to day, as required, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

ORDERS OF REFERENCE—*Continued*

WEDNESDAY, June 10, 1931.

Ordered,—That the following Bills be referred to the said Committee:—

Bill No. 79, An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931.

Bill No. 83, An Act respecting the Canadian National Railways and to authorize the guarantee by His Majesty of securities to be issued under the Canadian National Railways Financing Act, 1931.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, June 24, 1931.

Ordered,—That the Estimates respecting the Canadian National Steamships and the Maritime Freight Rates Act, presented to the House on the 13th April, be referred to the Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, and that the Order referring the same to the Committee of Supply be discharged.

Attest.

(Sgd.) T. M. FRASER,
For Clerk of the House.

REPORTS OF THE COMMITTEE

FIRST REPORT

FRIDAY, June 5, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government beg leave to present the following as a First Report.

Your Committee recommend:—

1. That your Committee be given leave to sit while the House is sitting.
2. That 500 copies of proceedings and evidence which may be taken by your Committee be printed from day to day, as required, and that Standing Order No. 64 be suspended in relation thereto.

All of which is respectfully submitted.

J. D. CHAPLIN,
Chairman.

Concurred in by the House, June 5, 1931.

SECOND REPORT

WEDNESDAY, June 25, 1931.

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, beg leave to present the following as their second report.

Your Committee have had under consideration the following Bills, and have agreed to report the said Bills without amendments, viz:—

Bill No. 79, An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931; and

Bill No. 83, An Act respecting the Canadian National Railways and to authorize the guarantee by His Majesty of securities to be issued under the Canadian National Railways Financing Act, 1931.

All of which is respectfully submitted.

J. D. CHAPLIN,
Chairman.

THIRD AND FINAL REPORT

HOUSE OF COMMONS, CANADA,
THURSDAY, July 16, 1931.

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, beg leave to present the following as their Third and Final Report.

Your Committee, to whom was referred for consideration and for report to the House the estimates on the Canadian National Steamships and Maritime

Freight Rates Act, the Canadian Government Merchant Marine, the Canadian National (West Indies) Services, and the Maritime Freight Rates Act requirements, held thirteen meetings in the course of which they examined sundry witnesses, including:—

Sir Henry Thornton, K.B.E., Chairman of the Board and President, C.N.R.;
V. I. Smart, Deputy Minister of Railways and Canals;
J. E. Labelle, Director, C.N.R.;
S. J. Hungerford, Vice-President; Operation and Construction Departments, C.N.R.;
D. C. Grant, Vice-President, Finance Department, C.N.R.;
R. C. Vaughan, Vice-President, Purchases and Stores Department, C.N.R.;
R. L. Burnap, Vice-President, Traffic Dept., C.N.R.;
D. E. Galloway, Assistant Vice-President, C.N.R.;
S. W. Fairweather, Director, Bureau of Economics, C.N.R.;
J. B. McLaren, Comptroller, C.N.R.;
T. H. Cooper, Assistant Comptroller, C.N.R.;
C. B. Brown, Chief Engineer of Operation, C.N.R.;
C. S. Gzowski, Chief Engineer of Construction, C.N.R.;
Dr. W. J. Black, Director of Colonization, C.N.R.;
B. J. Roberts, Comptroller of Government Guarantee Branch, Department of Finance;
R. B. Teakle, Vice-President, C.N.S.S.;
A. H. Allan, General Manager, C.N.S.S.

CANADIAN NATIONAL RAILWAYS

Bill 79

Your Committee have had under consideration Bill 79 "An Act respecting the Canadian National Railways and to authorize the expenditures made and indebtedness incurred during the calendar year 1931" amounting to $68,500,000 and have agreed to report the same without amendment.

Bill 83

Your Committee have also had under consideration Bill 83, "An Act respecting the Canadian National Railways and to authorize the guarantee by His Majesty of securities to be issued under the Canadian National Railways Financing Act, 1931", and beg leave to report the same without amendment.

The Committee have considered the general report of last year's operations of the railway made by Sir Henry Thornton as President of the Company and Chairman of the Board of Directors and were particularly interested in his expressed intention to reduce the expenditures on capital account and wherever possible on operation and maintenance. Your Committee heartily approve of such proposed action and recommend that for the present projects entailing capital expenditure be curtailed as far as possible.

Your Committee desire to call the attention of the House to the proposal made by Sir Henry Thornton at one of the sessions of the Committee. He referred to the serious position of the transportation business generally and recommended that a commission be appointed for the purpose of considering the whole question of Canadian Transportation. Your Committee regard such a recommendation coming from such a source at this time as worthy of the serious consideration of the government.

Canadian Government Merchant Marine

Your Committee have had under consideration Item 379 of the estimates—loan to the Canadian Government Merchant Marine, Limited, to be applied in payment of deficits in operation of the Company and of the vessels under the Company's control during the year ending December 31st, 1931, amounting in all to $588,500.

Your Committee also reviewed the balance sheet of the Company and are of the opinion that the amount of $588,500 included under Item 379 of the estimates, is required for the purposes of the Company and should be granted by this House.

Your Committee believe that the time has come when the Government should very carefully consider the abandonment of the Canadian Government Merchant Marine, and the making of arrangements with other shipping companies so that the external trade of Canada will not be jeopardized. In this respect we wish to point out that the total original cost of this enterprise which was undertaken solely as a result of the exigencies of the war was approximately $80,000,000.

After almost ten years of operation there has not been a single year in which an operating profit has been shown by the Merchant Marine.

Throughout the whole period, a deficit of over $57,000,000 has accumulated, including depreciation on ships sold and interest due the Government, but does not include accrued depreciation on vessels remaining in the fleet, which depreciation amounts to more than $17,000,000 in addition. Your Committee have been informed that the ships are for the most part obsolete and only part of the fleet is now in operation.

Canadian National (West Indies) Services

Your Committee have had under consideration Item 380, loan to the Canadian National (West Indies) Steamships, Limited, whose steamships provide the services called for by the West Indies Trade Agreement, and recommend that the amount required, namely, $755,000, be granted.

Your Committee note that the operations for the year ending December 31st, 1930, resulted in an operating loss of $523,136.98, which is partly offset by the fact that previously a subsidy equal to $380,000 per annum was paid to a private company by the Dominion Government for a similar service.

Your Committee further believe that the steamship service established on the Pacific Coast and known as the Triangular Service between Vancouver, Seattle and Victoria, should not have been established as it does not earn its operating expenses. We, therefore, recommend that serious consideration be given to immediate action looking toward the elimination of this loss.

Maritime Freight Rates Act

Your Committee have also had under consideration Item 382 of the estimates, to provide for the payment to the Canadian National Railway Company as required by the Maritime Freight Rates Act, of the deficit incurred during 1931 on Eastern Lines, the amount of the estimated deficit being $6,631,856, and in addition the sum of $2,450,632, representing the estimated amount by which the revenues of the Eastern Lines will be lessened during the coming year by the reduced rates granted under the Maritime Freight Rates Act in accordance with the recommendations of the Duncan Commission.

By reason of the special considerations involved in the Maritime railway situation, with which the House is familiar, your Committee are of the opinion that these amounts are necessary to give effect to the Maritime Freight Rates Act in the operation of the Eastern Lines.

Your Committee have also had under consideration Item 381, to provide the sum of $900,000 from which privately owned railways operating in territory covered by the Maritime Freight Rates Act shall be reimbursed the difference between normal tolls and special tolls provided by that Act. Your Committee are of the opinion that this amount is necessary to implement the provisions of the Act in that regard and should be granted by this House.

Certain questions relating to the salaries and emoluments paid to executive officers of the Company were asked by members of the Committee, and were by Resolution of the Committee submitted to a sub-committee for consideration. The report of the sub-committee has been received accompanied by a statement from the President of all salaries of $15,000 per annum and over, together with the names of the officials receiving them. The President, Sir Henry Thornton has expressed the opinion that it is not in the best interests of the Railway that the list of such salaries and the names of the recipients be published.

Your Committee while of opinion that many of the salaries are much too generous, and in some instances excessive, accede to the expressed wish of the President that the list be not published for the reasons given by him.

Your Committee, however, are of opinion that the salary of the President stands on a different footing as he has a term Contract calling for the payment of $75,000 per annum from the National Railways and all its subsidiaries, besides legitimate out-of-pocket expenses, which was negotiated by the previous Government and approved by Order in Council. Therefore, to all intents and purposes the salary of the President is a matter of contract with the Dominion of Canada and is a public document.

Your Committee also are informed that in addition to the contractual salary of the President above referred to, he is, with the approval of the former Board of Directors, in receipt of other substantial amounts in the form of salary and emoluments, which he receives in addition to his contractual salary.

It has also come to the knowledge of your Committee that the late Board of Directors in the year 1929 passed a Resolution recommending the payment of an Annuity of $30,000 per annum for life to Sir Henry Thornton, if his services to the Railway should at any time be terminated. Your Committee are of opinion that such Resolution was unnecessary and should be rescinded forthwith. If later on the services of Sir Henry Thornton are discontinued and his contract terminated, the matter of a retiring allowance may then be discussed on its merits, by the Directors and the Government.

In view of the decreased revenues of the Company, and the economies being made in other branches of the service, your Committee are of opinion that the Executive Committee of the Board of Directors should immediately consider the whole question of salaries, allowances, disbursements, pensions and retirement provisions for executive officers and officials of the Company, receiving salaries of $5,000 and over in order that every reasonable and proper economy should be effected.

Your Committee recommend that immediate action be taken in these matters and a report be made to the Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, at the next Session of Parliament.

Your Committee strongly condemn the practice which has grown up under which the National Railways are chargeable with large amounts for payment for the Social Entertainment and other activities of officials on other than official business. Your Committee recommend that this practice should be discontinued forthwith. Expenditures for such purposes are in the opinion of your Committee, wrong in principle and practice, and should never have been permitted.

When it is necessary in the interest of the business of the Railway that moneys should be expended chargeable to the Railway for entertainment then it should be approved by the Executive Committee.

In reporting the result of the conferences of the Committee with the President and officials of the railway, your Committee would draw the attention of Parliament to the magnitude of the task which was referred to them by the House. In the opinion of your Committee, it is a practical impossibility to conduct an exhaustive enquiry into the affairs and management of the Canadian National Railways and Mercantile Marine within the time at the disposal of the Committee. The result of the partial investigation conducted by the Committee is by no means adequate, complete or satisfactory. Full justice cannot be done in respect of an undertaking of so great magnitude without much greater time than the Committee had at their disposal. The Committee desire to emphasize this phase of the matter to the House, and recommend that in order that the operations of the Company be fully scrutinized, a thorough audit by an independent auditor, appointed by the Government should be made from time to time of all such matters and accounts as may be designated by the Minister and report to him.

Your Committee are glad to record that all the Members present as hereinafter stated are unanimous in the foregoing report, namely:—

Hon. R. J. Manion, Minister of Railways, Canals and Telegraph Lines,
Hon. J. D. Chaplin, Chairman,
Hon. Robert Rogers,
Hon. W. D. Euler, and

Messrs.:

Beaubien,
Bell *(St. Antoine)*,
Bothwell,
Cantley,
Duff,
Fiset (Sir Eugène),
Fraser *(Cariboo)*,
Gobeil,
Gray,
Hanbury,
Hanson *(York-Sunbury)*,
Heaps,
Kennedy *(Peace River)*,
McGibbon,
MacMillan *(Saskatoon)*,
Power, and
Stewart *(Lethbridge)*.

Your Committee append hereto a copy of the proceedings and evidence adduced before your Committee, for the information of the House, and recommend that the same, together with this report, be printed as an Appendix to the Journals of the House.

All of which is respectfully submitted.

J. D. CHAPLIN,
Chairman.

MINUTES OF PROCEEDINGS

FRIDAY, June 5, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 10.45 a.m.

Members present:—Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Geary, Gobeil, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), MacMillan (*Saskatoon*), Manion, Power, Rogers, Stewart (*Lethbridge*).

On motion of Mr. Hanson (*York-Sunbury*), Mr. Chaplin was elected Chairman.

Mr. Chaplin took the Chair.

On motion of Mr. Hanson (*York-Sunbury*),—

Resolved,—That permission be sought from the House to sit while the House is sitting, and to print 500 copies of proceedings and evidence which may be taken.

Mr. Power submitted copies of questions respecting the Canadian National Railways that have been placed on the Order Paper of the House by Mr. Pouliot, and enquired if replies thereto could be furnished to this Committee by the officials of the Canadian National Railways. Discussion followed as to the advisability of adopting this procedure.

The Chairman suggested that an Agenda should be prepared for each day's sitting.

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways, made a statement respecting the operations of last year, and contrasted conditions then with those obtaining in previous years. At the conclusion of his address, Sir Henry answered questions.

The Committee adjourned until Tuesday, June 9, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

TUESDAY, June 9, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Power, Rogers, Stewart (*Lethbridge*).

The Minister of Railways and Canals was out of town on account of the serious indisposition of a relative.

The Chairman ruled that questions already on the Order Paper of the House and disposed of by "Order for Return" should not be submitted in this Committee. He declared, further, that he would not allow any answer to any question that had reference to any contract presently in force; but any contract completed might be inquired into.

In the Chairman's opinion, no question should be allowed that might in any way be considered as detrimental to the interest of the Company.

Mr. McGibbon referred to apprehension prevalent by reason of alleged extravagance in salaries paid by the Canadian National Railways. Discussion followed respecting this matter.

On motion of Mr. Hanbury:

Resolved,—That further discussion concerning Canadian National Railways salaries be deferred until the return of the Minister of Railways and Canals.

Sir Henry Thornton answered a question which was asked yesterday by Mr. Heaps respecting the number of employees of the Canadian National Railways and their compensation for the past five years (by years) divided as between Capital and Operating Expenses.

Mr. Hanson having suggested that the comparison made yesterday by Sir Henry Thornton (see page 11 of the printed Minutes of Evidence) as between Capital and Earnings in 1922 and 1930 had left a wrong impression, Sir Henry Thornton elaborated thereon.

Sir Henry Thornton explained the method whereby the Canadian National Railways annual budget is prepared.

Mr. S. W. Fairweather, Director, Bureau of Economics, commenced the reading of an "Analysis of 1930 Results of Operation as Compared with 1929."

Mr. S. W. Fairweather, Mr. S. J. Hungerford, Vice-President, Operation and Construction Departments, and Mr. J. B. McLaren, Comptroller, assisted Sir Henry Thornton in supplying information.

The Committee adjourned until Wednesday, June 10, at 11 a.m.

WEDNESDAY, June 10, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, Stewart (*Lethbridge*).

The Chairman announced the receipt of a number of written questions and promised to have them tabulated for the next meeting of the Committee.

The Committee resumed consideration of an "Analysis of 1930 Results of Operation as compared with 1929," commencing at the bottom of page 2. Numerous questions were asked respecting coal and freight rates. Sir Henry Thornton

was assisted in his replies by Mr. Vaughan, Vice-President, Purchasing and Stores Department, and by Mr. Burnap, Vice-President, Traffic Department.

By permission of the Committee, Mr. Smith (*Cumberland*), M.P., Mr. Hackett, M.P., Mr. Nicholson, M.P., and Mr. Pickel, M.P., asked questions.

The Committee adjourned until Thursday, June 11, at 11 a.m.

THURSDAY, June 11, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m., Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, Power, Rogers, Stewart (*Lethbridge*).

Sir Henry Thornton submitted answers to questions previously asked respecting,—

(1) Quantity of Canadian Grain shipped via Buffalo for export through American ports in 1930;
(2) Rates on grain from the head of the Lakes to Montreal via water, via rail, via water-and-rail;
(3) Rates on grain from Montreal and New York to Liverpool by (*a*) tramp, (*b*) liner;
(4) Rate, Buffalo to New York, via barge service;
(5) Operating ratio of Eastern Lines, Central Region, and Western Region for years 1928, 1929, 1930;
(6) Production and cost of production, 1926 to 1930, Rail and River Coal Corporation; and
(7) Rail and River Coal Company wage scale, February 1, 1931;
(8) Comparison of wages in coal fields in Canada.

Arising out of the answer to question (6), a discussion ensued regarding the price of coal.

The amount of capital invested in the Canadian National Railways and the prospect of securing a fair return on that amount was debated at length.

The Committee resumed consideration at page 5 of an "Analysis of 1930 Results of Operation as Compared with 1929."

The Committee adjourned until Tuesday, June 16, at 11 a.m.

TUESDAY, 16th June, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, met at 11 a.m. Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Bell *(St. Antoine)*, Bothwell, Cantley, Chaplin, Euler, Fiset (Sir Eugène), Fraser *(Cariboo)*, Gray, Hanson *(York-Sunbury)*, Heaps, Kennedy *(Peace River)*, McGibbon, MacMillan *(Saskatoon)*, Manion, Rogers, Stewart *(Lethbridge)*.

Sir Henry Thornton supplied answers to questions asked at the last meeting respecting:—

(1) Amount of grain shipped through Port of Vancouver, 1930.
(2) Balance struck between Canadian grain moving for export through American ports and American grain moving for export through Canadian ports.
(3) American grain moved through Canadian ports.

Sir Henry Thornton made a statement respecting salaries paid to officials of the Canadian National Railways. A protracted discussion followed.

On motion of Mr. Heaps,—

Resolved,—That the question of salaries and emoluments received by the officials of the Canadian National Railway system be referred to a sub-committee of five for consideration and report.

The Chairman named the sub-committee, viz., Messrs. Euler, Heaps, McGibbon, Hanson and Rogers.

A copy of each of the undernoted documents was distributed to every members of the Committee, viz:

1. Canadian National Railways Operating Budget. Minutes of Regional and Departmental Budget Meetings. March 1931.
2. Canadian National Railways Operating Budget. Headquarters System Control. March 1931.
3. Canadian National Railways Analysis of Operating Results. April, 1931.
4. Canadian National Railways Operating Statistics Report No. 1. April. Train Mileage.
5. Canadian National Railways. Estimated Financial Requirements 1931.
6. Canadian National Railways (excluding Grand Trunk Western Railway and Central Vermont Railway) 1930 Estimated Financial Requirements Compared with Actual Requirements Summary.

Sir Henry Thornton addressed the Committee briefly in explanation of the contents of documents Nos. 1 and 2, as listed above.

The Committee adjourned until to-morrow, Wednesday, 17th June, at 11 a.m.

WEDNESDAY, 17th June, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m.; Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Fiset (Sir Eugène), Fraser (*Cariboo*), Geary, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (Saskatoon), Manion, Stewart (*Lethbridge*).

Sir Henry Thornton provided a supplementary answer to a question asked at a previous meeting respecting the balance struck between Canadian grain moving for export through American ports and American grain moving for export through Canadian ports.

Sir Henry Thornton made a further explanation of the control of expenses, as indicated in the Operating Budget, and commended to the consideration of the Committee the "Analysis of Operating Results," copies of which were distributed yesterday.

The Committee resumed consideration at page 7 of an "Analysis of 1930 Results of Operation as Compared with 1929."

The Committee adjourned until to-morrow, Thursday, 18th June, at 11 a.m.

THURSDAY, June 18, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Hanbury, Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Rogers, Stewart (*Lethbridge*).

Sir Henry Thornton replied to questions asked yesterday, viz:

(1) Were all the steel rails ordered and delivered in 1930 put into the track?
(2) How many stations did the Canadian National Railways close during the year 1930?
(3) Railway ties purchased in New Brunswick, 1928, 1929 and 1930.
(4) Railway ties on hand at December 31, 1928, 1929 and 1930.
(5) Comparison of Radio operating costs, 1924 to 1930.

The Committee resumed consideration at page 11 of an "Analysis of 1930 Results of Operation as Compared with 1929."

By permission of the Committee, Mr. Hackett, M.P., asked some questions.

The Committee adjourned at 1 p.m. until 4 p.m.

The Committee re-assembled at 4 p.m.

Members present: Messrs. Bell (*St. Antoine*), Cantley, Chaplin, Euler, Fraser (*Cariboo*), Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Rogers, Stewart (*Lethbridge*).

Sir Henry Thornton provided a supplementary answer to the one given at the morning sitting respecting the number of Canadian National Railways stations closed in 1931.

The Committee resumed consideration at page 17 of an "Analysis of 1930 Results of Operation as Compared with 1929."

The Committee adjourned at 5.35 p.m. until Tuesday, June 23, at 11 a.m.

TUESDAY, June 23, 1931.

MORNING SITTING

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, in accordance with notice issued, opened proceedings at 11.20 o'clock a.m., Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Beaubien, Bothwell, Chaplin, Duff, Euler, Fiset (Sir Eugène), Fraser (Cariboo), Hanbury, Heaps, Kennedy (Peace River), McGibbon, MacMillan (Saskatoon), Manion, Rogers and Stewart (Lethbridge), —15.

Sir Henry Thornton furnished a list of answers to questions submitted prior to the meeting, as follows:—

1. Number of pensioners living in Canada, United States, other countries. —*Mr. Fraser.*
2. Fire and marine insurance placed or renewed with underwriters during 1930.—*Mr. McGibbon.*
3. Number of employees on the payrolls, divided between employees in Canada and employees in United States.—*Mr. Fraser.*
4. What is the operating ratio of the Chateau Laurier compared with what it was before the enlargement?—(8-year period).—*Mr. McGibbon.*
5. What are names of firms from which radio equipment is purchased by the Canadian National Railways? (1929-30). (See evidence for answers).—*Mr. McGibbon.*

Discussion in connection with marine insurance, Pacific, Atlantic and West Indies' service.

Question by Mr. Chaplin answered, *re* present and ultimate investment in hotels constructed and now being constructed or under way.

Discussion *re* Canadian National bonds and securities. Charts distributed to the Committee showing trend of yield.

Rules and regulations of Pensions Department distributed, in response to request at previous meeting.

By permission of the Committee Mr. Hackett asked several questions, which were answered. Also made some corrections in statements by himself and Mr. McLaren of prior date, as reported.

Statement of estimated financial requirements for 1931 taken up.

Some discussion on Sunnybrae-Guysborough Railway.

It being one o'clock the Committee adjourned to meet again at 4 p.m.

AFTERNOON SITTING

Owing to a division in the House the Committee could not secure a quorum until 4.30 o'clock. Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Beaubien, Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (Cariboo), Gray, Hanbury, Hanson (York-Sunbury), Heaps, Kennedy (Peace River), McGibbon, MacMillan (Saskatoon), Manion and Rogers.—16.

Statement of estimate of financial requirements for 1931 again considered. Discussion *re* expenditures on railways and Montreal Terminals; also respecting hotel in West Indies.

Some discussion *re* Northern Alberta Railways.

It being six o'clock, the Committee adjourned to meet again at 11 o'clock, tomorrow—Wednesday.

E. L. MORRIS,
Acting Clerk of the Committee.

WEDNESDAY, June 24, 1931.

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, scheduled to meet at 11 a.m., and later postponed to meet at 3.30 p.m., and further delayed by a division in the House, came to order and opened proceedings at 3.50 o'clock, Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Beaubien, Bell *(St. Antoine)*, Cantley, Chaplin, Duff, Euler, Fraser *(Cariboo)*, Geary, Gobeil, Gray, Hanbury, Hanson *(York-Sunbury)*, Heaps, Kennedy *(Peace River)*, McGibbon, MacMillan *(Saskatoon)*, Power and Rogers,—18.

Mr. Beaubien made some remarks respecting the length of time the Committee had been considering the annual report and estimates of the Canadian National Railways, and suggested that the Committee consider Bills 79 and 83, and after consideration have same reported to the House. Discussion followed the suggestion, and developed into a general discussion on expenditures.

Grand Trunk Western and Central Vermont railways were discussed. Mr. Hungerford, Vice-President, Operation and Construction, was requested to explain matters in this connection.

Mr. Duff moved, seconded by Mr. Cantley:—

That the Annual Report of the Canadian National Railway System for the year ending December 31st, 1930, and the Estimates of the Canadian National Railways for the year ending December 31st, 1931, be received and adopted.

Carried by show of hands.

Mr. Fraser asked a number of questions in connection with the steamship service on the Pacific coast, which were answered by Sir Henry Thornton and officers of the Canadian National Railways staff, in detail.

Some discussion respecting Northern Alberta Railways; questions in this connection answered.

Questions in regard to capital stock of the System, and stock held by the public, answered.

Discussion in detail respecting radio equipment and radio broadcasting of Canadian National Railways.

Statement by Mr. Hanson, expressing his views on the railway situation, after which,

Mr. Hanson moved, seconded by Mr. Duff:—

That Bill 79, referred to the Committee by the House, be reported without amendment; carried.

Mr. Hanson again moved, seconded by Mr. Duff:—

That Bill 83, referred to the Committee by the House, be reported without amendment; carried.

Bills to be reported.

It being after six o'clock the Committee adjourned to meet again tomorrow, Thursday, at 11 o'clock, a.m.

MORNING SITTING

THURSDAY, June 25, 1931.

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, opened proceedings at 11.15 o'clock. Hon. Mr. Chaplin, Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Power and Rogers, 19.

The Chairman announced that the matter first to be taken up by the Committee would be a discussion on Canadian National Steamships, whereupon Sir Henry Thornton, in accordance with an intimation he had given at the previous meeting, prefaced the general discussion by making a statement on the general transportation situation, and in the course of his remarks made the suggestion that the Government appoint a commission comprised of outstanding business men to consider the transportation situation and arrive at some definite recommendation. A general discussion followed.

Canadian Government Merchant Marine considered. Many questions answered by Sir Henry Thornton, Mr. R. B. Teakle, Vice-President, Canadian National Steamships and other officers of the staff.

Mr. B. J. Roberts of the Finance Department, Ottawa, was asked to make a statement in respect to the loss by the Government through loss and sale of boats, interest and depreciation; and the manner in which the accounts were kept.

Discussion continued to one o'clock, when the Committee adjourned to resume again at 4 o'clock p.m.

AFTERNOON SITTING

The Committee resumed with a quorum at 4.20 o'clock. Hon. Mr. Chaplin, Chairman, presided.

Members present: Messrs. Beaubien, Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (*Cariboo*), Geary, Gray, Hanbury, Hanson (*York-Sunbury*), Kennedy, McGibbon, Manion and Rogers,—15.

Discussion continued re Canadian Government Merchant Marine. After further consideration,

Mr. Duff moved, seconded by Mr. Hanbury:

That the Twelfth Annual Report of the Canadian Government Merchant Marine, for the year ended 31st December, 1930, be received and adopted. Carried.

The Report of Canadian National (West Indies) Steamships, Limited was taken under consideration. After extended discussion,

Mr. Euler moved, seconded by Mr. Beaubien,

That the Second Annual Report of the Canadian National (West Indies) Steamships, Limited, for the year ended December 31st, 1930, be received and adopted. Carried.

After further general discussion,

Mr. Duff moved, seconded by Mr. Hanson (York-Sunbury):

That the Estimates comprising the following items, viz: 379. Loan to Canadian National Steamships (Canadian Government Merchant Marine, Limited); 380. Loan to Canadian National (West Indies) Steamships, Limited; and 381. 382, Amounts required to provide for payments re Maritime Freight Rates Act, be received and adopted. Carried.

Ordered, that report be made to the House.

The Committee adjourned to the call of the Chair.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

FRIDAY, June 5, 1931.

The Select Standing Committee on Railways and Shipping met at 10.45 a.m.

On the motion of Mr. Hanson, seconded by Mr. Cantley, Hon. J. D. Chaplin was elected Chairman of the Committee.

The CHAIRMAN: Gentlemen, it has been usual in this Committee on the opening day to have the President of the Canadian National Railways make certain explanations to you regarding the business of the previous year. There has been no agenda prepared. I expect, however, that at our next meeting we will have such agenda. It is my view, at least, that we should prepare an agenda based to a certain extent upon questions that may be asked or that may come up, so that we will know ahead just what business will come before the Committee. I will also make this suggestion now, and it is for the Committee to decide, that next week we should start about Tuesday and have continuous meetings for three or four days. The officials of the railway are here, and while they are here they cannot be anywhere else, and we should make as much progress as possible. The meetings are in your hands, however; I do not want to dictate to you.

Sir EUGENE FISET: Before we proceed I would like to ask if it is possible for the officials of the Canadian National Railways, conforming with the decision that was arrived at when this Committee sat about a year ago, to give us all the pamphlets that are issued when the different parts of the report are being considered. These pamphlets should be advanced in order to give the members of the Committee a chance to study them before coming here. The only report that we have up to the present time is the analysis of the operating expenses as compared with 1929. We have not got the estimate of financial requirements for 1931. We haven't got the estimates of the eastern lines either. If there is any possible way for these matters to be submitted to us in advance and so give us a chance to study them before the report is considered, I think that will be very helpful.

Hon. Mr. MANION: May I say that the railway management has supplied the department with these necessary pamphlets. The analysis which you already have was distributed on my instructions yesterday. These pamphlets should have been out a day or two sooner, but we did not decide upon to-day as a meeting day until there was too little time left to get them out sooner. Regarding the pamphlets dealing with this coming year's expenditures, we have them; but the Bills before the House have only passed the first reading, and until they pass the second reading they cannot be referred to this Committee, and it would be hardly fair to distribute the pamphlets until these Bills pass the second reading. If the budget debate should go on as it usually does for some days, before these Bills are reached quite a time may pass before we can get at the estimate for the coming year.

Sir EUGENE FISET: May I call attention to a very queer thing? The Minister of Finance has introduced his resolution on which the Bill itself is based. The resolution has not been dealt with by the House up to the present time. It has not been approved by the House, and still the Bill has been introduced.

Hon. Mr. MANION: No. You are wrong. There are two Bills. I am introducing a Bill as Minister of Railways permitting sale of securities for sixty-eight and a half million dollars, covering the needs of the railway. Mr. Bennett, as Minister of Finance, is introducing a second Bill to give the government power to guarantee the securities issued by the railways. These are two wholly distinct Bills.

Sir EUGENE FISET: It was introduced by resolution. Should you not have given the House notice?

Hon. Mr. MANION: It was done in accordance with the regulations of the House. It is not necessary in the case, I am instructed by the officers of the House.

Sir EUGENE FISET: I am asking for information.

Hon. Mr. MANION: Mr. Bennett's Bill was introduced by resolution, and his resolution has been advanced one stage. His Bill is the guaranteeing Bill; mine introduces the appropriation necessary for this railway. As soon as these Bills are advanced to the proper stage, the members will get the pamphlets.

Sir EUGENE FISET: The resolution introduced by the Minister of Finance is for exactly the amount of sixty-eight million dollars.

Hon. Mr. MANION: His is to guarantee the securities issued by the railway.

Sir EUGENE FISET: So does your Bill.

Mr. HANSON: One of the most important features of this inquiry will be the budget for 1931 to which reference has been made. It seems to me that it would be very unfortunate if there is a delay in bringing that down, and I would suggest that the matter be looked into, and, if possible, have the Minister's resolution advanced a stage in order that that may be realized. I quite understand that you do not want to do that until the Bill has had its second reading.

Hon. Mr. MANION: That is the only way it can be done. It cannot be referred to this Committee until it has had a second reading.

Mr. HEAPS: Might that not be arranged in the House?

Hon. Mr. MANION: Yes. The Bills were introduced just a couple of days ago. I will endeavour to have that done.

Mr. HANSON: Is there a rule against releasing until the Bill has had its second reading?

Hon. Mr. MANION: No, but the Bill must have a second reading.

Mr. POWER: It should be possible, by consent of the House, to advance the Bill.

Hon. Mr. MANION: I think we will probably be able to arrange that.

Sir EUGÈNE FISET: I understood the Minister to say that the resolution introduced by the Minister of Finance amounted to sixty-eight million dollars. Is that also to be submitted to this committee for perusal as well as the Bill introduced by the Minister of Railways?

Hon. Mr. MANION: No. The Bill introduced by the Minister of Finance is to give the government power to guarantee the securities. My Bill is a Bill to give the railway power to borrow the moneys; but the railway cannot borrow the moneys without guarantees; therefore the government is introducing a Bill to guarantee the securities.

Sir EUGÈNE FISET: The procedure of last year and this year is absolutely different from anything we have seen in the past. First of all, last year the resolution introducing the Bill—not the Bill but the estimate—was discussed in the House and the matter was brought down in the form of an estimate which is really a Bill. This year the Minister of Finance has introduced a resolution asking Parliament simply to sanction the power, I suppose, to borrow

sixty-eight million dollars, in order to meet the requirements of the fiscal year of 1931. On the other hand, the Minister of Railways, without any resolution, introduces a Bill which has been read the first time. Now, what I want to know is this: when the resolution introduced by the Minister of Finance is before the House—in view of the fact that we have before us the Bill which has already been distributed after its first reading—shall we have the right to discuss it when the resolution is discussed in the House of Commons, the contents of your Bill?

Hon. Mr. MANION: Yes, just as in the case of any other Bill.

Sir EUGÈNE FISET: Oh, no, Mr. Minister. When the Bill is introduced on the first reading usually it is moved that the Speaker leaves the Chair, and that the House resolve itself into a Committee of Ways and Means.

Hon. Mr. MANION: Second reading.

Sir EUGÈNE FISET: Second reading. When we have a Deputy Speaker who always ties us down to the paragraph of the Bill we are considering, what I want to know is this: when the resolution introduced by the Finance Minister is introduced, when we have the Bill introduced by the Minister of Railways covering the same amount of sixty-eight million dollars, shall we have the right to discuss the general provisions of that Bill on that resolution?

Hon. Mr. MANION: There will be no reason in the world why you should not do so if you want to, but it would not probably be advisable. It is only a difference in form. It is the same as last year. There is a difference in records. When this Bill of mine passes the proper stage it will be referred to this committee and discussion will largely take place in this committee. Then this committee discusses the resolution and debates the Bill; it goes back to the House, and, generally speaking, that is when the discussion will take place. There is no reason in the world, if somebody wants to discuss it, why he could not. That is in the hands of the House. May I point out that while we are arguing about these pamphlets, up to this year members of the committee never had the pamphlets until the date of the meeting, so that the committee is going to get the pamphlets earlier this year than in the past. We are only arguing about technicalities.

Sir EUGÈNE FISET: I am not sure if the way you have introduced your Bill is right. If you have to introduce a resolution on which that Bill will be based—

Hon. Mr. MANION: Mine is not a money Bill. My Bill is to give the railway the right to borrow money. We are not raising the money; we are giving the railway the right to sell securities. Mr. Bennett's Bill is a Bill to guarantee those securities.

Mr. POWER: May I ask this? I understand that Mr. Bennett has introduced a resolution on which a Bill will be based afterwards. At the same time we are having referred to us sixty-eight million dollars of estimates?

Hon. Mr. MANION: Yes, ultimately, but not at the moment.

Mr. POWER: But not before the resolution and Mr. Bennett's Bill are discussed in the House I assume. What would happen if this committee decided that we should have more or less than the sixty-eight million dollars? That the amount should be seventy-five million or fifty million dollars? What would be the use of Mr. Bennett's Bill to authorize the government to guarantee sixty-eight million dollars?

Hon. Mr. MANION: Mr. Bennett's Bill is going to be referred to this committee, and this committee could recommend that the Bill be modified.

Mr. POWER: I understand that both Bills will be referred to this committee?

Hon. Mr. MANION: Yes.

Mr. POWER: There is certain information which I have been asked to secure by members of the House, Mr. Pouliot amongst others. If I were to hand in some of these questions to the Chairman would he see that they are handed to the proper officers of the Canadian National railways in order that they may receive replies as soon as possible? And if the railway has any objection to answering any of these questions I will be very glad if the officials let us know at the earliest possible moment just what their objections are, and why they cannot answer the questions. Some of them, may perhaps, be of such a character as to involve considerable labour. I do not want to be unreasonable, and if that is pointed out to us we will proceed accordingly.

The CHAIRMAN: I might say to the members of the committee that as far as I am concerned—and I think I can speak for the committee—we invite such questions as these. We can prepare them and put them on the agenda form, so that everybody will know what is going on.

Mr. HEAPS: What questions are these?

Mr. POWER: These are questions placed upon the order paper of the House. Under ordinary circumstances, as members well know, when we are discussing estimates, members usually insist that the orders which they asked for are brought down before the estimates are discussed.

The CHAIRMAN: Besides, any member has a right to ask any question he sees fit. It does not follow that all questions are going to be answered, but a reason will be given why they are not answered.

Mr. HEAPS: I have no objection, but I want to know if there is going to be a duplication of effort?

Mr. POWER: It does not make any difference whether they are passed by the House or not, they are all questions of members to the officers of the Canadian National Railways—or nearly all. The officers are here. Even if they do pass the House, they will be asked to find the information, so they might just as well be asked here, and have them passed on from the department.

Mr. HEAPS: If a member asked the House for information and is going to get the answers through the House, he should not attempt to get the answers here.

Mr. POWER: No, no. I think Mr. Heaps has entirely misconceived the object of this committee. This is a committee on estimates. First of all, it is on the expenditure, and then it is on the estimates. In the House, whenever we discuss estimates a man could say, "we do not want to go on with those estimates unless the Minister brings down information." I am not putting myself in that position, but I say that before we can discuss certain items we want information. This is a committee on estimates which replaces the committee of the whole House.

Mr. HEAPS: Some of those questions asked in the House were turned down because of the nature of the correspondence asked for. I do not know whether these are the same questions.

Hon. Mr. MANION: They came to me. Most of these questions were passed as an order for return, but in the case of some questions I made the statement in the House that I was advised through my deputy that the replies would take weeks of work on the part of officers of the railway. Some of them came up two or three days ago and the answers are not ready. These are matters that will be dealt with by return and so on; but if the members of this committee want to ask some questions in this committee, it is up to the officers to answer them if they can.

Mr. POWER: The difficulty which we meet with in the House when we place questions on the order paper or ask for returns is that it is impossible to discuss them. These things are not debatable. Now, here in committee if any of

the officers of the railway come and say "such a question is of a kind which involves so much labour that you cannot reasonably ask us to reply to it, but if you care to amend it we will give you this information"—it is something that can be discussed without falling foul of the Speaker that I am asking for.

Hon. Mr. MANION: That is all right.

Mr. POWER: These questions will be on the order paper.

Hon. Mr. MANION: Those questions are on the order paper.

Mr. POWER: I will read them into the record.

Hon. Mr. MANION: I say this with all due respect. Surely we are not going —I say this without any disrespect to my friend Mr. Pouliot—surely we are not going to take up the time of this committee to again deal with the Riviere du Loup Station. Surely we have bigger questions to deal with than that.

Mr. POWER: There are some matters of more importance than the Rivière du Loup Station.

Sir EUGENE FISET: If the Canadian National officers answer some of these questions, when the answer is brought down, the answer and question should be put on the records.

Hon. Mr. MANION: The answer will be in the House of Commons. Do you want it repeated?

Mr. BELL (*St. Antoine*): Could not Mr. Pouliot ask his questions when we are discussing the particular item?

Mr. POULIOT: I am not a member of the committee; but my name has been mentioned by Mr. Bell, and I would like to say that these questions are not put here in order to make more trouble; they are to simplify matters. The Hon. Minister of Railways is acting as a link between the Canadian National Railways and the House of Commons. He has said so repeatedly in the House of Commons. Now, here is a committee on Railways and Shipping in which matters pertaining to the Canadian National Railways are discussed with the officers of the committee. I could simply come here and ask the officers of the railway to answer a question, but my only reason for coming here to-day is to simplify matters, and I will be ready to drop any motion for order for return or any question that has been put in the House. I have something else to say. Some questions are long questions and some are short. Some questions might be answered by yes or no, and I think those answers could be made without any trouble either to the railway or the Minister of Railways or to his department.

Hon. Mr. MANION: I am going to say one word. These questions have been asked on the order paper of the House of Commons; why repeat them in this committee? It seems to me they will be dealt with in the ordinary way.

Mr. POULIOT: It is to simplify the information and to save my hon. friend the trouble of giving the answers in the House. They will be given direct to the committee by the officers of the railway, and my hon. friend will not have to give them to the House. This is to save trouble.

Mr. HANSON: The House cannot lose jurisdiction; they have been passed in the House.

Mr. POULIOT: Will you be kind enough to put those questions in the report of the committee, or will I have the privilege of asking them?

Sir HENRY THORNTON: I cannot answer that. I have no status here.

The CHAIRMAN: There will be no questions at the present time to ask Sir Henry Thornton. He is making a statement to us. When he gets through with that statement you can ask questions and not before.

Sir HENRY THORNTON: Mr. Chairman and gentlemen of the committee, you have before you the annual report of the Canadian National railways for the last year, and you have certain information that has been circulated which

enlarges upon the data revealed in the report. With your permission I should like to make a general statement relating to the expenditures of last year, and the capital budget which has been presented through the Minister for the requirements for this year. In order to provide a proper background for the discussion of those votes which relate to last year from the expense point of view, and also with respect to capital, it may be necessary to go a little way back into the past and explain certain conditions which surrounded the Canadian National system. As you will observe from the annual report, the gross revenue for 1930 was approximately $222,000,000, and with your permission I shall use round figures rather than go into dollars and cents. That represented a decrease of $46,000,000 as compared with 1929. But what is also interesting and important to the members is that the gross revenues of the company for 1930 represented $63,000,000 less than 1928. In other words, in two years the railway company suffered a reduction of the very large sum of $63,000,000. That was a condition which was not peculiar to the Canadian National railways; it more or less affected all of the large railway systems on the North American Continent and a great many enterprises engaged in other activities. The problem which confronted the management was to adjust itself to those rapidly falling revenues. Now, it is not an easy thing to adjust so large an enterprise, so widely flung as the Canadian National railways, to changes and depressions which come with almost apalling rapidity, and which, at the same time, are found from coast to coast. Commencing, however, with the spring of 1929, it became evident to the management that we were embarking upon and were confronted with a period of depression. At that time, neither the administration of the railway nor, as far as I have been able to discover, any other administration nor any other enterprise realized or thought that the depression would proceed with such rapidity or to such an extent. But as the character of the depression became recognized, the railway administration progressively applied increased pressure looking towards a reduction in expenses, and an increase in economy. Last year the efforts in the reduction of expenses were reflected in a reduction of $20,000,000.

Mr. HANSON: According to this statement it is $26,000,000.

Sir HENRY THORNTON: Thank you. I was looking at the wrong figures. It is practically $26,000,000. It is rather interesting to observe that of that amount $12,000,000, or approximately half, was saved in transportation expenses. Now, it is easily recognizable that a dollar saved in maintenance of way and maintenance of equipment may not be entirely a dollar saved. It may be that all or it may be that a proportion of that dollar, or perhaps more than that dollar may have to be spent in subsequent years to catch up with deferred maintenance both in respect of roadway and equipment. But a dollar saved in transportation expenses is really a dollar saved. It never has to be made up again. It is a pure saving. Commencing with the spring of 1929 as I explained to this committee when it met last year, a budget system was inaugurated, and under the operation of that system we have endeavoured to ration the expenses of the company, so far as they were controllable, month by month. During the latter part of each month, about the 25th of the month, an estimate is made up of the probable gross revenue for the following month, and expenses are adjusted accordingly. There are, of course, certain expenses which are uncontrollable. There is a minimum beyond which it is impossible to pass. For example, it may be possible to make certain reductions in passenger trains and mileage, but in order to preserve continuity of service and egress and exit from communities, a certain number of passenger trains must be run. You can reduce passenger mileage to a certain extent, but it cannot be entirely eliminated. You may be able to reduce the clerical staff at a station, but you eventually get to the point where there is no one left but the station agent. He has got to be continued

if the station is to be kept up, and in most cases the station must be kept open. It may be possible to reduce a section gang from six men to four men or three men or two men, but there always must be on each section a foreman and one, two or three men in order to patrol the track and maintain safety. In other words, what I mean to say, Mr. Chairman, is this: that in handling the expenses of a railway corporation you eventually get down to a point beyond which circumstances preclude any further reduction, and as the pressure became more and more severe during the last year, and also this year, the railway administration has been reducing its expenses as rapidly as the safety to traffic and reasonable preservation would permit. We are not done. Very substantial progress has been made. We are by no means finished. In that sense, nothing on a railway is ever finished, because no matter how well you may be doing there is always a litte something more that can be done. But the situation with respect to expenses has engaged the anxious attention of all the officers of the company, both those at headquarters and outside, and in examining the reports in this budget and the meetings which I referred to and which I held about the 25th of each month, it is rather fine to observe that the officers themselves are in a psychological condition of mind which results in an effort to vie with each other in saving money rather than to bring forward recommendations for the purpose of spending money. If you will permit me to say it, I think you will observe the truth of that statement. A railway is to a very considerable extent a state of mind. It must be a state of mind because for every uuit of output it probably employs more men than any other form of industrial activity. It is widely flung; most of its operations are not under the continuous eye of a headquarters' management. The Vice President, myself, or others of the headquarters' staff in Montreal have at no given moment any idea of what is happening at Toronto, Winnipeg, Calgary or Vancouver, or at the thousands of stations and shops included in our system. That has got to be left to those who are on the ground to faithfully and conscientiously carry out their work, and to execute the policies of the administration. In that respect a railway company is different from a manufacturing plant which generally is under the eye of the managing director or the superintendent who can walk about the plant in anywhere from twenty minutes to two or three hours, depending upon its magnitude. Within fourteen or fifteen minutes he can have all his foremen and departmental superintendents in his office. They respond quickly and immediately to the policies of the administration. With a railway, however, as I have explained, we must leave very much to the desire and intent of the officers and men to carry out the policies of the company. Therefore, a railway company in its operation is more than almost any other form of industrial activity very largely a state of mind, and the formation of these budget committees on the different regions, with the constant pressure of this committee presided over by the regional general manager to revise expenses, has produced a state of mind all over the system which has for its object the inculcation of the desire in every man down to the lowest section man to find pride in saving money which, of course, is the result of the times in which we live.

The management has been zealous and ardent in its efforts to produce that situation and that condition, and it is a matter of intense gratification to us, and it must be to you also, that all officers and men have in a very fine way responded to that spirit which grows on it through pride in the organization.

Now, during the whole of last year and this year we pursued constantly every avenue which offered for the reduction of expenditures and for the saving of money. Of course, that necessarily involves a certain amount of technical knowledge. It requires a technician to say how much money can be saved by reduction in track forces as compared with the condition of the track that

results therefrom. Consideration must be given to the speed, to the weights and to the density of traffic in determining the standard of maintenance which is to be inaugurated and sustained. The same factors are apparent and enter into the problem of the maintenance of locomotives, rolling stock and all those things which represent the physical aspect of the property. It is not a simple thing to do. It is a thing which involves experience and technical knowledge. And we have brought to bear the best intelligence from our officers that could be mustered for the purpose of saving money, without, at the same time, establishing such a debt for the future in deferred maintenance which would result in serious liability. As I have pointed out, the reduction in expenses has been nearly fifty per cent in transportation, and I think that represents a fairly good showing. Just in passing, it is only fair to say that the question is often asked "how long is the present depression to continue?"

Mr. HANSON: If you can answer that question, Sir Henry, we will give you a bonus.

Sir HENRY THORNTON: I can give you a formula, and that is this: that the accuracy of the prophecy varies inversely with the experience and importance of the prophet. In short, what I mean to say is this, that the more one knows about it, or, at least, the more one is suspected of knowing, the more unreliable becomes the prophecy. I can say that there are certain signs that we have reached the bottom, and there are certain signs which point to improvement. For example, if you will take the automobile business, which is a fairly good yardstick measure of how the public feel with regard to expenditures in their financial position, we find that in Michigan there has been a substantial increase in cars loaded with automobiles for the last thirty days. In short, the automobile business is looking up compared with the corresponding month last year. We believe that stocks are reaching the irreducible minimum, and there are certain signs that purchasing is commencing once more.

Now, I do not mean that it should be inferred from that that happy days are here again and that we are off to the races, or anything of that sort; but certainly times look rather better than they were. There is still the necessity for rigid economy and great prudence, not only in our operations, but, I take it, in the operations of all industrial activities. Now, gentlemen, that briefly represents the situation in so far as our general revenues and expenses were concerned last year. I would like to say too if I may, with respect to the capital budget which has been presented in connection with expenses, if I may go back to that for a moment, you will need to go over each item of those expenses, and you have in your hand a fairly detailed statement of just what has happened, what the decreases were, what the reasons were for those decreases, and those will be dealt with in detail as the work of the committee goes along. For this year we have reduced our budget which is to say capital requirements, under instructions from the government—let me say, I think quite rightly so—to the irreducible minimum. We have asked for only those things which we felt the welfare of the property demanded, and which the government, through the Minister of Railways, felt were things that we should ask for. The attitude of the government for this year, and which found, if I may say, a ready response in the railway administration, was one of extreme vigilance and utmost economy, and we have endeavoured to co-operate with the government in that respect, and the budget as it is presented represents a budget, which, so far as railway officers are concerned, we believe to be, under all the circumstances, a sound budget. The amount which was asked for in additions and betterments represents the sum of $20,000,000.

Mr. HANSON: Is that contained in any of these pamphlets?

Hon. Mr. MANION: Generally speaking, I do not think the discussion should go on that item. I think Sir Henry might go ahead and finish his statement.

Sir HENRY THORNTON: I have very little further to say. Perhaps I can close that aspect by saying that, in so far as additions to capital are concerned, which grow out of what are called additions and betterments to the property, it represents an amount which, if my memory serves me, is much less than any amount we have asked for, for many years.

Mr. MCLAREN: Yes.

Sir HENRY THORNTON: In other words, I may tell you in order that you may understand, that we have kept our budget down to the lowest possible minimum. Now, when you come to consider—

Sir EUGÈNE FISET: On that point, will you explain which of the particular amounts provided in the Bill are for betterments? Speaking from memory the amounts are $30,000,000, $9,000,000 and $27,000,000.

Sir HENRY THORNTON: About $30,000,000 I think. Dr. Manion says that the $20,000,000 are for additions and betterments, and $30,000,000 for betterments.

SIR EUGENE FISET: $27,000,000?

Sir HENRY THORNTON: It is approximately $20,000,000. Now, to get the right perspective with respect to expenses of the company for this year, and also its capital requirements, it is necessary to look back a little over the past just to see what the situation was which confronted the railway administration on January 1st, 1922, both as to expenses and as to capital requirements, because what has happened as to the condition of the property at that time and the condition of the property to-day has a very material effect on what we are able to do in the year 1931, and I do not think that the railway administration has ever had an opportunity, or, at least, has never embraced an opportunity to explain certain matters which this Committee, I think, ought to be cognizant of if it is to get the right point of view, or, at least, to have before it all of the necessary information to reach correct decisions. Let me say now in connection with anything that follows both as to expenses and as to capital, that regard must be had for the period of the war and the immediate years which followed the war. The war, of course, put a very definite restriction upon capital expenditures for transportation purposes in Canada, not only with regard to our own railway but also with regard to the Canadian Pacific. It also resulted in certain restrictions with respect to moneys charged to expenses. However that might be, what we are interested in and what this present administration is interested in is the situation which confronted its management—and when I use the word management I do not mean myself—I mean those who represented the executive authority of the railway, including our vice-presidents—the situation which confronted them in January, 1922, as far as the Grand Trunk railway system was concerned—and we will have to consider the two principal constituent companies of what is now known as the Canadian National railway system—as far as the Grand Trunk Railway system is concerned, there was a very heavy accumulation of deferred maintenance both as to roadway and as to equipment, and generally, the physical condition of that property was such—and I make no bones in saying this—that the property had been definitely allowed to deteriorate much more than the exigencies of the war required, during the days of private Grand Trunk administration.

Mr. GEARY: Had been or has been?

Sir HENRY THORNTON: Had been. There was a greater desire on the part of the administration of that property when in private hands to pay dividends than to maintain the property. There were too few automatic signals, which are essential for the safe and expeditious movement of traffic. The rail for the

speed and weight of the traffic was light. There was little or no stone ballast. There were inadequate yards for the economical handling of freight, and an inadequate passenger service. There were a number of antiquated stations, and we still have several left with us. The station at London, Ont., which rejoices in eight decades of history is eighty years old. The station at Hamilton which has now happily been rebuilt was approximately of the same age. Generally speaking, the whole station situation on the line of the old Grand Trunk railway had been allowed to run down very considerably at the heels. The Toronto Terminal had been built but was not in use. It had been lying fallow some distance away from the main line. One of the responsibilities which both the Canadian Pacific and ourselves had to face was to build an elevated structure to reach that station and get it in operation. No effort at all had been made to solve the Montreal grade crossing situation west of Bonaventure station, and no effort was made to solve the problem of the Montreal Terminal station by the Grand Trunk railway company, although that company had been existence in Montreal for many decades, perhaps fifty or more years. The shops were both inadequately equipped, improperly built and antiquated. One of our obligations was to scrap practically the whole of the Point St. Charles shops, and build new buildings for the economical handling of shop work. There was a poverty of sidings and freight handling facilities all over the railway, and as a result of all that there had been a general depreciation of service rendered to the public. That was the situation as far as the Grand Trunk railway was concerned, although that had been a railway which had been in existence for perhaps fifty or more years, the first railway built in Canada.

When we come down to the Canadian Northern, this railway was found to be in a generally unfinished condition. Now, Mr. Chairman, a railway is something more than ties, rails, an embankment or a cut; a lot more things are involved. We found that the cuts in many cases were narrow and badly drained, expensive of maintenance. The embankments were narrow, too narrow to hold the ballast which either ran away when it was dumped or it was washed away. In many cases the rail was light. We had many miles of wooden trestle bridges which were rapidly reaching a stage which necessitated renewal, because they had all been built more or less at the same time. I remember in one of the earlier meetings of this committee, Sir Henry Drayton called attention and expressed great anxiety with respect to the wooden trestle mileage which we had on our western lines. He wanted to know what steps we were taking to renew these bridges, and build permanent structures. We had about forty thousand all wooden freight cars which were rapidly reaching a position which in a short time would preclude their use in the interchange traffic with other railways. One of our problems was to renew those box cars, and the amount of money which was spent on box cars was determined—not by what we ought to have done or what we would like to have done, but by the amount of money that was available, and that still continues to be one of our problems.

Mr. HEAPS: How many wooden box cars are left?

Sir HENRY THORNTON: About 5,000.

Hon. Mr. EULER: What becomes of the old ones?

Sir HENRY THORNTON: Some are scrapped, and the better ones are equipped with metal draft arms, but we materially reduced the number of those cars. But that is still a problem.

Hon. Mr. EULER: They will be written off.

Sir HENRY THORNTON: Eventually. Now, we are generally dealing with the situation which confronted the railway. We were at a disadvantage—and when I say we I again refer to the officers, the vice-presidents and myself—we had to decide what we were going to do with such a situation. Business was

improving, things were looking good, and it was our judgment that unless the whole situation was taken vigorously in hand we would soon find that we had not only a second class railway but we might be confronted with a railway which would be quite inadequate to perform its transportation responsibilities to the public. Therefore, we proceeded to improve the property, partly by increased charges to expenses and partly by additions to capital.

Now, just in that connection I might say that the amount expended on capital account, net capital increase during the first eight years, amounts to approximately $400,000,000.

Mr. HANSON: That would be to the end of the last fiscal year?

Sir HENRY THORNTON: Yes, that is right.

Hon. Mr. MANION: Do you mean the fiscal year or the calendar year?

Sir HENRY THORNTON: I am talking of our fiscal year. Of course, capital expenditures on a railway never cease. They are just like the income tax; they go on forever, and no matter how perfect the condition of a railway may be there will always be a certain number of capital expenditures. Happily in our case I feel—and I am not alone in this statement—that we have got behind most of our major capital expenditures. That is to say, we have brought the railway to a reasonable degree of efficiency, and unless something very unforeseen takes place the trend of capital expenditures in years to come will not be to the same extent afterwards as it has been in years gone by.

Mr. HANSON: That would cover the rolling stock, maintenance of way, structures and rail?

Sir HENRY THORNTON: I am speaking of the instrument as a whole. Now, these figures I venture to give you are rather interesting. If we take the year 1930 and compare it with 1922, we find that the increase in net revenue to the railway company is $17,000,000. For purposes of making this comparison I am going to eliminate the central Vermont railway. The capital expenditures on that railway amount to about $30,000,000. The additions to capital on the rest of the railway composing the Canadian National railways amounts to $370,000,000. I eliminate that because the Central Vermont last year—and it is now on a paying basis—because last year it met all of its fixed charges and it had a surplus of $150,000 besides. But if I eliminate that—and I am doing that for convenience because that happens to be the way the figures are prepared, we find that after eliminating the Central Vermont the increase in net earnings in 1930 as compared with 1922 is about $17,000,000, and the increase in capital is about $370,000,000, and that the ratio of the increase in net earnings to the increase in capital $4^{66}/_{100}$ per cent. If you take class one railroads of the United States just as a matter of comparison, as a yardstick, to see what happens, we find that the ratio is $4^{14}/_{100}$ per cent, and if you take the Canadian Pacific you will find the ratio is $^{25}/_{100}$'s of one per cent. In other words, our additions in capital in so far as efficiency is concerned are rather more than the class one railways of the United States.

Mr. HANSON: That includes new constructions?

Sir HENRY THORNTON: Oh, yes; everything that is chargeable to capital. Now, here is a new yardstick. Within the last eight years the expenditures on capital account on the Canadian National amount to $2,069 per mile of line. On the Canadian Pacific railway it amounted to $1,990 per mile, or practically the same as ours and on class one railways in the United States; and by that I mean such railways as the New York Central, the Pennsylvania and the Santa Fe, and what are generally regarded as the more advanced railways of the States. During that same period 1923-29, the capital expenditures on such railways in the United States were $2,678 per mile, notwithstanding the fact that we were dealing with a young and relatively unfinished railway, and the

railways to which I refer in the United States and the Canadian Pacific Railway were finished railways and had been in operation for several decades. Now, I also want to say to you that during that period to which I referred the Canadian National railways increased their capital account on account of additions and betterments $370,000,000 and the Canadian Pacific $232,000,000, and you must remember that the Canadian Pacific has considerably less mileage than we have.

Now, then, we have an industry in Canada which is lucrative and important. It is second only to the agricultural production of the country. I refer to the tourist business of Canada. The tourist business of Canada nets to this country annually a sum which is not less than $300,000,000. It may be more. Certainly it is not less than $300,000,000. It is an important business to us. It leaves in the hands of our people annually $300,000,000. The success that we have in exploiting that business depends on a good many things, and it is made up of the contributions by a good many different factors. There is the contributions of money that is spent by the provinces and by the communities to advertise and attract tourists to Canada. It depends upon the highways which are built by the provinces and which may be built by the Federal government. It depends upon transportation services which are offered by the railway companies. It depends upon the fishing clubs, golf courses, and it depends upon our hotels, because hotels play a very large part in the tourist business of the country. In other words, the point I want to make is that this tourist industry which nets Canada $300,000,000 is not exactly the business of the Canadian Pacific or the Canadian National, it is the business of the country as a whole. But each of us in our way and within our sphere makes certain contributions which contribute to retaining and increasing that business. One of those things is, of course, hotels. The Canadian Pacific railway has always been distinguished for wisdom and sagacity in management, and I make that statement quite cheerfully, and, as a railway man, I sincerely believe it. In the years from 1923 to 1930 their contribution to this tourist business—their investments in hotels, both new hotels and additions to old hotels were represented by the capital sum of $45,000,000.

Mr. HANSON: Since 1923?

Sir HENRY THORNTON: From 1923 to 1930 inclusive. The contribution of the Canadian National in regard to the money we have spent upon hotels in that same period is $16,680,000. If the standard set by the Canadian Pacific and if their estimates of the situation were just, I think we have done our part, and have done it with prudence.

Mr. HANSON: Did you say $16,000,000?

Sir HENRY THORNTON: $16,680,000.

Mr. HANSON: Will the details of these figures be given?

Sir HENRY THORNTON: I am giving them now: Chateau Laurier, $5,927,000; Vancouver Hotel, $2,980,000; Jasper Lodge, which is an investment of $2,483,000—

Hon. Mr. MANION: What date is that?

Sir HENRY THORNTON: That is December 31, 1930.

Hon. Mr. MANION: When was the Chateau Laurier begun?

Sir HENRY THORNTON: The original hotel, of course, started many years ago. The new addition was completed last year.

Hon. Mr. MANION: Because the Chateau Laurier involves a much greater amount of money than that.

Sir HENRY THORNTON: I am simply taking the money that has been spent by both companies during the period under consideration. Now, I mentioned that the Jasper Park Lodge represents a capital investment of say, in round

figures, two and a half million dollars. During the last eight years the revenue from the hotel and the accessories connected with the hotel plus net profit in the traffic which we have got, and which we would not have had had we not had Jasper Park, has been sufficient to pay back to the company the entire capital investment and eight hundred thousand dollars besides. I do not know of any resort anywhere in the world that can present such a showing as that. You will probably say "well, two and a half million dollars is a very small sum for what we have there; how did you come to build it so cheaply?" The answer is simply that practically all of the material of which we built Jasper Park Lodge and the buildings surrounding it came out of the forests within half a mile of the hotel, including the stone work. Labour was cheap and we were able to build Jasper Lodge for that reason very much more economically than had we tried to construct the building in Montreal or Toronto. The Nova Scotia hotel represents $2,358,000; Minaki Lodge, $1,091,000; the Charlottetown hotel, $689,000; the Saskatoon hotel, a half million dollars; Pictou Lodge, $200,000. Additions to the Fort Garry during the period we are discussing, $136,000; the Grand Beach hotel, which is on the lake close to Winnipeg, $117,000; Prince Arthur hotel, $79,000; the Macdonald, $69,000; the Prince Edward hotel, $20,000; Nipigon Lodge, $13,000; Highland Inn, $2,000. The total approximately is $16,600,000. Now, that is, as I say the contribution which we have made and which we felt was justified in order to retain and to enhance this very large and lucrative tourist business. Now, gentlemen, that represents briefly the money that has been expended in connection with capital investments in the past. Let me say that that has nothing to do with 1930. Well, technically speaking it has not, but it has this effect on 1930 which I think ought to be taken into consideration that it has made possible a reduced expenditure in 1930 and 1931 which we could not have had without damage to the property otherwise. What I would like to make clear to you is this that when the administration of the Canadian National railways was first unified, and the constituent companies were brought under one administration, we were confronted with a certain condition and a certain situation. We had to decide whether the railway was to be equipped to perform transportation responsibilities, and whether it had deteriorated. There was no other course to pursue.

Now, here is another fact which is interesting. In 1930 and in 1922 the gross revenues of the company were substantially the same to all intents and purposes; broadly speaking, the gross revenue of the company in 1930 and in 1922 was the same; but the expenses in 1930 were actually $17,000,000 less than in 1922, and if allowances were made for reductions in freight rates, and increases in wages, the comparative position would be this, that the expenses in 1930 were $22,000,000 less than in 1922, and I venture the statement that had the property not been brought under a state of efficiency the performance would not have been as I have outlined. We ran through the same territory in 1922, we enjoyed traffic from the same cities, and we are in substantially the same position. Now, that difference in expenses did not happen by accident; there is a reason for it; and the outstanding fact is that with the same gross revenue in 1922 and 1930 on a comparative basis the expenses were $22,000,000 less.

Hon. Mr. EULER: Would you care to make an estimate of what reduction there was in your revenue—say, the net revenues and a reasonable computation of loss due to the trucks and automobiles?

Sir HENRY THORNTON: That is an almost impossible figure to get at.

Hon. Mr. EULER: It is very substantial.

Sir HENRY THORNTON: Yes, it is a very substantial figure, and it is one of those things which is a source of great anxiety to all railway men not only on the North American Continent but in England and all over the world. It is a very serious thing, and it is something that we have in my judgment insuffciently

considered thus far. I think the time has come when the industry has, as an industry to recognize that the automobile is an important competitor, and there is only one way to compete with a competitor and that is to compete. There is no good to compete with a competitor with inferior service. That does not get anybody anywhere. If railways are going to compete with the highways they have got to furnish service which is commensurate with the service which is supplied by the highway.

Mr. HANSON: In the United States they are taking steps now. They are taking steps not only to compete but to control. I happened to be at a session of the Maine Legislature this last winter when the whole question of truck control as affecting railway transportation in that State was considered. They are doing something there, and I think we will have to do something in Canada.

Sir HENRY THORNTON: On that point I think the fair view to take is this that in the first place he who uses that highway which is provided by the state or the province as the case may be, should not use that highway in a fashion which interferes with the reasonable use of other users of the highway. That is to say, he should not operate a truck of such width as to endanger the private vehicle in passing, nor should he operate that truck at a speed which is unsafe to other users of the highway. Nor should the weight of the truck be of such a character as undoubtedly to damage the highway and thereby place an increased burden upon the state. Those who use the highway should be on an equality with respect to the use of it. Secondly, he who uses the highway should pay a reasonable charge for the use of that highway. To the individual citizen it may come in the form of a gasoline tax or a tax for the construction of highways, or whatnot, but whoever uses that highway ought to pay a charge commensurate with his use and the profit he gains from the use of that public facility. Thirdly, the rates and fares which are employed by the users of the highway should be subject to the same form of regulation as applies to railways and steamboats and everything else. If it is a public form of transport, then the public certainly should have a voice through a commission with respect to what the charge should be to the public. Fourth, those who employ the highway for commercial purposes should subject those who drive their vehicles to reasonable mental and physical tests. That is to say, you should not confide a bus laden with passengers to a man who may have advanced heart trouble, or who might have deficient sight, or who might have some other defect. The railways oblige their engine men and firemen to pass an examination for sight and hearing, and, generally, their physical condition is under review from time to time. Certainly, and to a much greater degree, he who drives a truck or a bus, whether it is laden with freight or passengers, ought to be in sound physical condition to safely perform his function. Now, if these things which I have ventured to enumerate were imposed on the commercial user of the highway in the form of regulation, then I do not think the railways or anybody else would have any complaint. We would have to take our medicine. We would have to say, "here is a reasonable competition; we have got to meet that competition, and if we cannot meet it we will have to go by the board." Now, that is briefly the situation as I see it with respect to highway competition.

Mr. HANSON: That is the conclusion they have reached in England.

Sir HENRY THORNTON: Now, I am not sure whether they have gone that far or not. I haven't had any information as to just what the highway laws are, but it is an exceedingly serious situation in England. First, because England is covered with remarkable highways; secondly, distances are short; and there is a third reason, the climate is mild. We have our wonderful winter which comes along once a year and which helps the railways considerably in the matter of highway use.

Mr. HANSON: Before you leave your survey of the capital account, would you deal with the question of new construction, new acquisition, during this eight-year period, because that is a substantial part of your capital expenditure?

Sir HENRY THORNTON: I will give you the detail of that: branch line construction—again I will give round figures—$65,000,000; lines acquired, $19,000,000; coordination of facilities, $6,300,000; rolling stock—that is to say engines, freight and passenger cars—

Mr. HANSON: $90,000,000?

SIR HENRY THORNTON: $19,000,000.

Mr. HANSON: I am speaking of the aggregate of these three items.

Sir HENRY THORNTON: Branch line construction, lines acquired—

Mr. HANSON: And coordination.

Sir HENRY THORNTON: That adds up to $91,000,000.

Mr. HANSON: Now, with reference to that—

Sir HENRY THORNTON: You understand what I mean by coordination?

Mr. HANSON: I think I do.

Sir HENRY THORNTON: Perhaps I should explain that. By coordination I mean this: this railway is made up of the Grand Trunk Pacific, the Canadian Northern, the old Grand Trunk Railway, the Transcontinental and the Intercolonial. The particular lines with respect to which coordination expenses were necessary were the old Grand Trunk, the old Canadian Northern and the Grand Trunk Pacific. We had to fit those properties together. That involved certain construction; certain things had to be done to make the three lines fit in together as one unit. That is what we mean by coordination expenses.

Mr. HANSON: Now, dealing with the first two first, if I am permitted now to ask some questions—

Mr. HEAPS: May I ask if Sir Henry has finished his statement?

Sir HENRY THORNTON: I have substantially finished. There was the statement with respect to capital expenditures and what might be called auxiliary expenses chargeable to expenses properly in order to bring the whole property up to a state of reasonable efficiency.

Mr. HANSON: Now, dealing with the two first items of your construction of branch lines and the acquisition of lines, $65,000,000 and $19,000,000.

Sir HENRY THORNTON: That would be roughly $84,000,000.

Mr. HANSON: I have in mind the three-year programs that were started when you first came into the Presidency. As you will recall they were before Parliament. All those branch lines in the $65,000,000 were under construction. What proportion in millions, we will say, was involved by the railway management? What proportion was involved by the late administration?

Sir HENRY THORNTON: I will answer that as best I can but I do not know that it is susceptible to a precise answer. I am not trying to dodge anything. I want to tell you frankly what the situation was. I will just take one or two properties. Take the Montreal and Quebec Southern. Now, the project for the purchase of that property originated with the officers of the company. We knew the property was for sale. It served a territory which was in what might almost be called the territory of the Canadian National Railways, a territory which we believed because of its situation in the eastern part of Canada, the probable availability in the future of cheap electrical energy, we felt it would probably become an important manufacturing district. Naturally, we had reason to suspect that it might fall into the hands of the Canadian Pacific railway. I do not know whether it would or it would not, but at the same time that is something we have got to consider. I think I can say in passing that those days

are fairly well over and that we have reached an understanding which is going to prevent any competition with respect to building and buying, but that is by the way. However, our officers examined the property, and we felt that the interests of the company demanded that we should buy that property if we could get it at a decent price. We made our recommendation to the government and gave our reasons, and they were accepted. Now, when we come to the purchase of the Gaspe lines, those railways had been performing a somewhat indifferent service to that part of the country for many years. I cannot recall if this came from the late government or from the officers. My recollection is—I will speak quite frankly—that the government said, "now, you had better consider and examine whether you can justify the purchase of those lines," Well, we thought it over and we looked at it—and mind you anything that I express carries with it also the full approval of our operating Vice-President and the officers of the company; I do not want anybody to get the idea that this is a kind of dictatorship; I consult with all the officers with respect to anything that is done insofar as their provinces go—we finally came to the conclusion that we could justify the purchase of those lines on the basis of fifty cents on the dollar. That is to say, if we take the cost of construction and cut it in two and pay fifty cents on the dollar, we might be justified in purchasing it. And that is the way that came about. Now, when we come to the other large investment we made in the Northern Alberta railways, that had been under discussion, I think, ever since 1924.

Mr. HANSON: That is the one you purchased with the C.P.R.?

Sir HENRY THORNTON: Frankly I wanted, and all our officers agreed with me, to get that railway for ourselves, and we finally got into more or less of a jam over the thing and we found that both the C.P.R. and ourselves were more or less bidding against each other. So we said, "let us stop this poker game and make a joint proposition." It really resulted in the Canadian Pacific buying the land and offering us a half interest. I think I am safe in saying that that was more the recommendation of the officers of the railway than of the government. The St. John Valley railway—Dr. Baxter spoke to me about that—he had been discussing that purchase for, I should think, at least a year or more. Well, we didn't particularly want to buy it, but at the same time, in view of what the Premier said at that time the situation which confronted the province, and the probability of making something out of it for the future,—because, mind you, when most of these purchases were made everything was booming in Canada—it looked as if we were going ahead for I don't know how many years, and that was the result of the negotiations between the officers of the company and the provincial administration. They made us an offer and we rejected it, and made an alternative offer, and we played little poker with each other. Finally we dickered around and came down to a price. That was recommended to the government and accepted.

Mr. HANSON: I have in mind particularly the schedule of branch lines asked for in the first three years program which included certain branch lines that were acceded to by parliament and certain ones which were rejected. Among those which were rejected was the Guysboro Branch which you are now building.

Sir HENRY THORNTON: Yes.

Mr. HANSON: I want to know if this is a fair question—I do not want to put you in any hole—if it is not a fair question say so frankly and I will drop it.

Sir HENRY THORNTON: You do not need to drop anything.

Mr. HANSON: Was it the government that imposed the Guysboro Branch or was that the railway?

Sir HENRY THORNTON: Well, of course, the most ardent advocate of the Sunnybrae Branch was Colonel Cantley, and the Colonel fought and died over that branch line—excepting, that he didn't die; he finally came out on top. The proposal to build a branch line was the result of many discussions that I had with the Colonel, and probably eventually I yielded to his well known blandishments. Politically I should say that the Sunnybrae line was a co-operative movement for once between both parties, as nearly as men get to it. However, it had been a bone of contention for many years, and finally, after discussing the matter with all of our officers, we came to the conclusion, "well, it is not so tremendously attractive; we hope that the predictions of Colonel Cantley will prove correct; we are willing to take a chance on his judgment" and we said, "all right, we will agree to it." That is the way that came about.

Sir EUGÈNE FISET: What was the amount of the commitment?

Hon. Mr. EULER: Has Colonel Cantley's judgment been justified so far?

Sir HENRY THORNTON: The railway is not finished. As soon as it is finished, probably a good deal of traffic that is predicted will develop. At least, I have enough faith in it that all things considered, it was a reasonable thing to do.

Mr. CANTLEY: It was fully justified, Sir.

Sir HENRY THORNTON: The Colonel is an awfully hard man to say no to. The total commitment is $4,025,000. Now, in all these acquisitions and branch lines and one thing and another I think you have to recognize, and I believe that you will recognize, that the Canadian National railway as a state owned institution stands in just a little different position from a purely privately owned railway company. We have certain responsibilities to the people of Canada, and to communities, which do not exist with nearly the same force with respect to a private company. We necessarily must be somewhat more broad-minded in our point of view, with respect to branch lines and constructions which develop communities, than a purely privately owned railway. Now there comes a time, of course, when judgment must intervene and when a railway administration must say to the government—I do not mean either a Liberal or a Conservative government, I mean the government—"no, we cannot recommend that, it cannot be done, it is not sound;" but there are many cases, and this Sunnybrae line was one of them, where there was a question whether it was good judgment to build it, or whether it was better judgment not to build it. In a case like that we felt that the proposition was entitled to the benefit of the doubt.

Sir EUGÈNE FISET: I suppose in many cases the judgment of the officials has taken precedence over the exigencies—

Sir HENRY THORNTON: As far as that is concerned, we have always endeavoured—and I think I speak for the officers of the railway company as well as myself—to speak frankly to the Minister of Railways who happened to be in power at the time and to tell him exactly what our point of view was; and we have done that, I may say, with frankness, and, I think, fidelity.

Mr. BELL (St. Antoine): Returning to your general statement could I ask you to enlarge it in this regard: the revenue this year as I understand it is $20,000,000 less than last year—$26,000,000?

Sir HENRY THORNTON: $46,000,000.

Mr. BELL (St. Antoine): What proportion of the gross revenue would that be, roughly about one tenth?

Sir HENRY THORNTON: No, that will represent about a little more than twenty per cent.

Mr. BELL (St. Antoine): Now, in discussing the estimates, is this a fair question: what is the policy of the railway regarding this year's depression? Is it for strict economy in everything, labour, material, or whatever it is, or will you simply reduce it proportionately to your loss of revenue?

Sir HENRY THORNTON: I will answer that question in this way. I will begin with the Minister of Railways representing the proprietors, and I think I may go so far as to say that the opinion of the Minister of Railways representing the proprietors is that with intelligence, and we must always introduce intelligence into anything, there should be a rigid strict economy. In other words, that we should promote efficiency wherever possible and reduce expenses wherever possible. With that policy the officers of the company and myself are in entire accord. We have run into a rough bit of weather. During that period we have got to reduce our expenses wherever possible, but there is a point which you reach, and it is a technical point, when reduction in expenses is not really economy. That is to say, you may allow the property to deteriorate to such an extent that you will have to spend more than you save in order to bring it back to a state of efficiency.

Mr. HANSON: That refers particularly to deferred maintenance.

Sir HENRY THORNTON: Yes, exactly. In other words, with intelligence and prudence, such prudence and intelligence as we can muster. We are endeavouring to promote efficiency and increased—

Mr. BELL (St. Antoine): Without practically any arrangement other than you—

Sir HENRY THORNTON: May I say this: you have to take into some consideration the people who are employed on the railway. They have certain rights that have to be regarded by both the government, as I understand it, and by the railway company itself. You cannot turn a horde of people loose upon the street and merely transfer the burden of their maintenance from the railway company to the city or to the province or to the federal government; in other words, in all these things you have to introduce a degree of intelligence. So you see the motive back of the whole thing is increased efficiency and increased economy.

Mr. CANTLEY: Reduction along—

Sir HENRY THORNTON: Wherever possible.

Hon. Mr. EULER: With regard to your capital expenditure, it must pass the approval of the Minister of Railways and the government.

Sir HENRY THORNTON: Yes.

Hon. Mr. EULER: Any substantial reduction, or anything so far as the operation of the road is concerned.

Sir HENRY THORNTON: Well, as far as that is concerned, both the present Minister and other ministers—I have always discussed the condition of our expenses, our revenues and things of that sort, with them. I have got the Minister's opinion with respect to the measures that we are adopting, the road's expenses; but necessarily when you come to the detail of the execution of the expenses, the Minister leaves that to me to say how many section men we shall have in a gang, and details of that sort; but there has been—

Hon. Mr. EULER: In a large way?

Sir HENRY THORNTON: There is to-day, Mr. Euler, and I think the Minister will permit me to say so, the closest contact with respect to all matters which relate to the policies of conduct of the railways.

Hon. Mr. EULER: That has always been the case.

Sir HENRY THORNTON: I have always done that, or tried to at least. Of course, naturally to-day when conditions are more severe and we are in a rougher stretch of weather than we have ever been before, the contact with the Minister must necessarily and properly be closer than it has been previously.

Hon. Dr. MANION: May I put in one phrase. I agree entirely with everything Sir Henry Thornton has said in regard to assistance given by the government in the matter of economies; at the same time anything in the shape of economies in operation and maintenance of the road itself, in the ordinary operation and management of the road, the whole responsibility for that naturally falls upon the management and the directors.

Mr. HANSON: That is under the statute, is it not?

Sir HENRY THORNTON: Of course, that is perfectly obvious. All I can say is that it is a matter of ordinary common sense, that I would discuss any measure or policy with the Minister, and I would like to have his advice sometimes; but the Minister is quite right, the officers of this company are responsible for its administration, and they have to carry out that responsibility with such intelligence and fidelity as they command.

Mr. FRASER: The reduction in your expenses as compared with 1923 and 1930 involve a reduction in your personnel, employees and officers, and that sort of thing?

Sir HENRY THORNTON: Well, there has been an automatic reduction, of course, in employees naturally. Take for instance freight service—

Mr. HANSON: There has been?

Sir HENRY THORNTON: There has been, generally; as business falls off engine men go back to firemen, and the junior fireman has got to get out of the service; he has nothing else to do. In the same way the junior conductor becomes a senior brakeman, and the junior brakeman is put on the extra list.

Mr. FRASER: Would there be a reduction of employees on account of coordination?

Sir HENRY THORNTON: Yes, on account of coordination.

Mr. FRASER: You would expect that?

Sir HENRY THORNTON: Yes.

Mr. FRASER: How does your entire staff compare now with 1923? The number of officials and the number of employees of all kinds?

Sir HENRY THORNTON: I may not be able to get that for a few minutes.

Mr. HANSON: While you are looking up that, may I ask this question: this is part of your working arrangement with the unions?

Sir HENRY THORNTON: Yes.

Mr. HANSON: That they go back as the traffic decreases?

Sir HENRY THORNTON: Eight thousand less, is the actual figure.

Hon. Mr. EULER: Has there been any reduction in wages?

Sir HENRY THORNTON: No; those wages are all matters of contractual obligations with the unions.

Mr. HANSON: There has been a clerical reduction, reduction in time, and so on?

Sir HENRY THORNTON: There has been a reduction of time in the shops. We are working our shops five days a week instead of five and a half, and the curious part of it is production is practically the same in the five days as it was in the five and a half days.

Hon. Mr. EULER: What is the explanation of that?

Sir HENRY THORNTON: Why, the explanation is a very simple one. Saturday morning you only have a half day to work, and it is almost impossible to start any particular job of any importance and finish it, and the result is there is not very much production. That is, what you would consider production. There is a lot of work done, but it does not find expression in production.

Mr. HANSON: I suppose there is the fear too, that there will be further reduction coming and the men will have to work harder?

Sir HENRY THORNTON: I did not get that.

Mr. HANSON: I suppose there is the fear too, that there will be further reduction in time and the men will have to work harder?

Sir HENRY THORNTON: Well, you have only got a certain amount of work. We have tried to keep our shop busy by doing in our shops work which under other circumstances we would perhaps let out, and generally under contract outside. We have felt that our first obligation was to see to it that so far as possible our shop people were reasonably busy, and we have therefore built certain engines, certain cars in our own shops for that purpose. We believed we had that obligation to our own men, and incidentally I may say everything that we have done in that connection has been done with the full approval, I can say with the cordial approval and assistance and co-operation, of the trade unions.

Mr. BELL (*St. Antoine*): Could we have a statement, Sir Henry, of the increases and decreases in wages?

Mr. HANSON: He has the percentages there.

Sir HENRY THORNTON: I think you will find it in that pamphlet you have, Mr. Bell.

Mr. HANSON: He has a very illuminating chart in dollars and cents, and a comparison with the—

Mr. BELL (*St. Antoine*): I mean over the entire system. Has there been an increase or a decrease in wages?

Sir HENRY THORNTON: There has been no alteration, generally speaking, Mr. Bell, as applied to classes in remuneration on the Canadian National Railways. As compared with 1929, taking 1930 and comparing it with 1929, there has been no reduction in class remuneration.

Mr. FRASER: Was there an increase in 1929?

Mr. BELL (*St. Antoine*): I am speaking of the amount, Sir Henry, not of classes.

Sir HENRY THORNTON: The wages are considerably less, and I think perhaps you will find it in that pamphlet.

Mr. HANSON: As a matter of fact, Sir Henry, in the eight-year period there has been an increase in certain classes of wages.

Sir HENRY THORNTON: Yes, Mr. Hanson, there has been an increase to shop men and an increase I think about five per cent to men in the train service. The reduction in the payroll in 1930 as compared with 1929 is $17,000,000.

Sir EUGENE FISET: Has there been a reduction in the administrative staff?

Sir HENRY THORNTON: Yes, but I cannot just tell you offhand without going into it, but I can tell you there has been a substantial reduction, one vice-president has been eliminated.

Mr. HANSON: That was done recently?

Sir HENRY THORNTON: Yes.

Mr. HANSON: That reduction is very recent.

Sir HENRY THORNTON: Yes; and there has been a general reduction in the administrative staff.

Mr. HEAPS: Would it be possible to bring down at the next meeting a brief synopsis of the last five years showing the number of men employed in the railways and the total amount paid in wages over that period?

Sir HENRY THORNTON: Yes, we can get that as well, Mr. Heaps.

Mr. HEAPS: I know that something like that is given in the statistics of the Bureau of Labour.

Sir HENRY THORNTON: We have it here, Mr. Heaps. I can give it to you right off the grill.

Mr. HEAPS: So much the better.

Sir HENRY THORNTON: Now, this includes pay rolls and capital account as well as chargeable to expenses. The total payrolls for the—beginning in 1923—the total payroll in 1923 was $154,600,000, representing 108,000 employees; 1924, 102,000 employees, and $146,000,000; 1925, 99,000 employees, and $147,700,000—I am just giving you round figures, I take it that is what you want—in 1926, 104,000 employees, $152,700,000; in 1927, 104,600 employees, $160,000,000; 1928, which was, of course, our biggest year, when we had our largest gross earnings, 108,792 employees, $169,700,000; 1929, 111,000 employees, $174,000,000; 1930, 100,000 employees, $156,000,000, and in April, 1931, the rate on which we are giving you a prediction forecast for 1931, 89,199 employees and $142,000,000. Were those the figures you wanted?

Mr. HEAPS: It indicates those who are engaged on capital construction. I presume quite a large number of employees in April of this year were engaged in branch line construction?

Sir HENRY THORNTON: Not very many.

Mr. HEAPS: It shows quite a respectable drop.

Sir HENRY THORNTON: We can separate them between capital account and expenditures, if you like.

Mr. HEAPS: Can you also separate what you would call the official staff and the operating staff?

Sir HENRY THORNTON: Well, this might interest you. This might answer your question. There are 2,104 employees on the lines of the Canadian National Railway who receive over $3,000 a year in salary, and their total remuneration represents approximately $9,000,000. Does that give you the information?

Hon. Mr. EULER: If I took the figures correctly, I took the number of employees as 111,000 two years ago?

Sir HENRY THORNTON: In 1929.

Hon. Mr. EULER: They are down to 89,000 this year, so the reduction is over 22,000.

Sir HENRY THORNTON: A good many of these have just automatically dropped out in connection with the reduction of transportation services.

Mr. HANSON: It is the biggest factor?

Sir HENRY THORNTON: It is a fairly large factor.

Hon. Mr. EULER: The Hudson Bay Railway is not included in this at all?

Sir HENRY THORNTON: No.

Mr. HANSON: You are building that on account of the government?

Sir HENRY THORNTON: We are acting as agents of the government.

Mr. HANSON: Sir Henry, does that 89,000 represent administrative executives, employees and everything else?

Sir HENRY THORNTON: Yes, everybody that is in any way, shape or form associated with the railway.

Sir EUGENE FISET: Who are drawing union wages?

Sir HENRY THORNTON: All kinds of wages, everything.

Mr. CANTLEY: From the president down?

Sir HENRY THORNTON: Everything, everybody.

Hon. Mr. EULER: Can you tell us the aggregate wages paid for the 111,000 employees, and what was the amount of wages paid the 89,000 employees?

Mr. CANTLEY: He just gave us that.

The CHAIRMAN: He just gave us that, $174,000,000 for the 111,000 employees, and $142,000,000 for the 89,000 employees.

Sir HENRY THORNTON: The answer to your question is this, and this of course, is simply a prediction for that period. It will probably be less than these figures which I am giving, because we are constantly finding new and better and cheaper ways of doing things to-day. The prediction to-day is this, that for the year 1931 the number of employees will be 89,199, and their total remuneration will be $142,000,000.

Hon. Mr. EULER: How much was the amount for the 111,000?

Sir HENRY THORNTON: In 1929 we employed 111,575 individuals, and we paid them $174,345,000.

Mr. KENNEDY: I hear some criticism of the administrative costs of the Canadian National Railways. Have you any statistics showing how they compare with other lines?

Sir HENRY THORNTON: We can get that; we have not got it. But taking in salaries and expenses of general offices and salaries and expenses of clerks and attendants, there has been a reduction of about $85,000 as compared with 1930 and as compared with 1929. Now, let me answer your question in this way, although perhaps I can get some more definite, precise information. The salaries which are paid on the Canadian National Railways and in connection with what you would describe as general offices and the expenses and their general officers, are substantially the same as you find in any railway of similar size and importance on the North American continent. There is generally a known scale of salaries with respect to various classifications of offices, just as there is a going uniform wages which applies to the machinist and the conductor and the engineman and everyone else; and those who are in business know, of course, what those are. The answer then to your question, if I may so put it, is—and you may believe me or not, as you like—that the scale of salaries which are paid on the Canadian National Railway is commensurate and the same as those paid for similar service generally on railways in Canada and the United States of America.

Mr. KENNEDY: If there is a known scale, what is the objection to publishing the facts in connection with the salaries?

Sir HENRY THORNTON: Well, simply this,—

Mr. KENNEDY: I am not saying it should be done.

Sir HENRY THORNTON: Simply this: we have found upon one or two occasions in the past, where the salary of an important, efficient officer has been given, he has had immediately offers from other companies elsewhere, and an attempt to attract him from our service. That is one reason. The second reason is that the condition of service and the emoluments to officers are properly the functions of the Board of Directors. If the Board of Directors have not that function, then they have no function. That is one of the responsibilities with which they have been charged.

Mr. HANSON: You say there has been a delegation of authority by parliament in that respect?

Sir HENRY THORNTON: Yes, in fact, if you wish, I was talking to the president of a very important railway not so very long ago, within the last two or three weeks, and he said "I would not give under any circumstances the salary of any officer to any board or shareholders themselves." That is a responsibility which rests upon the board of directors of the company, and as a matter of fact the amount of money which is paid to those who are generally known as executive officers represents a very small proportion of the total expenses of the company.

Mr. HANSON: That is true, but I would think that is a pretty high-handed attitude for any general manager to take with respect to shareholders. I think I could get the information, if I wanted it, if I were the shareholder of a corporation.

Sir HENRY THORNTON: Well, knowing your well-known legal ability, of course, I would say yes.

Mr. HANSON: I think I could find out what the salaries are.

Sir HENRY THORNTON: All our shareholders are not quite so good lawyers.

Mr. HANSON: That is neither here nor there, Sir Henry. I think the position has been accentuated by the statement that was made in the House very recently in reply to a question that there were thirty-five officers of the Canadian National Railways who were obtaining salaries in excess of that paid to the Prime Minister of this country.

Sir HENRY THORNTON: Well, the Prime Minister—

Mr. HANSON: And it was rather a shock to the members of the House, I am not going to speak for the public.

Sir HENRY THORNTON: Well, the Prime Minister of the country is notoriously under-paid.

Mr. HANSON: I agree absolutely with that statement, but there is the fact, nevertheless.

Sir HENRY THORNTON: It is one of those unfortunate things. If I were running the show, I would promptly increase the salary of the Prime Minister.

Mr. HANSON: I do not think the country would stand it now, but so far as the members of the House of Commons are concerned, I think that they ought to pay the Prime Minister and the members of the Cabinet more money.

Sir HENRY THORNTON: I agree with you, and I have always felt that. I would go a little further. That is one of the troubles under our popular form of government. Here is a great country which demands in its executives and its parliamentarians the best brains of the country, and if there were trade unions, they would not stand for the salaries that are paid five minutes.

Mr. HANSON: I think it would be a good thing to form a—

Sir HENRY THORNTON: Mr. Hanson, there are conductors on our railways who are making more money than members of parliament.

Mr. HEAPS: I think we will have to organize members of parliament.

Sir HENRY THORNTON: Why don't you start a parliamentary union?

The CHAIRMAN: I think some of us had better get a job as conductors.

Gentlemen, we have had a very full meeting. It is five minutes to one o'clock and I should like to know what days you desire to meet next week. I have a suggestion to make, that we have three meetings next week, Tuesday, Wednesday, and Thursday?

Mr. HEAPS: I should like to get some information on the position of the government——

The CHAIRMAN: I might say in reference to that, we cannot bring it down until the Minister gets his bills in the house, so that they can be referred to the

committee. We cannot go into the bills; we cannot go into the details of the matters until the bills have been presented, so that questions may be asked in this committee.

Hon. Dr. MANION: I will endeavour to get them for you; I will endeavour to have things arranged so that we will be able to get at this year's assessment.

Sir EUGÈNE FISET: I think you can easily get them.

Hon. Dr. MANION: There are all of last year's expenditures to deal with. We are not going to get right at those in one meeting. Last year's expenditures are still to be dealt with, and you have Sir Henry Thornton's general statement upon which the committtee, no doubt, wishes to ask questions. We will make every endeavour to get the whole matter arranged so that everything will be before the committee.

Sir EUGÈNE FISET: What time does the meeting open on Tuesday?

The CHAIRMAN: Eleven o'clock on Tuesday. We will try to continue this meeting so tha the committee will go on Wednesday and Thursday as well.

Sir EUGÈNE FISET: Shall we sit while the House is in session?

The CHAIRMAN: We are getting permission to do so.

The meeting adjourned until Tuesday, June 9, at 11 a.m.

TUESDAY, June 9, 1931.

The Select Standing Committee on Railways and Shipping met at 11 a.m. Honourable J. D. Chaplin, Chairman, presiding.

The CHAIRMAN: The Minister of Railways and Canals is unfortunately not able to be here, but the Hon. Mr. Dupré will be here in a minute or two. We will go on with the business of the committee in the meantime.

Mr. HANSON: What are we to take up to-day?

The CHAIRMAN: I just want to make a statement in reference to some questions that were put to me at the last meeting through Mr. Pouliot. The questions that Mr. Pouliot asked this Committee to take up are questions that are already on the Order Paper, and the whole of those questions have been submitted and are now subject to orders of return in the ordinary way. I feel, therefore, and will decide that this Committee will not touch any questions that have been placed and are before Parliament, an order having been given for their return. There may be some of those questions that may be answered as we go along, and there are others that will take some time, and we have to give the officials the regular time to get those out. That is all I have to say as to that. The business that will be taken up will have to do with the regular business that has already passed; I mean by that, any new business referring to these printed estimates cannot be touched until we get the reference from the House. That is to say, bills or orders before the House have to be attended to first.

Mr. MCGIBBON: Mr. Chairman, I have been trying to get information. Some of my questions have been answered, and some of them have not. Now, you remember, Sir, that twelve years ago you and I supported the Government that controlled these railways. We felt that we had no alternative, and did not want any alternative at that time. I am still in that position. The National Railways are the property of the Dominion of Canada. They are our property. We are interested in the success of them. At that time there was no alternative; the Government refused to let them go to the Canadian Pacific Railway; and you rmember, Sir, at that time, and the late years during the war, there were negotiations started, I believe in the old Canadian Northern, to let these railways go to the C.P.R. I believe the old Grand Trunk was the same. That was fought by the Government of the day that you and I supported. Personally I still support it. But it is needless to shut our eyes to the fact that there is great anxiety throughout the country. You hear it in the railway trains, hear it in hotels and clubs—anxiety predicated, I believe, on the people's interest in their own road. In connection with that you hear extravagant statements made. It is not for me to say whether they are true or not true, but certainly it is in the interests of the country that the truth should be known. I represent forty thousand shareholders of this railway, and in particular nine thousand voters, and I placed questions on the Order Paper some time ago, and I would like to get the information. There are more that will come up that I am going to submit to you on behalf of the people of this country, that is, to see whether there is rank extravagance that the people are saying is taking place. I do

not think we can do better, Sir, than start at the top. I would like to know the salary of the President. I know it is stated in the Order in Council at $75,000 and expenses, which I am not prepared to contradict; but the statement is made that additional salaries, emoluments of some kind, have been drawn from some other sources connected with the railway, and the sum which you hear has gone into extravagant figures, in my opinion. I am not saying whether it is true or not true, but I do say that, representing forty thousand people of this country in general and nine thousand in particular, that the people have a right to know. They have partial knowledge of the President's salary; that was made public; but if that is not the complete salary we ought to know it, and we are entitled to that. It has been admitted by the Parliament of Canada, and I would like to have your ruling as to whether the questions I asked in the Order Paper of the House, and others which I purpose asking, will be answered later on?

The CHAIRMAN: Well, gentlemen, this in my opinion represents the shareholders of the company. This is, in fact, the annual shareholders' meeting of the Canadian National Railway, and such questions as do not affect the actual running of the railway—that is to say, questions that would affect the running of the road or that would give information that would be detrimental to the road, detrimental to the business of the road, I would question, and, if I had my own way, refuse such questions in the Committee. But the questions as to the salary of an official of the road I could not treat as other than justifiable, because I have been at enough meetings of shareholders to know that that is a shareholder's privilege, and any officer of a company that would not give that information would very likely lose his job. That is exactly the way I view this, and if I am to be the one to determine it I would say that that question is perfectly proper and regular.

Mr. MCGIBBON: Is that your ruling, Mr. Chairman?

Mr. CHAIRMAN: That is my ruling.

Mr. GRAY: Is Mr. McGibbon's question in the same position as Mr. Pouliot's are? What are on the Order Paper? Are his questions to be answered, and Mr. Pouliot's not?

Mr. MCGIBBON: Mine are not.

Mr. GRAY: If they are on the Order Paper they should be before Parliament.

The CHAIRMAN: There is some difference between the questions. The questions submitted by Mr. Pouliot have been determined by the House. The House has given an order for those questions to be answered in the regular course of business. It takes some time to gather the answers together. Of the questions that Mr. McGibbon has put before the House, two at least, probably more, that have been put by Mr. McGibbon may have been referred by the Government to the Railway Company, and in reference to those questions the Railway Company say that it is not in the interest of the road that they be answered. While that is their point of view, I may say that my point of view is different. Now, if that point of view is not correct, this Committee is in power, and not me. I have given the ruling and you have the same recourse to my ruling as you have anywhere else.

Mr. BELL: Mr. Chairman, my previous experience with this Committee has been this, that the President and officers never refused to give a member any information that he asked; but the point is this: Does Mr. McGibbon require this for his own information, or will it be given out publicly here? It may be detrimental to the running of the Canadian National Railway. I agree with your ruling, but I believe that the Officers of the Canadian National Railway have never refused to divulge any information.

The CHAIRMAN: So far as I know of this Committee—and I have been on the Committee regularly—I have never heard of any question that has not been fairly well dealt with; and if any questions were to arise that in my judgment would be to the detriment of the road I would refuse to put the questions, or refuse to answer them. I simply say this; if the majority of this Committee do not agree with me it is their right to dispute my decision in the matter. Of the questions that Dr. McGibbon asked, one had reference to the President's salary. That salary is a matter that everybody knows about. It was made by the authority of Parliament. Surely there cannot be anything wrong with an enquiry about that salary or any other salary. If the salary of the President of the road is public property—and it must be, because it is in the parliamentary paper—then every other salary must be; it does not only apply to the salary of the President. Surely that cannot be detrimental to the railway company; I cannot see it. However, I simply make the statement again, that I am only your servant, and if I am wrong in that decision, or if that decision is not satisfactory, it is up to you to instruct me what you want.

Mr. BEAUBIEN: This is the first year I have been on the Committee. The attitude that has been taken in the House of Commons was that it was not in the interest of the railway company to give the salaries.

The CHAIRMAN: That is not quite correct.

Mr. HANSON: The management took that attitude.

Mr. BEAUBIEN: I stand corrected. That is the attitude the company has taken, through the Minister, in the House, and I do not see any reason why we should depart from that procedure. In the first place I do not suppose Sir Henry Thornton had any objection to give his salary, but the railway company, like any company—even your own company, Mr. Chairman, or any company—if you have a secretary or officials in any department, and you go along and broadcast their salary, somebody might come along and pick those men up, and so the railway company would be without them.

Mr. HANSON: You need not worry about that.

Mr. BEAUBIEN: I am not worrying.

The CHAIRMAN: Now, gentlemen, you must not interfere. This gentleman has a right to speak.

Mr. BEAUBIEN: Our experience is this; even if it is a private business—and the Canadian National Railway, as far as that goes, is a private corporation—the Minister is not supposed to act politically, anyway, and we should not go too far in getting into the private operations of the railway company where it will not do us or the public any good.

Hon. Mr. EULER: One does not want to reflect on the chairman, who is a very good friend, but after all, this Committee is the creature of Parliament itself, and can very well take an example from Parliament. Questions in regard to this matter have been placed on the Order Paper, and I think the Minister of Railways said that it is not in the interest of the road—

Mr. HANSON: He did not say that; he said the management took that attitude.

Hon. Mr. EULER: I take it, from that, that the Minister of Railways in that regard followed the wishes and advice of the management. It all comes to the same thing. The result was that Parliament, or a member of the Government representing Parliament—the Minister of Railways—did not hand out the information. If Parliament, then, took that attitude, as it actually did, why should this Committee want to go any further than Parliament itself—that is, the Committee itself, being a creature of Parliament? I would ask this—

Mr. HANSON: Parliament has not replied.

Hon. Mr. EULER: Why should we not follow the same course that Parliament has done? Ordinarily I am pretty much in favour of information being made public, but after all, this road is a public project; why should it not be conducted, as much as possible, as a business proposition, following the ordinary rules of business propositions? With that view, I say we ought to take the advice of those gentlemen who control it.

Sir EUGÈNE FISET: I have been a member of this Committe in years past. These officials of the railway company have already been brought before the Committee. The view of the Committee then was that it was not thought advisable that we should press that question, but the statement made by the Minister in the House the other day did not indicate what my Honourable friend, Mr. Euler, has just stated. The Minister said that the officials had objection to these facts being divulged, and the result was that the matter was before this Committee, and the reasons they were not willing to divulge the figures would be given to this Committee. It is only a matter of a vote to ascertain what is the opinion of the Committee. If the Committee decides that the salaries of the high officials of the Canadian National should be made public I think it should be done. If they decide otherwise, why, that is the view of the Committee.

Mr. HEAPS: I think if we keep on the way we are going here we will not get very far. I think that any member who wants information, proper information, should get it, but the man who ought to give us the information is not here this morning—I mean the Minister of Railways. I think if we are going to look into the salaries, we will take time that we need for going into much more important questions. I am more interested in the operation of the Canadian National Railways than I am in the salary of the President or Vice-President or any of the high officials of the company. I would suggest, however, Mr. Chairman, as I am very anxious that this information should be given to all the members of the Committee, that this question should be deferred until the return of the Minister of Railways himself; and Mr. McGibbon might have the questions put before the Committee at the one time. He has made a statement here in regard to extravagances of one kind or another, and I would like him to make the whole statement he is prepared to make, and to have it made in a public character before this Committee. Personally I would like a man who is saying there is something wrong in the salary to say what that wrong is. It makes a bad impression, and it should not be made before the Committee and before the country as a whole unless that Member has full information. I think the matter should be deferred until Dr. Manion is here.

Mr. HANSON: Mr. Chairman, I am quite in accord with that suggestion. I may say frankly that I think from a strictly legal standpoint we are entitled to the information. I understand, however, that Sir Henry Thornton would not desire that the information should be made public property, for the reasons he has given. However, I do think that the Minister, who is, after all, our chief in relation to the railways, should be present, and these questions should be determined on a lead from him. I think he must take the responsibility of determining it before the Committee, and I am quite willing that this matter should stand until he returns, and then have it settled definitely one way or the other.

Mr. MCGIBBON: I do not want to take up so much of the time, but there are certain general principles. For instance, the public have a right to know whether the contract with the President has been lived up to. Now, very likely the fact that the management will not say whether it has, may give the public the right to think that it has not. If that is not given to the public—the salary of the President, and the expenses—I may say that this thing is not

kept under a bushel before the public, for you hear it every place, and the sums that you hear are simply fabulous. I do not say they are true, but I say this, that it is in the interest of the management themselves to deny, if it is not true, and if a true statement of affairs is not made I contend that it ought to be made, if for no other reason than to stop this talk. I am interested in the National Railways. I was a supporter of the Government that promoted it, and I was with them in the view that it would not be fair to put itself in the hands of any organization that controlled all the railways of this country. To my mind it is inconceivable that the National Railways should ever fall into the hands of the Canadian Pacific. This is our property; we represent the Canadian people; we have a right to know whether it is managed properly and economically or not. I say again, in view of the widespread publicity that is given to this talk, not only here in Ottawa but every place in the Dominion of Canada, that the easiest and surest way to create confidence in the management is for the management themselves to disclose the true state of affairs. I say it was a mistake for the Government not to answer these questions, because they are questions that could have been answered, and if the contract had been lived up to, nothing more is being asked of the Canadian National than a simple statement of that fact. Mr. Chairman, I say again, as a member of this House, representing forty thousand shareholders in this country, I am entitled to that information.

Mr. HANBURY: I agree with Mr. Heaps and Mr. Hanson, and in order to bring this matter to a head I would move that the further discussion of the salaries of the officials of the Canadian National be deferred until the return of Hon. Mr. Manion, the Minister of Railways.

Mr. HANSON: I think it would be unnecessary to put that motion.

The CHAIRMAN: Is it your pleasure, gentlemen, to have the motion made by Mr. Hanbury, to be put formally? (Voices—"Carried".) Seeing that the motion was made, I will declare it carried.

Mr. HANSON: What is it proposed to take up now?

Sir HENRY THORNTON: Might I interrupt to say that answers should be handed in to questions asked at the previous meeting. Shall we follow that procedure? I think the consensus of opinion is that we should. Mr. Heaps asked this question: "Number of employees of the Canadian National Railways and their compensation for the last five years (by years) divided as between Capital and Operating Expenses."

I have the answer to that question and will turn it in, but it has been found almost impracticable to divide the number of employees between capital and operating expenses because during a large part of the time a considerable number of the men were working partly on matters chargeable to capital and partly on matters charged to expense, and it is impossible to make a division, but we made a division between the total amount spent on capital and the total amount spent on operating expenses and I will hand it in to go on the record.

Answer: Employees and Compensation including Eastern Lines and excluding Central Vermont is as under:—

	Average Number of Employees	Operating labour	Capital and other Accounts	Total Compensation
1926..	103,952	$136,023,189	$16,720,119	$152,743,308
1927..	104,671	141,323,692	18,792,510	160,116,202
1928..	108,792	150,754,658	18,937,646	169,692,304
1929..	111,575	152,760,785	21,593,222	174,354,007
1930..	100,678	140,072,733	17,839,517	157,912,250

The CHAIRMAN: I might say as questions come up we are keeping them all by themselves so that next day we can segregate them and put them into shape without any trouble. They will be read into the record as well. They will be answered here and they will get into the record in that way.

Mr. HANSON: What is the stage of the proceeding we are now at? If in order, I may say that on page 11 of the Minutes of Friday, on speaking of capital expenditure, Sir Henry Thornton said, "we take 1930 and compare it with 1922 and find an increase in net revenue to the railway company about $17,000,000, and then you have reference to the elimination of the Central Vermont which had capital expenditures to about $30,000,000." You say in the minutes, Sir Henry,—

> "I am speaking of the instrument as a whole. Now these figures I venture to give you are rather interesting. If we take the year 1930 and compare it with 1922 we find that the increase in net revenue to the railway company is $17,000,000. For purposes of making this comparison I am going to eliminate the Central Vermont railway. The capital expenditures on that railway amount to about $30,000,000. The additions to capital on the rest of the railway composing the Canadian National railways amount to $370,000,000. I eliminate that because the Central Vermont last year—and it is now on a paying basis—because last year it met all of its fixed charges and it had a surplus of $150,000 besides. But if I eliminate that—and I am doing that for convenience because that happens to be the way the figures are prepared—we find that after eliminating the Central Vermont the increase in net earnings in 1930 as compared with 1922 is about $17,000,000 and the increase in capital is about $370,000,000 and that the ratio of the increase in net earnings to the increase in capital 4 66/100 per cent. If you take class one railroads of the United States just as a matter of comparison, as a yardstick, to see what happens, we find that the ratio is 4 14/100 per cent and if you take the Canadian Pacific you will find the ratio is 25/100's of one per cent. In other words, our additions in capital in so far as efficiency is concerned are rather more than the class one railways of the United States."

Now I would like to know exactly what you mean by that statement and that declaration because I have been studying it since I heard it and if it means you are allocating to the $370,000,000, the revenue of $17,000,000 I do not think it a fair comparison. What about the billion dollars behind that $370,000,000 that helps to earn that money.

Sir HENRY THORNTON: I made a statement which I think is quite easily understood that in 1930 and 1922 the gross earnings of the two years were substantially the same. Oh, Mr. Hanson, this particular statement I might say includes the Central Vermont but does not include the Eastern lines. I think the statement I made as to capital and expenditure is plain here. As to what perhaps you have some difficulty in understanding is this, that in comparing 1930 with 1922 the actual increase in net earnings was $17,000,000 in 1930 over 1922. That is the addition to capital was represented by $370,000,000. If you take class I railways in the United States their addition to increase in net earnings in 1930 as compared with 1922 represents an increase of $205,000,000 or practically $205,700,000. Within that period their addition to capital amounted to $4,966,000,000. Now in our case, in respect to the income the ratio of increase of our earning to the increase of capital was 4.66 per cent—with respect to class I railways in the United States the ratio of increase in net earnings in capital was 4 14/100 per cent, and with respect to the Canadian Pacific Railway, as far as it is revealed from their report the increase in net revenue was $584,000 and in the intervening period capital of $232,000,000, making a ratio of 25/100 to one per cent. Does that make it clear?

Mr. HANSON: I understand the basis of this tabulation but I object to the implication that because you spent $370,000,000 you earned the whole $17,000,000 in excess over 1922. I say that is not a fair statement. It had a billion dollar capital behind it, and it gives the wrong impression.

Sir HENRY THORNTON: It was not the intention to give a wrong impression but the fact remains that we had the same railway in 1930 that we had in 1922; it serves the same territory; it had substantially the same offices but the net revenue was $17,000,000 greater in 1930 than in 1922, and how did that happen? The point that I make is that in 1922 the railway was not an efficient machine; it was badly lacking in many facilities which were essential for economic administration, and by the addition of the capital set forth we were able to very materially reduce our expenses, and there are officers here who have been familiar with this property for a much longer period than I have and who will say to you if those facilities had not been provided the net earnings of 1930 would have been the same as in 1922.

Mr. MCGIBBON: In 1922 we did not have the amalgamation of these different lines and did not have the revenue we should have got. I remember the difficulty the government of the day had in getting the railways to work together.

Sir HENRY THORNTON: That is quite true, but we must take this into consideration that in making the statement that it was $17,000,000 more in 1930 than in 1922 I have made no allowance for any reduction in freight rates and increase in wages, and if those two factors were concerned the difference would not have been $17,000,000, but somewhere around $22,000,000. Mr. Fairweather says the actual figures would be $24,000,000, and the $24,000,000 would take up the facts you mention.

There is no doubt an amalgamated property is more easily administered than a separate property.

Mr. HANSON: Is it that there was a loss on the haul?

Sir HENRY THORNTON: That may be so, but after all, where was the same tonnage available? The Grand Trunk got their proportion and the old Canadian Northern got their proportion and the Canadian National Railway got their proportion.

An Hon. MEMBER: The C.P.R. got a large proportion which should have been got by the Canadian National lines.

Sir HENRY THORNTON: I do not know about that, but I do make the definite statement that you have the spread between $17,000,000 and $24,000,000 which would take up the balance you mention.

Mr. CANTLEY: Is it not true that some of this may be attributed to the fact that in 1922 there was the commencement of a great depression as compared with the very large increase in traffic in 1930?

Sir HENRY THORNTON: Of course I was not here in 1922 and I do not know that I can state with any great assurance as to that, but if you can find any greater depression than in 1930 or 1931 I would like to see it.

Mr. BEAUBIEN: You have given an increase in regard to the Canadian Pacific Railway and they enjoyed the same increase as the Canadian National and still your ratio is higher?

Sir HENRY THORNTON: That is just my point. These are arguments that may be used, either with wisdom or otherwise in regard to the parts devoted to capital.

Mr. HANSON: That is a justification of spending $370,000,000 but the implication is that if you had not spent the $370,000,000 you would not have had the 4·6 increase in earning. That is the point I have in mind.

An Hon. MEMBER: You and I disagree in that.

Sir HENRY THORNTON: Mr. Hungerford has had long experience with all these properties, much longer than I, and I think it would be illuminating if he would give his opinion based on his knowledge of the property and what he thinks of the addition to capital for the purpose of making a more efficient machine.

Mr. HUNGERFORD: That is really a question very much complicated by the economics that has resulted between the lines by amalgamation, but in a general way there can be no question that the capital expenditures have been very much largely responsible for the larger measure of net earnings. That is all I can say on that and I will answer any question that you may wish.

Sir HENRY THORNTON: I think it would be interesting if this committee knew how the annual budget is made up. It is prepared in this way: The regional general managers send to Mr. Hungerford, usually early in November, the works which they feel they should have for the administration of the property. Those requisitions are tabulated and are examined by Mr. Hungerford. Now the same thing happens in every other department but, naturally, it so happens that a far larger percentage of capital expenditures is necessary in the operating department. There are the other departments such as the telegraphing and express, but nothing like the expense involved in the operating of the department. All those items are examined by the various vice presidents and myself and it almost invariably results—in fact it does invariably result—in Mr. Hungerford and myself materially reducing the expenditure that every regional manager wants. Of course every manager wants the best he can for his own branch. When we get these items in we have to examine them in the light of the resources which we think reasonably available.

Not only do we get these requests from general managers but from any others who suggest things they think should be done. At the end when the budget is done we try to reduce it to the justifiable things that should be done, and when this is done, there is an informal discussion with the Minister of Railways.

Sir EUGÈNE FISET: When these matters are sifted down are they taken up later.

Sir HENRY THORNTON: Just wait—I discussed that informally with the Minister for the reason that no board of directors would pass a budget which we know the Minister will not present. That would be a waste of time, so I discussed the whole budget with him and he, speaking for the government, informally gives me his opinion as to what should be expended. When that is done I go to the Directors with this budget and say, here is the budget.

Mr. HANSON: Before leaving that do you know if it has been the practice of late years for the Minister to put that before council?

Sir HENRY THORNTON: I do not know.

Mr. HANSON: If you do not know it cannot be helped, but I would like to know.

Sir HENRY THORNTON: Then that budget comes back and is discussed item by item with the directors of the company, and it may be approved or it may be altered—quite frequently it is altered and then that stands as the adopted budget of the railway company and that is formally sent to the Minister and at that moment our responsibility ceases and it is then in the hands of the Minister and the government and parliament. That is the way the budgets have been prepared.

Mr. BELL: When you came over and took charge of the Canadian National Railway in 1922 there was a certain amount of capital involved in the Canadian National Railway. You come from the period of 1922 up to date and then you compare that with the class A railways of the United States and the amount they spent on capital expenditure, and then you take your net earnings and compare them with the other—I would like to ask for this information, that is, what class railways in the United States have you made a comparison with?

Sir HENRY THORNTON: Class I railways in the United States such as the Santa Fe railway company, the Southern Pacific, New York Central, the Pennsylvania Railway, the Baltimore Ohio, the Southern and Erie Railway, all railways of that character, and I think that will answer your question more clearly than if I were to give you an abstract formula.

An Hon. MEMBER: Surely Mr. Hanson you do not argue that the railway should not make capital expenditure?

Mr. HANSON: I do not say that but I say that this $17,000,000 is not attributable to the fact that they spent $370,000,000 from capital account.

Mr. BELL: They could not have made that if they did not spend that.

Mr. HANSON: I do not know about that.

Sir HENRY THORNTON: All I can say is that you have the same railways in 1922 as in 1930. True as Mr. McGibbon has pointed out there were economies that resulted from amalgamation and perhaps a better spirit among the railways and a more enthusiastic personnel, and I say that accounts for the difference between $17,000,000 and $24,000,000.

Mr. EULER: The statement was made in the House that you disregarded the interest on the amount which had been advanced that the average deficit of eight years was about $12,000,000—is that correct?

Sir HENRY THORNTON: I will answer this question as best I can. It is pretty hard for me to catch all the balls at once.

Hon. Mr. EULER: I think he said the deficit for the eight years was about $100,000,000.

Mr. MACLAREN: The income loss for that period was $85,854,568.72, a little over $10,000,000 of an average per annum.

Hon. Mr. EULER: Does that include the heavy loss of the last year, $29,000,000?

Mr. MCLAREN: Yes.

Hon. Mr. EULER: If you did not include last year, the loss would average in the neighbourhood of what, some eight million dollars?

Sir HENRY THORNTON: That would be fifty-six millions, about eight millions.

Hon. Mr. EULER: The figure of twelve millions is incorrect; it should be about ten millions.

Sir HENRY THORNTON: About ten millions.

Mr. MCGIBBON: He had enough cars to reach from here to Toronto, about 240 miles. Now, I presume those are all replaced out of capital account, consequently operating expenses for the cars would be reduced, at least partly.

Sir HENRY THORNTON: That was not all charged to capital account. (To Mr. McLaren): Can you explain that for Mr. McGibbon, what would be the value of those cars scrapped and replaced?

Mr. MCLAREN: Freight car retirements for the period of 1922 to 1930 charged into account, were $11,668,170.49.

Mr. MCGIBBON: Eleven millions, charged to capital account?

Sir HENRY THORNTON: Charged to operating accounts.

Mr. MCGIBBON: What has been replaced in those 240 miles of cars is charged to capital?

Mr. MCLAREN: New freight cars charged to capital for the period was $64,077,186.98.

Sir HENRY THORNTON: I might explain, doctor, when a freight car is retired and another freight car is put in its place, a certain proportion of that new freight car is charged to capital, and a certain portion is retired and charged

to expenses, and that is all subject to definite accounting rules which are practically the same, or I think the same on the Canadian Pacific Railway, or is pretty much the same theory they follow.

Mr. McGIBBON: Who establishes the rules?

Mr. HANSON: There is a standard system?

Sir HENRY THORNTON: There is a standard system we follow with the approval of the Railway Commission of Canada, the Interstate Commerce Commission.

Mr. HANSON: Interstate Commerce Commission?

Sir HENRY THORNTON: Yes, the Interstate Commerce Commission, because we have a certain amount of mileage over there and we have to conform to their rules, which are very much similar, and that is the one practice we follow all along.

Mr. FRASER: The practice you follow is laid down by the Railway Commission?

Sir HENRY THORNTON: No, you cannot say that.

Mr. HANSON: Is this a fair statement, it follows a practice established by the Interstate Commerce Commission in the United States?

Sir HENRY THORNTON: That is right.

Mr. HANSON: Is there any difference between your practice and the practice adopted by the Canadian Pacific Railway?

Mr. McLAREN: I cannot just say what the Canadian Pacific Railway practice is; it is not disclosed in their accounts.

Sir HENRY THORNTON: Can you say so far as you know, in the final results it is more or less the same?

Mr. McLAREN: I would not venture to say what the Canadian Pacific Railway accounting is.

Mr. HANSON: What is this gentleman's name?

Sir HENRY THORNTON: Mr. McLaren, the Comptroller of the Canadian National system.

Mr. McLAREN: Our accounting in Canada is on the same basis as the Interstate Commerce Commission regulations, with the exception of depreciation on equipment.

Mr. HANBURY: The same depreciation for a different period?

Mr. McLAREN: No, the American roads are required, under the regulations, to charge the depreciation monthly in their accounts, we do not follow this practice in Canada.

Mr. HANBURY: Is the rate not the same?

Mr. McLAREN: The rate?

Mr. HANBURY: Yes.

Mr. McLAREN: The railways in the United States have various rates; some use a half of one per cent, and others use as high as four per cent.

Mr. McGIBBON: What is the life of a freight car, having regard to those repairs?

Mr. McLAREN: I prefer the operating gentleman, Mr. Hungerford, to answer that question.

Sir HENRY THORNTON: Can you answer that question, Mr. Hungerford?

Mr. HUNGERFORD: The regular life of a freight car is from thirty to thirty-five years.

Sir HENRY THORNTON: On steel equipment, the cars last almost to perpetuity. I mean to say you keep on renewing plates, bolts, and different parts,

and it increases the life of the car. Of course, in a steel box car, the life is very much greater than the wooden box car, because we eventually get to the position in a wooden box car where we cannot renew it any more.

Mr. McGIBBON: That is just the point I was coming to. It struck me, considering the fact that the Canadian National took over the Grand Trunk Pacific that the cars could not be very old, as Mr. Hungerford says the life of a car is thirty-five years, and to scrap 240 miles of cars in eight years must be an enormous depreciation.

Sir HENRY THORNTON: I will explain that in just a moment. One of the factors in the loss was from the large number of all wooden freight car equipment that we had. In 1923 we had, in round figures, 38,000 wooden freight cars. We had also 26,900 wooden freight cars, but with metal draft bar. Now, that 38,000 wooden cars to which I refer were, at that time, rapidly becoming into an unusuable condition; they were rapidly approaching a condition which debarred them from interchange with foreign railways, and they had to be renewed. And of course, if they were to be renewed, it was better that they should be renewed in some permanent character, and that was one of the very serious and anxious problems which confronted us. We were confronted with approximately 38,000 wooden under-frame cars that were rapidly becoming unusuable and something had to be done with them.

Mr. KENNEDY: Because of not being interchangeable? I suppose that was an important factor?

Sir HENRY THORNTON: It was a very large factor, because we were restricted in their use, as anybody can see.

Mr. HANSON: I do not think anybody seriously criticizes your policy in that regard, I think probably you were obliged to do that.

Sir HENRY THORNTON: As a matter of fact, while we have a number of steel under-frame cars yet, the number of freight cars that were built was not in proportion to the number we should have replaced, but was governed by the money that was available. If we could have built more cars, and if the finances of the company would have stood it, it would have been a wise thing to do. If we could have built more box cars, and more freight cars, it would have been a wise thing to do.

Mr. DUFF: There were about 21,000 cars?

Sir HENRY THORNTON: 124,861, divided as follows: steel, 6,397; steel frame cars, 55,750; steel under-frame cars, 17,462; steel centre sills, 1,616; wooden cars with metal draft gear, 38,920; wooden cars, 4,716.

Mr. KENNEDY: How many have you scrapped since 1922?

Mr. DUFF: About 21,600?

Sir HENRY THORNTON: 27,855.

Mr. DUFF: You should have extended the line to Brantford instead of Toronto. From here to Toronto would amount to 21,600 cars.

Hon. Mr. EULER: Why take Toronto as a standard at all?

Sir HENRY THORNTON: Another thing I should like to point out to the committee is this, that during the peak business period of 1927-1928, we were actually short of cars to take care of our business, and we were obliged to use borrowed cars from other railways, which added very largely to our per diem charges, because you will understand when you use a car of another railway on your own line, you are obliged to pay a dollar a day for the use of that car; so that not only was it advisable to renew those wooden freight cars because of their condition, but it would also very materially reduce our per diem charges to other railways.

Mr. POWER: There were about 3,300 scrapped each year?

Sir HENRY THORNTON: Mr. Power, that would be the average.

Mr. POWER: How many cars are loaned to American roads?

Sir HENRY THORNTON: We can tell you on the average how many of our own cars are on loan, how many of our own cars are on our own line, and how many off the line, if that is what you want? Mr. Power wants to know roughly how many of our cars are on our own line, and how many on other lines?

Mr. POWER: You said a moment ago that you had a shortage of cars in 1928. And that you were obliged to borrow cars or to rent cars from other railways. At the same time you must have cars on the United States roads?

Sir HENRY THORNTON: Yes.

Mr. POWER: Would not it about average up?

Sir HENRY THORNTON: Well, it did not as a matter of fact. I can tell you what the figure was. Our cars on foreign lines in 1930 averaged practically, about 15,000.

Mr. POWER: 15,000?

Sir HENRY THORNTON: And foreign cars on our lines on the average, totalled 13,000, which of course, gave us a per diem credit, because they were paying us a dollar a day on 15,000 cars, and we were paying them a dollar a day on 13,000 cars.

Mr. POWER: I should imagine in 1930, so far as the accounting is concerned, you would be very glad to use their cars rather than have a—

Sir HENRY THORNTON: Of course, the object of every railway, is to keep, as far as possible, its own cars on its own line, and to keep foreign cars off its line, because on every foreign car you have on your own line, you pay a dollar a day for it; and one of the measures of efficiency in railway business is the use that is made of your own cars on your own railway, and the extent to which you can get rid of foreign cars. For instance, the moment a foreign car has become empty on the line of the Canadian National Railway, we get it back home as quickly as we can, unloaded if possible, but anyway to get rid of it because that car costs us a dollar a day every day we have it.

Sir EUGÈNE FISET: May I suggest this discussion could better take place on one of the items on the statement of the report?

Mr. HANBURY: Referring again to your statement with reference to the ratio of gross earnings increased in the investment, can you give to the committee the ratio of gross earning to the total investment on the different periods and compare with those class A railways of the United States and the Canadian Pacific Railway?

Sir HENRY THORNTON: I am afraid we cannot.

Mr. BELL: What do you mean by the term capital expenses? Does that take into account hotel systems and so forth?

Sir HENRY THORNTON: Oh, yes.

Mr. BELL: Terminal system?

Sir HENRY THORNTON: Everything, everything which is an addition to the property and under the accounting rule charged to capital.

Sir EUGENE FISET: Those capital expenses are voted yearly by parliament?

Sir HENRY THORNTON: Precisely.

Sir EUGENE FISET: And they are submitted to the Minister for consideration?

Sir HENRY THORNTON: That is right.

Mr. KENNEDY: You made a statement the other day, referring to hotels, and you told us about the Jasper Park hotel, the earnings from the hotel at

large, and the earnings that came to the railways as a result of the hotel. Can you tell us in the same way, what the results of the other various hotels were, or have you got them?

Sir HENRY THORNTON: I do not believe we can furnish that; and the reason we furnished it at Jasper is because it is purely an estimate of the passenger department; it is not an all year round hotel. It is operated purely for the purpose of bringing passenger business to the railway, and consequently with respect to that hotel, we had a division made between the earnings of the passengers, which we have not got, for instance, at Fort Garry, or the Chateau Laurier. It would be an impossible thing, for instance, to have with the Chateau Laurier. I do not think our account would enable us to say how much we earned in passenger receipts as a result of the existence of the Chateau Laurier; I do not believe we can make that clear.

Mr. HANSON: One is exclusive, and the other is not?

Sir HENRY THORNTON: That is it, exactly.

Mr. KENNEDY: Regarding the earnings of the railway some of the earnings are made by transferring of credits from some other division belonging to the railway itself, a transfer from one part to another of coal or timber, and so on.

Sir HENRY THORNTON: You mean the movement of materials on company's service?

Mr. KENNEDY: Yes.

Sir HENRY THORNTON: I did not get what you meant.

Mr. KENNEDY: I was wondering what percentage of the freight earnings of the Canadian National railway was made up of that kind of traffic, and how it compares with other railways?

Sir HENRY THORNTON: Well, there is no charge for material which is moved on company's service.

Mr. KENNEDY: No charge, none of the freight items are made up in this way?

Sir HENRY THORNTON: No.

Mr. FRASER: Freight on capital—

Sir HENRY THORNTON: If it is a movement of material on capital account.

Mr. FRASER: Not on regular service, regular operating service?

Sir HENRY THORNTON: No. For instance, if you have to move a carload of ties from one point to another, in the course of business, no charge is made on that movement.

Mr. HANSON: But on building a new line, there is a charge?

Sir HENRY THORNTON: Yes, and it is included in the original estimates of course. We carry a separate item in our accounts known as Transportation for Investment Cr.; it is carried as a separate item.

Mr. HANSON: I think we ought to resume the regular course of procedure. Perhaps I have been the greatest sinner, but I wanted to get this thing elucidated. I think we can go on now with the regular course of proceeding, taking up the statement until we get the estimates.

Mr. CANTLEY: May I ask Sir Henry Thornton one question before you do that? In regard to the 4,000 odd cars that you have to-day and which are falling into discard, what is your intention in regard to replacing them this year?

Sir HENRY THORNTON: Well, our budget includes a certain—I can give you the figure in a moment—number of new cars, and those cars will, to that extent, replace an equal number of old cars.

Sir EUGENE FISET: The amount included in the estimates this year is $9,000,000.

Sir HENRY THORNTON: For freight cars?

Sir EUGENE FISET: Not only freight cars, but traffic in general.

Sir HENRY THORNTON: That is right. Mr. Cantley wants to know how many freight cars we are going to build this year. Do you remember, Mr. Hungerford, just how many?

Mr. MCLAREN: A little over four thousand.

Sir HENRY THORNTON: A little over four thousand.

The CHAIRMAN: Now, gentlemen, with respect to Mr. Hanson's remark a moment ago, the reference before this committee reads as follows: "That standing Order 63 of the House of Commons, relating to the appointment of the Select Standing Committees of the House, be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the accounts and the estimates of the Canadian National Railways and the Canadian Government Merchant Marine for the present session, for consideration and report to the House."

Now, that is the first reference, and we cannot go on with the accounts until those pass the house.

Sir EUGENE FISET: Mr. Chairman, I think you are making a mistake. The last part of your statement suggests that the estimates of the Canadian National Railways shall be referred to the committee, but that is broad enough for you to examine every part of the report, or the analysis of the report of the estimates of last year, before the estimates are submitted.

The CHAIRMAN: The estimates certainly cannot be taken up.

Sir EUGENE FISET: May I suggest, in order to save the time of the committee, that the same procedure be adopted this year as we adopted for two years in succession, instead of going on with the details of the report of the Canadian National Railways, we should take, first of all, the analysis of the provisions for 1930 and compare them with 1929. In doing so, sir, we save a tremendous amount of time. I would suggest we start right off with the analysis of 1930 as compared with 1929.

The CHAIRMAN: I brought the analysis of 1929 with me, because I was going to suggest that we could do that in order to save time.

Sir EUGENE FISET: Two great minds work together.

Sir HENRY THORNTON: Gentlemen, I will ask Mr. Fairweather who prepared this analysis to proceed to read it. Has everyone a copy? If not, we have several here. With your permission, if it is agreeable gentlemen, Mr. Fairweather will read the analysis.

Mr. FAIRWEATHER: Analysis of 1930, results of operations as compared with 1929.

The presentation of the Canadian National Railways accounts for 1929 excluded the operations of the Central Vermont Railway, because this company was in receivership, resulting from disastrous floods in 1927. As the receivership terminated January 31, 1930, the results of the Central Vermont Railway for the 11 months, February to December, have been included in the 1930 accounts of the Canadian National Railways. For the purpose of comparison, the 1929 accounts have been re-stated to include the Central Vermont Railway for the corresponding 11-month period in 1929.

In accordance with the Maritime Freight Rates Act of 1927, the income statement of the lines east of Levis and Diamond Junction (Eastern Lines) is shown separately in the annual report, but a consolidated income statement including the operations of these lines is also shown on page 55 of the report.

Sir EUGÈNE FISET: At this point, sir, may I call your attention to the fact that when the Minister of Finance introduced his estimates, he also brought down Bill No. 25. The same resolution that introduced the estimates into the House of Commons—which has always been adopted—covered Bill 25, which are the estimates in the new form submitted by the Department of Railways and Canals to cover the eastern lines. Therefore, these estimates are before this committee, and there is no objection whatever, if Sir Henry and his officials desire, to give us the proposed expenditure as far as eastern lines are concerned. There is nothing to prevent these estimates being brought down at the present time.

Mr. CHAIRMAN: I may say these have never yet been referred by the House to the committee.

Sir EUGÈNE FISET: And they will not be referred except in the form of a bill. These estimates were approved on the general resolution introduced by the Minister of Finance, when he introduced his Supply Bill, which is contained in the estimates. That is exactly what the Prime Minister stated yesterday in the House in answer to my question, that the estimates of the eastern division of the Canadian National Railways were before this committee, and therefore there was no objection whatever to our proceeding with it. Therefore, if Sir Henry can possibly give us in advance the requirements as furnished last year, as far as the eastern division is concerned—

The CHAIRMAN: All I can say in reply to General Fiset, is this, that the order of reference says that these amounts shall be referred to us, and as far as I know this has not yet been done.

Sir EUGÈNE FISET: The usual procedure in the past, sir, has been, the Minister of Railways introduced a resolution in the House, and that resolution was in the Supply Bill, the estimates, that was produced before the House and submitted to this committee informally. There is no other way. Once it has been considered in the House, it comes before the committee. This year the procedure is different, owing to this fact, the resolution introduced by the Minister of Finance provided for $68,000,000 for the whole of the capital expenditure of the Canadian National Railways for the present year. Secondly, the Minister of Railways has introduced a bill, and this bill was introduced in the form of a general resolution. I am not quite sure, sir, that we are in a position to discuss it, but that is what I want to find out?

The CHAIRMAN: I can only repeat what I said a moment ago, that last year it was ordered that the estimates of the Canadian National Railways, and Canadian Government Merchant Marine be laid on the table of the House, and that they be referred to the committee.

Sir EUGENE FISET: I quite agree, but what I should like to call your attention to is that the procedure this year is completely different from the procedure adopted last year. Last year the estimates were submitted to this committee in the form of estimates, and this year the estimates of the Canadian National Railways are submitted to this committee in the form of two bills. That is where the difference comes in; and one of the bills has been introduced on the general resolution when the Supply Bill was brought down by the Minister of Finance. That general resolution includes the estimates of the different departments. That is Bill No. 25, and it concerns the eastern division of the Canadian National Railways.

The CHAIRMAN: And you will remember at our first meeting the Minister of Railways told you he was waiting for the bill to get through in order to make this complete.

Sir EUGENE FISET: And another thing, sir, there are three different bills—

The CHAIRMAN: I am not going to make a decision that is going to put us in wrong. We were told by the Minister the other day that it was necessary to get the bill through the House. We have lots to do, and let us go on with the work we are doing and we will not lose any time.

Mr. HANSON: We have been assured that ultimately they will come before us.

The CHAIRMAN: Let us go on with the business we can legitimately go on with. I may be wrong, but I am acting in accordance with my advice.

Mr. FAIRWEATHER: The income statement of the Canadian National Railways, which is prepared in accordance with the accounting rules of the Dominion Bureau of Statistics, will be found on page 17 of the annual report, with supporting schedules of the detail of revenues and expenses on pages 18 to 22. The discussion of the income statement in this pamphlet follows the order of accounts as set out on page 17 of the annual report. Railway Operating revenues, Railway Operating expenses and Net revenue from railway operations are first discussed in a general way on pages 1 to 3 of this pamphlet, followed by a detailed analysis of the supporting schedules of revenues and expenses on pages 4 to 12. The more important items of the remainder of the income statement are discussed on pages 12 to 14.

Mr. HANSON: In reference to the statement in the first part of that paragraph, "the income statement of the Canadian National Railways, which is prepared in accordance with the accounting rules of the Dominion Bureau of Statistics." Is this new?

Mr. FAIRWEATHER: No, sir. May I explain?

Mr. HANSON: Do please.

Mr. FAIRWEATHER: The Dominion Bureau of Statistics has charge for the government of railway statistics of Canada, and they have adopted as their standard, for the preparation of statistics and results of operation the Interstate Commerce Commission method. The Board of Railway Commissioners also have accepted the Interstate Commerce Commission methods as being appropriate. It is just a question of the two bodies having done the same thing.

Mr. HANSON: Then, I am to understand, it really is the Interstate Commerce Commission system of accounting that you set out here?

Mr. FAIRWEATHER: Yes. That is clear to you?

Mr. HANSON: Yes.

Mr. FAIRWEATHER: The discussion of the items of the income statement for the eastern line appears on pages 15 to 18 of this pamphlet:

> Railway Operating Revenues, Railway Operating Expenses, Net Revenue from Railway Operations:
>
> Railway Operating Revenues of the Canadian National Railways for 1930 were $221,770,445, as compared with $267,993,497 in 1929, a decrease of $46,223,052 or 17·25 per cent. Railway Operating Expenses decreased $25,915,965 or 11·72 per cent, leaving a net revenue from Railway Operations of $26,510,938, as compared with $46,818,025 in 1929, a decrease of $20,307,087.

An Hon. MEMBER: You make a statement there that the railway operating revenues for 1929 are $267,993,000, whereas the 1929 report shows $259,878,000?

Mr. FAIRWEATHER: That is explained in the first paragraph. In 1930 the Central Vermont Railway has been included, and for comparative purposes the 1929 accounts have been restated to include it.

> The decline in railway earnings, which commenced in the fall of 1929, continued throughout the year 1930, paralleling the experience of practically all railways on the North American Continent. The extent

of this decline is strikingly shown by a comparison of the Canadian National with that of a number of the principal railroad systems on the North American Continent.

	Per cent Decrease in Gross Revenue 1930-1929
Canadian National Railways	17.25
New York Central Lines	18.75
Pennsylvania R.R.	15.86
Canadian Pacific Railway	14.94
Northern Pacific Railway	16.45
Great Northern Railway	16.63
Chicago & North Western Railway	15.96
Atchison, Topeka & Santa Fe Railway	16.48
Average of all Class 1—U.S. Railroads	16.00

An Hon. MEMBER: That includes the Canadian Pacific Railway and Canadian National Railway, that average.

Mr. FAIRWEATHER: No, they are not United States roads—that table simply indicates in a general way the decline in gross revenue was practically the same as most railways in North America.

Mr. KENNEDY: Was that fall in revenue general in all lines of freight?

Mr. FAIRWEATHER: Yes, I should say yes. The answer is in the affirmative but it calls for more data which will appear in this pamphlet.

An Hon. MEMBER: Would not the fall in transport in grain account most largely for your fall?

Mr. FAIRWEATHER: If you wait you will find that will appear later on.

Mr. DUFF: Before you go on could you give the percentage of decrease in revenue on the C.P.R. and Canadian National and the average on American roads?

Mr. FAIRWEATHER: That is what I am giving now. The decreased percentage on the Canadian Pacific Railway and the Canadian National and the average on Canadian roads. Do you mean to take the average of just the railways that have been enumerated?

An Hon. MEMBER: What is that of the C.P.R. and Canadian National?

Mr. FAIRWEATHER: They will probably come to the same thing.

Sir HENRY THORNTON: And this figure of 16 per cent average of all Class A railways in United States, and that includes all railways enumerated in the Table, and there are a number of others—we could have included them but it would take too long.

An Hon. MEMBER: What is that of the C.P.R. and Canadian National?

Sir HENRY THORNTON: The Canadian National is 17·25 and the C.P.R. 14·94.

Mr. DUFF: Do these figures include anything in connection with the Canadian Marine Service?

Mr. FAIRWEATHER: No.

Sir HENRY THORNTON: It shows the condition as prevalent all over the American continent.

Mr. FAIRWEATHER:

RAILWAY OPERATING EXPENSES

Every effort was made to reduce operating expenses, consistent with proper maintenance of the property, safe operation and adequate service. It was also essential to have a due regard to such factors as the future accumulation of deferred maintenance resulting from too drastic a re-

trenchment policy, the responsibility of the company with regard to service to the public at large and an obligation to a large number of old and loyal employees of the company.

Approximately 66 per cent of the total operating expenses vary directly with the traffic handled; it is apparent, therefore, that the reduction in expenses would not be as great as the reduction in revenues. With a decrease in revenues of 17·25 per cent, it might be expected that expenses would be reduced by 66 per cent of this decrease, or 11·4 per cent. Taking all factors into consideration, the reduction in operating expenses of 11·72 per cent may be considered satisfactory, particularly when compared with those of the other larger railways as follows:—

	Per cent Decrease in Operating Expenses 1930-1929
Canadian National Railways	11.72
New York Central Lines	14.53
Pennsylvania R.R.	12.73
Canadian Pacific Railway	15.69
Northern Pacific Railway	11.08
Great Northern Railway	12.43
Chicago & North Western Railway	12.31
Atchison, Topeka & Santa Fé Railway	10.05
Average of all Class 1—U.S. Railroads	12.83

NET REVENUE FROM RAILWAY OPERATIONS

With such a serious decline in gross revenues, it is to be expected that, even with a judicious curtailment of operating expenses, net revenue would be adversely affected. Here again the decrease in net revenue of the Canadian National, amounting to $20,307,087 or 43·37 per cent, is parallel to the experience suffered by other large railways on the continent, as indicated by the following:—

Mr. KENNEDY: Why is it possible for the C.P.R. for instance to reduce or decrease expenses to greater extent than the Canadian National railroad?

Sir HENRY THORNTON: The answer to that is this: The Canadian Pacific Railway has been established as a going concern and as a first class railway, and one of the justifiable boasts of the Canadian Pacific Railway has been that it has always maintained its property and its high character of maintenance that has continued for several decades. Consequently, and I am presuming this because I am not aware of the actual policy of the C.P.R., but consequently they have a much greater reserve in the condition of the property than we have and consequently when the time came to apply economies I suppose they felt they could take more out of their property and more out of their maintenance than we could on account of their condition.

Mr. HANBURY: The Canadian National Railway had continued in their service employees that the Canadian Pacific Railway had displaced?

Sir HENRY THORNTON: There again is a matter of policy. We have built a number of locomotives and freight cars in our own shop in order to give employment to our own men and who under ordinary circumstances we would have let out. I do not know whether the Canadian Pacific Railway followed that policy or not, but that is one thing we did. Another factor, and I say it quite frankly, we were owned by the government of Canada and to discharge a large number of employees would be merely to transfer the burden of their maintenance onto the community and then onto the province and then onto the government.

An Hon. MEMBER: That was the policy of the government in 1930?

Sir HENRY THORNTON: Yes. This depression in 1929 we saw coming, and I had to go to the government of the day and say we can do one of two things, to dismiss men and reduce our expenses or we can pursue a course of reasonable prudence to try as far as we can to keep those men at work without adding to our expense. After all the government of the day speaks for the people of Canada as to what course we should follow, and I was asked what course I would recommend and I said I thought the sound policy was to keep as many of our men in employment as possible without adding unreasonably to the expense of the company. How far that would go was a matter of judgment and for technical officers to decide, and that is the course we followed, and as I look back I think it is a wise course.

Mr. DUFF: Have you kept on the same rate of wages as last year?

Sir HENRY THORNTON: Yes. There has been a certain falling off due to the falling off in traffic.

Hon. Mr. EULER: Would you say relatively how they worked out?

Sir HENRY THORNTON: I cannot say that I could answer that—I do not want to say I am critical of the C.P.R.

Mr. HANSON: The C.P.R. reduction was 3·97. It is a well known fact when the grain crop was not going to move the Canadian Pacific Railway laid off every extra gang. And you have stated the policy of the Canadian National with the co-operation of the government made that difference of 3·9 per cent, that is due to the company holding that policy. Would that account for it?

Sir HENRY THORNTON: It measurably accounts for it but you have to take this into consideration, the Canadian Pacific Railway has large reserves of property, built up during a period of years, and they were in a position to use those reserves in whatever way they thought wise. But we had no reserves, and furthermore our accounts are subject to inspection and every detail of our expenditure as shown in our annual report is inspected.

Hon. Mr. EULER: All these figures of course are based on figures from your accounts, and are these accounts audited by independent auditors responsible to the government?

Sir HENRY THORNTON: Not these figures that we are giving in comparison with other railways—they have not been audited by outside auditors—they are figures from our own accounting department, but every item of our expense and every item chargeable to capital as shown in our annual report are audited by a firm of chartered accountants. I think every railway on the north American continent really do employ chartered accountants which certify to figures in their annual report, and these figures by way of comparison are drawn from their reports. Anyone can determine the correctness of these figures if they chose to question them.

Mr. HANSON: We are presuming that these figures are correct.

Sir HENRY THORNTON: We are proceding on the presumption that when a railway company presents a report that it is an honest report.

Sir EUGENE FISET: I take it that the figures you have with regard to United States are based on accounts audited by independent auditors—is the same thing true as regards the Canadian National Railway?

Sir HENRY THORNTON: They are audited by an outside firm of chartered accountants, George Touche and Co.

Mr. BEAUBIEN: Is the auditing given out by contract?

Sir HENRY THORNTON: It is given to outside firms.

Mr. BEAUBIEN: Is the difference much greater in manufacturing locomotives in your own shops than by giving the work out to others?

Sir HENRY THORNTON: No we are saving money by building them in our own shops, then you come to the question of how much is to be charged against plant and equipment. We already have plant and equipment and could not get rid of it, and it is better to make use of it, but as far as the actual cost of construction is concerned, I may say we are not suffering by building in our own shops instead of letting the work out. The reason we do not let the work out is that in times of great prosperity our shops are fully employed in repair work, but now comes a time when repair work has fallen off because we are not using the equipment as in times of prosperity and we have no repair work and we have to choose between dismissing those men or keeping them employed.

Mr. BEAUBIEN: In other words you are building locomotives at no greater loss than giving the work out by contract and at the same time you are keeping the men employed?

Sir HENRY THORNTON: That I think is a correct statement.

Mr. MCGIBBON: How many men are employed in this work?

Sir HENRY THORNTON: It is pretty hard to answer that question accurately—perhaps Mr. Hungerford could say?

Mr. HUNGERFORD: I do not think it possible to answer that correctly, because the men are employed partly on regular work and partly on repairs. We might get it from the wages list and that is all.

Sir HENRY THORNTON: I think what Mr. McGibbon wants to find out is, is a substantial amount of their time being spent on labour of this sort, and I should say yes.

An Hon. MEMBER: What has this capital expenditure to do with increased operating expenses?

Sir HENRY THORNTON: The capital expenditure only creeps into this in reference to the whole employment situation. Ordinarily there is a reason for a railway to build its locomotives by outside contracting firms. They buy a lot of material and we get the hauling of it, and even should it cost rather more it is a better proposition; but, in times of depression our feeling was to have regard for our men who were employed on the railway for 15 or 20 years.

The CHAIRMAN: Will any gentleman who wants to ask a question stand up? My reason for asking this is that when two men speak at a time, it is difficult for the reporter to get the names.

Mr. HANBURY: My point is in connection with the construction of engines, that would have no relation to these items I would say, if the difference in the ratio is to be explained it is the men employed on the right-of-way and maintenance rather than those engaged in the construction of engines.

Sir HENRY THORNTON: I do not know quite what you want to develop, but I think you are substantially right in what you say.

An Hon. MEMBER: Is it not true the policy of the Canadian National Railway is to employ men to build up your equipment?

Mr. BELL: Is it that during periods of depression the policy of privately owned railways is simply to employ men as they require them—is that true?

Sir HENRY THORNTON: I cannot speak for the policy of the Canadian Pacific Railway but all I can say is that here is a period of depression and unless we find work for our men they would be destitute and seeing it did not cost any more to build new cars in our own shops we thought we owed our first obligation to our own men.

Mr. HEAPS: They could have done the same thing as a private company and laid off large numbers of men from the Atlantic to the Pacific and possibly those let out would be a charge of the government and in this way it perhaps shows a larger expenditure.

Sir HENRY THORNTON: I can only explain that that represents the policy of the government and furthermore there is something to say in favour of trying to keep the shop-workers together instead of letting them scatter, and sometimes you cannot get them back when you want them.

Mr. FRASER: The primary object I take it is to effect repairs, and would not the construction of locomotives entail extra capital for extra machinery?

Sir HENRY THORNTON: I do not think so to any appreciable degree.

Mr. HACKETT: As suggested you say it would have an effect on the unemployment situation?

Sir HENRY THORNTON: I think so.

Mr. HACKETT: Is it conceded that this equipment is built in Canada and if built in your shops it displaces employment that would be given in other Canadian shops?

Sir HENRY THORNTON: That is undoubtedly the situation.

Mr. HACKETT: So it has no effect on the unemployment situation as a whole?

Sir HENRY THORNTON: Simply this, that we felt our first obligation was to be given our own men.

Mr. MCGIBBON: Rightfully or wrongfully it results in a decrease in the percentage?

Sir HENRY THORNTON: I do not know how the reports of the Canadian Pacific Railway were made up but the annual report of the Canadian Pacific Railway gives some details but not much, and I do not criticize them at all. But you must remember that company must have accumulated reserves and they are perfectly entitled to use those reserves in any way they like. We have no reserves. I do not know whether their accounts reflect the situation accurately or not but they had reserves and we did not.

Mr. MCGIBBON: They paid all operating expenses and paid 5 per cent on their capital.

Sir HENRY THORNTON: I do not know but presumably they did or they would not have paid a dividend.

Mr. BEAUBIEN: The question of making locomotives in your shops has not changed the unemployment situation. Take a shop here, if you had that somewhere else would not it have created a situation in Winnipeg where these men would not have gone?

Sir HENRY THORNTON: If you did not employ men at this Transcona Shop they would not get work at all.

An Hon. MEMBER: A good many of them could not move?

Sir HENRY THORNTON: A good many of them are moving on freight trains.

Mr. HEAPS: I might say that in 1929 or 1930 I was one of the delegates that went to the C.P.R. to ask that company to keep on men who otherwise would be recipients of public relief, and a large number did become recipients of help from the city of Winnipeg and the city of Winnipeg felt an injustice had been done the men and they billed that company for the relief given them.

The CHAIRMAN: It is now 1 o'clock. I have a telegram here from the Minister of Railways saying:

> Due to my brother's dangerous illness I cannot be at the meetings this week, but go ahead anyway and ask the Prime Minister to advance the bills to committee.

So I think I am still right in my contention. We will meet to-morrow at 11 o'clock but not on Friday.

The Committee then adjourned until 11 o'clock to-morrow.

WEDNESDAY, June 10, 1931.

The Select Standing Committee on Railways and Shipping met at 11 o'clock, a.m. Hon. Mr. Chaplin, the Chairman, presided.

The CHAIRMAN: I was waiting a moment for the Minister to come in, but he will be along later. We can start where we left off yesterday, which was in the analysis of operations on page two. I may say I have received a number of questions and if there are any more that members desire to ask, they may do so. If a member desires to ask a question, he has the right to do so. These questions will be tabulated for the next meeting, and I shall furnish the questions to the management and we will decide what ones will be answered, and what ones will not be answered.

Sir HENRY THORNTON: Mr. Chairman, we stopped yesterday at the end of the table at the bottom of page two, and if it is agreeable to you, we will continue with the paragraph at the bottom of page two entitled "Net revenue from railway operations."

Mr. FAIRWEATHER: With such a serious decline in gross revenue, it is to be expected that, even with a judicious curtailment of operating expenses, net revenue would be adversely affected. Here again the decrease in net revenue of the Canadian National, amounting to $20,307,087 or 43·37 per cent, is parallel to the experience suffered by other large railways on the continent, as indicated by the following:—

	Per cent Decrease in Net Revenue 1930-1929
Canadian National Railways	43.37
New York Lines	31.14
Pennsylvania R.R.	24.01
Canadian Pacific Railway	12.32
Northern Pacific Railway	31.05
Great Northern Railway	24.70
Chicago & North Western Railway	26.64
Atchison, Topeka & Sante Fe Railway	31.05
Average of all Class 1, U.S. Railroads	24.02

The comparatively larger percentage decrease in Canadian National net revenue is due to the operating ratio of the Canadian National being normally about ten points higher than the other railways. It is fundamental that the net revenue of a railway with a high operating ratio is much more vulnerable to declining traffic than one with a low operating ratio. For example, a railway with an eighty per cent operating ratio, which suffered a decrease of 15 per cent in revenues and the reduced expenses by 10 per cent, would experience a decrease in net revenue of 35 per cent. On the other hand, a road with a 70 per cent operating ratio and an identical percentage decrease in revenues and expenses would suffer a net revenue decrease of 26 per cent. It must not be assumed that the higher operating ratio of the Canadian National reflects a lower operating efficiency; the true cause is found in the considerably lighter density of traffic on the Canadian National, a generally higher price of materials, particularly of coal, with practically the same wage scale as the U.S. roads.

33542—5½

Mr. HEAPS: I wonder if we could have an explanation of the paragraph at the top, there?

Sir HENRY THORNTON: Yes. Excuse me. Were you going on, Mr. Heaps?

Mr. HEAPS: Yes. It states here, for instance, in the last part of the paragraph, "The true cause is found in the considerably lighter density of traffic on the Canadian National, a generally higher price of materials, particularly of coal, with practically the same wage scale as the U.S. roads." I would just like some one to explain to me what is meant by that sentence?

Sir HENRY THORNTON: The general statement is, that we pay rather more for most of the materials which we use, particularly coal than most railways with which we are making a comparison. Now I suppose you would like some detail as to just what that amounts to?

Mr. HEAPS: I would.

Sir HENRY THORNTON: Mr. Chairman, Mr. Vaughan, vice-president in charge of the purchasing and stores department is here, and perhaps he could give Mr. Heaps light on the question he has asked.

Mr. VAUGHAN: In comparison with the United States railways?

Sir HENRY THORNTON: Yes.

Mr. VAUGHAN: We do not pay any more in Canada than the Canadian Pacific Railway does, but nearly everything we use in Canada is based upon United States prices plus a certain amount of duty.

Sir HENRY THORNTON: That may give the impression that we are buying largely material from the United States. As a matter of fact, I think you will be able to say that we buy perhaps a great percentage from Canada?

Mr. VAUGHAN: Yes; ninety-five per cent of all material that we buy, outside of coal is manufactured in Canada. Coal is a big item and in the United States to-day you are able to buy coal for anything you want to pay for it, from ninety cents to one dollar and ten cents per ton, whereas in Canada we have to pay four times as much.

Mr. HEAPS: I did not quite get that last statement?

Mr. VAUGHAN: In Canada we have to pay three or four times what coal costs the railways in the United States.

Sir HENRY THORNTON: The average price of coal per ton paid by the United States railroads, class 1 railroads, with which we are concerned, is $2.34 a ton; the average price of coal to the Canadian National Railways is $4.31 a ton.

Mr. HEAPS: May I ask—

Sir HENRY THORNTON: That means a difference of $9,000,000.

Mr. HANBURY: Five million dollars?

Mr. MCGIBBON: This statement only applies to American roads, it does not apply to the Canadian Pacific Railway?

Sir HENRY THORNTON: I do not know what the price of coal on the Canadian Pacific Railway is. I can just say in making a general comparison with respect to the American railroads, that the comparison I have just given relates to American railroads only. I do not know what the average price of the Canadian Pacific Railway coal is.

Mr. VAUGHAN: It is approximately the same as ours.

Sir HENRY THORNTON: Have you any other questions, Mr. Heaps?

Mr. HEAPS: No, I think that answers the question.

Mr. BEAUBIEN: Would the freight haul on coal that you buy from the United States be higher on the Canadian National than it is on American roads?

Sir HENRY THORNTON: Let me see if I understand your question. Is your question this? Supposing, without regard to the employment of Canadian coal we bought our coal in the cheapest available market, what would be the difference in cost to the Canadian National? I cannot answer that off-hand, but we can probably have it for you. Can you get that for Mr. Beaubien, Mr. Vaughan?

Mr. VAUGHAN: Yes, we can. Generally speaking of course, we use a good deal of Canadian coal to our disadvantage so far as price goes; that is to say, if we used American coal in the same territory, we could save a great deal of money, but how much I would not care to answer.

Sir HENRY THORNTON: Can we get the answer to the question that has been asked even if only approximately?

Mr. VAUGHAN: Yes. Of course, the haulage on our line is a great factor and it would be a rather difficult question to answer.

Sir HENRY THORNTON: May I take a note of that question to see how nearly we can come to answer it?

Mr. HANBURY: Do I understand that considerable coal is imported from the United States into Canada for the use of the railways?

Sir HENRY THORNTON: Yes, in the central region last year we imported 2,319,000 tons of coal from the United States, roughly speaking, and that coal was mostly used, if not entirely so, from about Brockville to the head of the lakes.

Mr. BOTHWELL: How much coal did you use altogether?

Sir HENRY THORNTON: 4,728,000 tons.

Mr. VAUGHAN: I think that figure you gave includes American coal used on the United States lines as well.

Sir HENRY THORNTON: That figure I gave you includes also coal used on our lines in the United States. I have not got them separate, but I expect we can separate them.

Mr. VAUGHAN: The amount of coal used on Canadian lines imported from the United States was 1,658,992 tons.

Sir HENRY THORNTON: That is the answer to the question that you really want? Is there any other question?

Mr. GOBEIL: What is the explanation for the very high difference between the gross decrease in the gross revenues of the Canadian National Railway, 17.25 per cent and the Canadian Pacific, 14.94 per cent, with the net revenue decrease of 43.37 per cent in the Canadian National Railway, and 12.32 per cent in the Canadian Pacific Railway?

Sir HENRY THORNTON: May I just ask if you are referring to the table at the bottom of page two?

Mr. GOBEIL: At the head of page two.

Sir HENRY THORNTON: I think your question was what was the explanation for the decrease in net revenue of 43.37/100 on the Canadian National as compared with railways underneath; is that your question?

Mr. GOBEIL: No, not exactly, I meant what was the explanation for the difference between the Canadian National and the Canadian Pacific?

Sir HENRY THORNTON: In other words, our net revenue decreased 43.37/100 and the Canadian Pacific Railway net revenue decreased 12.32 per cent, and you would like to ask—

Mr. GOBEIL: Compared with the gross revenue, which is only two points.

Sir HENRY THORNTON: Why, the answer to that is this: the Canadian National Railway system as compared with the Canadian Pacific Railway, is relatively a new railway; it may be regarded in many respects as a develop-

ment railway, which is another way of saying that over a large part of our mileage, more particularly in the west, development has not grown up to the railway, which is just another way of saying that our density of traffic, that is, the gross revenue per mile is materially less than that of the Canadian Pacific Railway. I will just give you that figure in a moment. The traffic density on the lines of the Canadian Pacific Railway are about eleven per cent greater than on the Canadian National Railway. In other words, we have a larger mileage than the Canadian Pacific with less traffic per mile to our own, on the average. The most efficiently operated railway is obviously the railway with the least mileage and the largest traffic, and your potential efficiency always varies with the density of traffic.

Mr. GEARY: Would your line suffer from what I might call, lack of co-ordination of those different parts, to-day?

Sir HENRY THORNTON: Well—

Mr. GEARY: To the same extent as formerly?

Sir HENRY THORNTON: Well, I think you referred to that two or three years ago, if I remember correctly; and it is a fact that the Canadian Pacific Railway from its inception to the present day was built as one integral unit, each addition to the property was added for the purpose of supporting and contributing to the whole, and it represents to-day a skilfully laid out system to operate as efficiently as possible. The Canadian National Railway system, on the other hand, represents a combination of the old Grand Trunk system, the Intercolonial, the Transcontinental, the Grand Trunk Pacific, and the Canadian Northern. In most cases, those railways were built—

Mr. GEARY: None of which was built to function with the others?

Sir HENRY THORNTON: In most cases those railways were really built originally to compete with each other instead of to support each other, and that always creates a difficult situation, and one which is not conducive to efficient operation. In time, as population is added to the country, and as traffic increases and the country develops, that will become a vanishing factor.

Mr. HANBURY: There must be some justification for the importation of such large quantities of coal into Canada when we have coal mines that are not able to operate through lack of business. I should like very much to know that?

Sir HENRY THORNTON: That is again a matter of drawing the line between how much we are going to add to our expenses to use nothing but Canadian coal, and how much we are going to reduce our expenses by importing coal. There are two schools of thought, probably one extreme is that we should exclude all foreign coal and use nothing but the Canadian product. If we did that it would add several million dollars to our expenses. On the other hand, if we went to the other extreme and bought our coal in the cheapest market, we would probably save several million dollars, but again it would result probably in bringing a great deal of distress to our Canadian mines that are already open. Generally speaking, the policy of the company has been to use coal mined in the Maritimes as far west as Brockville or thereabouts. Through Ontario, from Brockville to the head of the lakes, and sometimes, but not frequently, as far west as Winnipeg, to use coal which comes from the United States, short haul coal from the coal fields of Pennsylvania and Virginia into Ontario. From the head of the lakes or Winnipeg west to Edmonton or Jasper we use exclusively western Canadian coal. From Jasper to the Pacific coast we use a combination of fuel oil and coal. Now then, that is the policy that we have followed. It may be attacked from either point of view; it depends upon what your view is. As far as the railway management is concerned, we felt that in pursuing the policy that I have outlined in using Canadian coal within the areas that I have named, we were probably pursuing a course which was reasonable from every point of view.

Mr. HANBURY: Do you know if the Canadian Pacific Railway also imports large quantities of coal?

Sir HENRY THORNTON: I do not know. Mr. Vaughan, do you know?

Mr. VAUGHAN: Yes, they do. I do not think they use the same quantity of Canadian coal that we do, particularly in regard to Nova Scotia coal, because they do not serve the Nova Scotia mines.

Mr. HEAPS: May I ask if the figures that were submitted were those of the Canadian lines and did not include consumption of lines in the United States?

Sir HENRY THORNTON: The figures I gave you, in which I said we bought 2,319,000 tons of coal from the United States included coal consumed on our American lines.

Mr. HEAPS: It figured out to 600,000—

Mr. VAUGHAN: We bought last year in the United States, 1,658,992 tons of coal for Canadian lines.

Sir HENRY THORNTON: That is really the point Mr. Heaps wants, I think.

Mr. HEAPS: Yes.

Mr. VAUGHAN: And we used 2,400,000 tons of Canadian coal.

Sir HENRY THORNTON: Does that answer your question, Mr. Heaps?

Mr. STEWART: From what part of the country do you get this western coal?

Sir HENRY THORNTON: Mostly Alberta.

Mr. STEWART: What part?

Mr. VAUGHAN: It comes from Alberta, some comes from the Mountain Park Coal Company, the Cadomin Coal Company,, the Luscar Collieries, the Sterling Coal Company, the Coal Valley Coal Company, and the Brazeau Collieries.

Mr. STEWART: You get none from southern Alberta?

Mr. VAUGHAN: None whatever.

Sir HENRY THORNTON: May we go on, Mr. Chairman?

Mr. HANSON: Before you leave the coal question, are you still operating that mine in Ohio?

Sir HENRY THORNTON: Yes.

Mr. HANSON: What does it cost you per ton to raise that coal as compared with the market price of coal in the United States?

Sir HENRY THORNTON: I think that perhaps in that connection you might like a general statement, or the committee might like a general statement with respect to what is known as the Rail and River Coal Company, if so, I would be glad to give it.

Mr. HANSON: I personally do not care, but I know there are members who do care.

Mr. VAUGHAN: Mr. Smith asked some questions in the House the other day and it was replied to very fully.

Mr. HANSON: I understand you did not tell him the price per ton.

Mr. VAUGHAN: Yes, sir, we did.

Mr. SMITH (*Cumberland*): In that connection I might say I am the person referred to, and those questions were not answered fully in my judgment, and I certainly would appreciate a statement from the president?

Sir HENRY THORNTON: Many years ago, the Grand Trunk Railway purchased what is known as the Rail and River Coal Company property, which is situate in South Eastern Ohio. That purchase was made for the purpose of bringing the coal supply and the price paid for that supply by the Grand Trunk Railway Company—

Mr. HEAPS: What year was that, Sir Henry?

Sir HENRY THORNTON: It must have been prior to 1911.

Mr. GALLOWAY: About 1908.

Sir HENRY THORNTON: These mines were bought for that purpose. I understand that the Grand Trunk company suffered materially, prior to 1908, because of the price of American coal that they were using, and also to ensure themselves getting an adequate coal supply to protect themselves they bought this property. Now, that may have been a wise policy for a private company at that time. Since I have been familiar with the Canadian National Railway system, we found this property on our hands. For a time it was closed down. The last few years the price of coal and the supply of coal in the United States has steadily decreased so that at the present time there is really no strategic reason for the retention of the company by the Canadian National Railway system, and the administration of the Canadian National system would have been glad to sell the property, and in fact, made some effort to do so, but because of the general depreciated price of coal in the United States, coal mining properties were not profitable, and consequently it was impossible to dispose of the property excepting at great sacrifice, which I did not feel we were justified in accepting; but so far as we were concerned, and so far as the administration of the Canadian National Railways goes, we would be perfectly willing to get rid of that property at any time we can come somewhere near getting our money out of it. Now, having the property—

Mr. HANSON: How much was the capital investment in the property?

Sir HENRY THORNTON: Do you know, Mr. Galloway?

Mr. GALLOWAY: No, I do not know. Something over a million dollars.

Sir HENRY THORNTON: More than that. However, having the property, we concluded that the only thing to do was to try, as long as we had to buy a certain amount of coal in the United States for use in Ontario, and use the coal. We thought that it was better to make such use of that property as we could; and that represents how we got the Rail and River Coal Company, and why we are using it.

Mr. HEAPS: Is it an economically operated mine?

Sir HENRY THORNTON: The cost per ton of coal raised by the Rail and River mine, is, all charges included, $1.26 per ton. I think, Mr. Heaps, that is the figure you wanted, is it not?

Mr. SMITH: Will Sir Henry— if I may be permitted, Mr. Chairman, to speak, I am not a member of the committee—

The CHAIRMAN: You are permitted to ask questions.

Mr. SMITH: What I want to ask Sir Henry is this; you informed us the cost of a ton of coal was $1.80—

Sir HENRY THORNTON: $1.26.

Mr. SMITH: Whatever it is.

Sir HENRY THORNTON: Very close to $1.26 per ton.

Mr. SMITH: Does that include all the charges and all the costs of the outlays in connection with the operation of this mine?

Sir HENRY THORNTON: That includes all costs of all sorts.

Mr. SMITH: Including money that has to be paid by the Canadian National Railways for periods of idleness? According to the terms submitted it has cost the Canadian National Railways as high as $350,000 in one year for periods of idleness in connection with this mine.

Sir HENRY THORNTON: That includes all costs. In the last year the Canadian National received from this mine 1,697,400 tons of coal, and the cost, including overhead, and all other proper charges which belonged to that year was $1.26 per ton.

Mr. HANSON: You raised all the American coal you imported. Then, the figures are the same, one million and something?

Sir HENRY THORNTON: The investment in the Rail and River Coal Company is $2,080,000.

Mr. SMITH: If the mine was only operating two or three months, or did not work two or three years, the average would be a little higher?

Sir HENRY THORNTON: Of course, sir, if we were not raising any coal. Yes, certainly, if we were not raising any coal in any one year, of course, the cost per ton would be something enormous.

Mr. SMITH: In that connection, Sir Henry, the statement that is made as to the actual cost of the coal considering all charges—

Mr. HEAP: In each year?

Mr. SMITH: —over a term of years or each year is what you have given us, is it? Could you give us the average for the last five years, sir?

The CHAIRMAN: I understand what is worrying you is this: you want to know, Mr. Smith, how those charges of $1.26 are made up, whether there is any capital charge in there for interest on investment, for example.

Sir HENRY THORNTON: That figure which I gave you of $1.26 per ton in 1930 includes all charges, capital, interest on capital, and everything else which properly enters into the cost of a ton of coal in that year.

Mr. HANSON: For that particular period?

Sir HENRY THORNTON: For that year.

Mr. VAUGHAN: That item also includes depreciation and every conceivable item which could be legitimately charged.

Mr. HANBURY: Have you the same information for the last five years?

Sir HENRY THORNTON: We have not got it, but we can get it.

Mr. HANBURY: I think that is Mr. Smith's question.

Sir HENRY THORNTON: We can get that. I do not happen to have it available at the moment, but it can be secured.

Mr. HEAPS: Is it a non-union or union mine?

Sir HENRY THORNTON: The situation there is this: there was a strike some years ago, I do not quite remember the year, in the coal fields of the United States, and in this south eastern Ohio or Cambridge field, and we, of course, found our mines closed. We had nothing to do with the strike; it was a movement which was started by other miners, and all the miners went out. The mines were closed for some time, and there was a good deal of distress in the field, and a number of the mine owners of that area offered their miners work provided, as I understand it, they would sign an agreement upon returning to work that they would accept mine owners' wages, current wages in the field, and also obligate themselves not to associate themselves with any other unions. A number of mines were opened under those conditions, and we remained closed. Finally, a number of our men came to us and asked us if we would re-open. We said, "Yes, we would re-open, and we would pay the current rate of wages in the field." We asked them to make no commitments whatever with respect to their trade unions and as far as I know each man may or may not belong to a union. At any rate, we offered no objections at all, and imposed no obligations upon any of our men returning to work with respect to their association

with any unions. Now, I believe I am right, Mr. Galloway, in saying that in the last year, the mine owners in that area have still further reduced their wages, but we have made no reduction?

Mr. GALLOWAY: We made a reduction a few months ago.

Sir HENRY THORNTON: We kept pace with the going rate in the field.

Mr. GALLOWAY: That is right.

Sir HENRY THORNTON: As far as we are concerned, we do not care whether our men belong to unions or not. I have no objection to it whatsoever, and we impose no limitations.

Mr. HANSON: I gather from what you say that a man may or may not be a unionist, he is not obliged to belong to any union—

Sir HENRY THORNTON: He can do what he likes.

Mr. HANSON: It is an open shop, so to speak?

Sir HENRY THORNTON: Precisely.

Mr. HEAPS: Have you a comparison of the wages paid the men there with the wages paid men in this country?

Sir HENRY THORNTON: Was your question Mr. Heaps concerning wages paid in other parts compared with those in Canada. I may say I have not got that but at the present time we are paying a basic rate of $4.00. In fact, all the mines in that region you refer to are paying a $4.00 basic rate. Now, there are some mines in south Eastern Ohio, the Sauters Coal Company, and others, that are paying from $3.20 to $3.60 a day—those mines are a little further north than some of the others. Does that give the information?

Mr. HEAPS: In part only. I do not suppose you have the information there, but I would like to get the wages paid in the mine?

Sir HENRY THORNTON: We can get that.

Mr. HEAPS: Your statement is, it is comparable with your competitors in the same district?

Sir HENRY THORNTON: Yes, and the only difference is we impose no limitations with respect to membership in trade unions.

Mr. GEARY: You gave it that $1.26 is an economical operation—in other words—you could buy the coal from some person more cheaply?

Sir HENRY THORNTON: Possibly we could.

Mr. GEARY: What is the average cost every year?

Sir HENRY THORNTON: I may say, Col. Geary, the cost of coal varies in different districts, depending on the labour charges and facility of mining. Those figures here compare favourably with cost of mines in the district.

Mr. GEARY: That is not the point—can you buy it cheaply or get it as cheaply from your own mine as you could obtain it from another?

Mr. VAUGHAN: I do not know whether this should go on the record but I may say we do not use all our coal—we sell some coal to the Pennsylvania and the Baltimore and Ohio for 20 and 30 cents more than it costs us.

Mr. GEARY: I am only wanting to know whether it is worth retaining this mine even at a sacrifice?

Sir HENRY THORNTON: If we could come near getting our money out of this mine by selling it we ought to sell it, but the trouble is coal mines are so unremunerative and the coal business in the United States at present is in such a chaotic state that it is almost impossible for any operator to get his money out of his mine. I believe if we could get our money out of this mine we ought to sell it, but I have not been able to get a purchaser to come anywhere near the specification.

Mr. GEARY: In operating it from a business point of view, do you think you are doing the proper thing?

Sir HENRY THORNTON: Yes, we are getting more money out of it than if we were to sell it at present.

Mr. CANTLEY: I understand the figure of $1.10 is stated to include such charges as depreciation in machinery and so on—can you give the figures written off in respect to depreciation and amortisation?

Sir HENRY THORNTON: I can get it. You wanted a statement of how much is written off for depreciation of plant and exhaustion of mineral—for during what period?

Mr. GEARY: Give the figures for last year.

Mr. FAIRWEATHER: Depreciation $83,453 and amortisation, $41,009—total, $124,462.

An Hon. MEMBER: What does amortisation mean?

Mr. FAIRWEATHER: Amortisation means the depletion. It is worked out at 2·2 cents per ton.

Mr. CANTLEY: What is the total quantity of coal in that property?

Mr. VAUGHAN: There are 30,000 acres there—around 180,000,000 tons.

Col. GEARY: How much is taken out a year?

Mr. VAUGHAN: There was 1,856,000 tons taken out last year and there are 175,000,000 tons left on the property.

Mr. HANSON: You must have had that figured out?

Sir HENRY THORNTON: We have it all here but it is just a little hard to answer offhand. The charge to depreciation and amortization is worked on a general accepted formula, and there is a very large amount of coal left on the area.

Mr. STEWART: Do I understand the policy of the railway is that they will not purchase coal from any part of the country that is not served by the railway. There is a shorter haul to Calgary than the north, and we want to get an opportunity of providing that coal.

Sir HENRY THORNTON: We have certain mines on our railways and naturally we take as large a proportion of their output as we can and if we did not do so it would cause a great deal of distress to the mine. The Canadian Pacific Railway pursue the same policy.

An Hon. MEMBER: I am speaking of the Canadian Pacific Railway too.

Sir HENRY THORNTON: If we pursued the policy of buying coal from all over Canada irrespective of having it on our own railway we would find our own mines that are naturally looking to us for orders in a very bad financial condition. I do not know of any other answer to that, for we would also have to pay a freight charge to the C.P.R. for every car of coal we bought on other mines.

An Hon. MEMBER: Supposing you could lay down coal cheaper in Calgary, what objection would there be to giving the people not served by your railway an opportunity of getting back some of the taxes they are paying?

Sir HENRY THORNTON: The answer is that our job is to look after our own mines and our own shipping first. If we pursued any other policy we would not get anywhere.

Mr. HANSON: Is there any complaint about that policy?

An Hon. MEMBER: Why not be relieved of paying taxes?

Sir HENRY THORNTON: I think everybody would be glad of that. I do not know of any other way of handling it and if we pursued a different policy we would be in hot water.

An Hon. MEMBER: In the interests of the country at large and considering the competitor's point of view, could not there be an exchange in the matter of coal?

Sir HENRY THORNTON: I do not think they would bite at that—at least, I would not.

Mr. VAUGHAN: We do not use much coal in the southern field and in the cost of coal we would have to pay freight to the C.P.R. and it is questionable whether the cost is any less at Calgary anyway. You do not think the C.P.R. buys coal from our mines when we have mines on our lines near Edmonton.

Sir HENRY THORNTON: It has been the policy of both companies and I do not see why there should be any departure from it.

Mr. FAIRWEATHER:

> The difference in traffic density is strikingly shown by the following comparison for the year 1930;—

	Canadian National Railways	Class I U.S. Roads
Freight—Ton miles per mile of road (thousands)	829	1,758
Passenger—Passenger miles per mile of road (thousands)	50	112

Sir HENRY THORNTON: That means that the traffic density of the Class I railways of the United States is more than twice that of the Canadian National.

Mr. GEARY: What would account for the lesser traffic density?

Sir HENRY THORNTON: I would say it would mostly result from mileage built in the west and on the transcontinental.

Mr. GEARY: I would say the transcontinental must have a very low density.

Sir HENRY THORNTON: Yes, quite a low density.

Mr. HACKETT: Before we take up the question of railway operating revenue I would like to ask Mr. MacLaren—Mr. Euler said yesterday:—

> The statement was made in the House that if you disregarded the interest on the amount which had been advanced that the average deficit of eight years was about $12,000,000—is that correct?

and Mr. MacLaren answered that the income loss for that period was $85,854,-568.72, a little over $10,000,000 of an average per annum,—now my question is this—has he taken into consideration in the first place the debit on eastern lines.

Mr. MACLAREN: No, only up to June 30th, 1927.

Mr. HACKETT: And what is the deficit up to that time.

Mr. MACLAREN: The deficit up to that time, excluding government interest, $18,148,950.52.

Mr. HACKETT: Will he also state what portion of a greater amount than $85,000,000 to which he made reference was charged to profit and loss?

Mr. MACLAREN: $7,268,796.33.

Mr. HACKETT: So, therefore, the deficit for those years including the item you gave is over $110,000,000?

Mr. MACLAREN: $111,272,315.57.

Mr. HACKETT: And that is after deducting the interest on the public debt of the country?

Mr. MACLAREN: That is right.

Mr. FAIRWEATHER: Railway operating revenues read:—

> Turning now to a more detailed analysis of Railway Operating Revenues, the monthly variations and decreases in 1930, as compared with 1929, were as follows.

Sir HENRY THORNTON: I do not think you need to read that long item, it sets out the comparison of operating revenue each month for the past year. You might read the totals.

Mr. FAIRWEATHER: A comparison by Principal Revenue Accounts is as follows:—

	1930	1929	Decrease Amount	Decrease Per cent
Freight	$ 163,859,421	$ 199,803,829	$ 35,944,408	18.0
Passenger	27,536,654	33,125,162	5,588,508	16.9
Mail	3,085,854	3,159,663	73,809	2.3
Express	11,488,177	13,531,364	2,043,187	15.1
Telegraphs	5,254,798	6,122,152	867,384	14.2
Other Revenues	10,545,541	12,251,327	1,705,786	13.9
Total Revenue	$ 221,770,445	$ 267,993,497	$ 46,223,052	17.2

Sir HENRY THORNTON: You might just read the decreases.

Mr. FAIRWEATHER: All commodity groups showed substantial decreases in tonnage carried, as indicated by the following:—

	Tons Carried 1930	Per cent of Total	Decrease from 1929 Tons	Decrease from 1929 Per cent
Products of Agriculture	9,525,801	18.90	906,122	8.7
Products of Animals	1,157,470	2.30	261,215	18.4
Products of Mines	17,806,952	35.32	4,862,974	24.7
Products of Forests	6,883,454	13.65	2,257,658	24.7
Products of Manufactures and Miscellaneous	15,038,371	29.83	5,141,653	25.5
Total	50,411,048	100.00	13,429,622	21.0

Mr. HANSON: Is it intended that we should discuss these at the end of this heading or as we go along?

The CHAIRMAN: It is up to you.

Mr. HANSON: I have no desire one way or the other, but I think there should be some discussion. It is a rather appalling situation to me and I am sure it is to the management.

Mr. FAIRWEATHER:

Details of the figures shown above will be found on pages 32 and 33 of the Annual Report.

Although there was a decrease in products of agriculture generally, Grain handlings on the Western Region showed a slight increase, the comparative tonnage being as follows:—

	1930	1929	Increase Amount	Increase Per cent
Grain Tonnage	4,323,699	4,223,803	99,896	2.4

Mr. GEARY: That is a surprise to me. You will remember the 1929 crop did not move. It moved during 1930 and you actually handled more western grain in 1930 than the year before and you are getting the same price per ton as you did the previous year.

Sir HENRY THORNTON: That is right. We are only discussing grain handled from the western region.

Mr. KENNEDY: There was only half a crop in western Canada in 1929.

Mr. GEARY: I am only speaking of the revenue decrease on freight handled in 1930—but what of the falling off in grain?

Sir HENRY THORNTON: There was a very heavy decrease in grain movement in Eastern Canada.

Mr. HANSON: All over. It began in the fall of 1929 as I recollect.

Sir HENRY THORNTON: You mean the depression?

Mr. HANSON: The failure to move the grain crop commenced in 1929.

Sir HENRY THORNTON: That is right.

Mr. HANSON: When you say East, what do you mean?

Sir HENRY THORNTON: I mean East of the head of the lakes.

Mr. GEARY: If your Western grain increased in movement your decrease East of the Lakes would not affect the Western grain?

Mr. FAIRWEATHER: A decrease in Eastern Canada of 638,000 tons of grain. I may say in 1930 the water borne movement of grain was more prominent than on the railway.

Mr. HANSON: What about the movement West to the Pacific? That increased.

Mr. FAIRWEATHER: Yes, West of the Great Lakes the grain had to move by rail and we participated in that movement, but once it got to the Great Lakes they had the option or choice to move it by water to Montreal or to the Georgian Bay ports, and then by rail. In 1929 there was a decrease in movement from Georgian Bay ports, because shippers found they could get cheaper movement by water.

Mr. BURNAP: The grain tonnage for the company was 327,883 tons less than in 1929, a decrease of 2·96 per cent.

An Hon. MEMBER: What would that amount to in money or decrease in revenue?

Sir HENRY THORNTON: We could probably work that out if you like.

Mr. GEARY: The point I am making is that West of the Great Lakes the revenue during 1930 did not suffer owing to the non-movement of grain?

Sir HENRY THORNTON: That is true, and if the general freight movement and the pasenger service had reasonably kept up in the Western region it would have been on a favourable comparative basis with the previous year.

Mr. GEARY: And as a matter of fact the products of manufacture decreased 25 per cent?

Sir HENRY THORNTON: That is right.

Mr. GEARY: You suffered in your revenue east of the Lakes by reason of water borne transportation?

Sir HENRY THORNTON: Yes, we come directly in competition there and the rates suffer there and the volume of business suffer and the competition is more severe.

Mr. GEARY: It is not a bogey. It is a real factor?

Sir HENRY THORNTON: Yes, and everybody recognizes that.

Mr. GEARY: But the fact is that everybody does not recognize it.

Sir HENRY THORNTON: They ought to at any rate. However your statement is correct.

Mr. GEARY: It is a factor—a real factor?

Sir HENRY THORNTON: Yes, it is.

Mr. MCGIBBON: Would not it be accounted for by a larger amount of grain held over from 1929 to 1930?

Sir HENRY THORNTON: We all know that unfortunately the grain crop in 1929 did not pursue its normal course that year and unquestionably what failed to move in 1929 certainly was held over until 1930 and moved in that year.

Mr. HANSON: Or partly moved?

Sir HENRY THORNTON: Yes.

Mr. BELL: Have you the figures about competing lines?

Sir HENRY THORNTON: No, we have not, Mr. Bell.

Mr. GEARY: With the products of manufacturers decreasing by 25 per cent was involved some Western movement of manufactured products, but does the shipment to the West of manufactured goods take up enough space to provide empties to carry the grain East?

Sir HENRY THORNTON: Oh no, the troubles with the grain movement is this, first it is a seasonal movement, and second a one-way movement and in the third place we have to begin quite early in summer to distribute our cars to the various stations in the West. We have to guess at what the crop will be and we are generally wrong for it is pretty sure to be the opposite to what we prepare for.

Mr. GEARY: You should prepare for it the other way and then you would be right.

Sir HENRY THORNTON: We have not got to that degree of blessedness yet, but you have a large amount of equipment and material idle until the grain moves, and it is a one-way movement, the cars have to be moved back for the next crop.

Mr. HANSON: Having regard to these factors are the present grain rates adequate?

Sir HENRY THORNTON: Well, can a duck swim? It depends on how you look at it. If you are looking at it from the point of view of railway revenue and you are simply separating the railway from the rest of Canada and regarding it as a business enterprise, the freight rates on grain are too low.

Mr. HACKETT: How do they compare with the rates in the United States?

Sir HENRY THORNTON: They are about 25 per cent lower than in the United States. I think I am safe in saying this, that general freight rates on Canadian railways are about 10 per cent lower than the general run of freight rates in the United States. We made an estimate of that some time ago.

Mr. HACKETT: In your testimony two years ago you said 15 per cent.

Sir HENRY THORNTON: Something like that.

Mr. HACKETT: How much lower are they in regard to grain, which is the principal source of revenue from the West?

Sir HENRY THORNTON: Why, the general situation with respect to grain rates is this: our rates in Canada are approximately—and I can only speak from approximate figures, but I am not far wrong—about 25 per cent lower than they are in the United States for the same distance.

Mr. HANSON: With regard to grain?

Sir HENRY THORNTON: Grain. You asked a question about grain.

Mr. BEAUBIEN: Is it not a fact that the earnings of the railway companies in Canada increase tremendously in the months of grain movement?

Sir HENRY THORNTON: Oh yes.

Mr. BEAUBIEN: And is it not a fact that the operation of the western lines, where the bulk of the grain comes from, is cheaper, and also that there is less capital invested than there is in the eastern lines?

Sir HENRY THORNTON: Well, I do not think that that question can be answered immediately by "yes" or "no". I think probably if you took the total capital investment on the lines east of the head of the lakes, it would be rather more than west of the head of the lakes, but I am just speaking off-hand.

Mr. BEAUBIEN: The impression seems to be going around the country that the railway companies are hauling our grain for nothing.

Mr. HANSON: No.

Sir HENRY THORNTON: No.

Mr. BEAUBIEN: Or hauling it below the cost of hauling.

Mr. HANSON: No, nobody said that.

Mr. BEAUBIEN: Are not hauling it on a profitable basis, put it any way you like.

Sir HENRY THORNTON: Well—

Mr. BEAUBIEN: I would like this impression to be broadcast in Canada that I know by my information and the report of the railway companies for the last two years that the net revenues on western lines through the hauling of grain, have been greatly augmented, and it has been of great benefit to the Canadian National and the Canadian Pacific.

The CHAIRMAN: The earnings are always better when the crop is large.

Mr. BEAUBIEN: Another point I want to make is this; that from 1923 on, until the depression came along in eastern Canada, and of course western Canada contributed a certain amount, that the revenues of the railway were tremendous; that the Canadian Pacific Railway had made the largest revenue in its experience, due to the—

Mr. HANSON: In volume.

Mr. BEAUBIEN: In volume, if you like. I would like that impression to be broadcast in Canada.

Mr. MCGIBBON: Sir Henry—

Sir HENRY THORNTON: May I just answer my friend. I do not want to be drawn into any discussion as to whether grain rates should be higher or lower. The question asked me was simply this; whether I thought grain rates were too high or too low.

Mr. HANSON: Relatively.

Sir HENRY THORNTON: I say it depends upon the point of view. If you are going to separate the railways themselves from all the rest of Canada and regard them as simply a business enterprise, no freight rate is sufficiently high; you naturally want to get everything you can. Now, when you come to consider the grain rates which are charged on the movement of grain, you have got to take into consideration whether or not the crop can be successfully marketed by the purchaser; and the plain fact is that it does not make any difference what the freight rate is, the western grain crop in the interests of the whole of Canada has to be profitably or at least, ought to be, profitably sold.

Mr. BEAUBIEN: May I ask you—

Sir HENRY THORNTON: All these questions have been determined by the Railway Commission. I want to make my position quite clear. I am not attacking in any way the present rates or anything at all, I am just answering that bare question.

Mr. BEAUBIEN: Perhaps we can get it this way. Are the railway companies hauling the grain from western Canada at a loss?

Mr. HANSON: Nobody ever said they were.

Mr. BEAUBIEN: It has been repeated in the house time and time again.

Mr. MCGIBBON: Perhaps I can throw a little light on that. About 1923, or 1924, along somewhere in that period, there was a question asked by Sir Henry Drayton that was answered in the House of Commons, and it was disclosed that there was an adverse ratio on the return of grain. I am just mentioning this. I have no side in the matter, but that statement was made in parliament, you will find it on Hansard. I think that accounts for what Mr. Beaubien says has been stated in the House of Commons. It was an official report presented to parliament on a question put by Sir Henry Drayton. It may be wrong; I am not arguing that point. It came from the Minister of Railways. I am not arguing whether it is right or wrong, but that may explain the impression that has got around.

Sir HENRY THORNTON: It is a very difficult thing to determine, because so many factors enter into the movement of traffic. For instance, if you have a load movement in one direction, and an empty movement in the opposite direction, and the cars are moving empty any way, you can have a profit maybe on a load, which you would not have under other circumstances; and when you come to say precisely what the cost of movement of a ton of freight is, or any commodity from one place to another, there are so many factors that enter into it, that you cannot make a general statement.

Mr. BEAUBIEN: You stated here yesterday, and I think you repeated it to-day, that certain lines were profitable. Have you a separate account on the different regions of the railway?

Sir HENRY THORNTON: No, I do not think I made that statement; I do not think I made that statement.

Mr. HANSON: He did not go that far.

Mr. BEAUBIEN: May I ask this question right here; do you keep separate accounts of the different regions of the railway?

Sir HENRY THORNTON: Yes, we have them.

Mr. BEAUBIEN: Can you not ascertain whether the movement of grain is profitable or not under the present rate?

Sir HENRY THORNTON: Yes, of course, we can answer that question approximately, but I have just tried to explain to you that it is an impossible thing to determine the cost of moving a ton of freight. You have to take into consideration all the factors that surround that particular movement.

Mr. NICHOLSON: I would like the privilege of asking Sir Henry Thornton a question in regard to that, which I think would clear up in some degree the discussion. Is it not true in the operation of your railways, there are very heavy operating expenditures involved in moving your cars to the west, in repairing your cars, and maintaining contractors in providing motive power and everything else that is necessary to move the grain crop that is charged in during the period that you are moving the grain crop actually, or during the period that these charges are actually made up?

Sir HENRY THORNTON: Yes.

Mr. NICHOLSON: The point I want to make is this: the operating ratio drops during the actual months that the grain is being moved, which is due to the fact that all of the costs involved in moving the grain are not incurred at that time?

Mr. BEAUBIEN: You cannot segregate the figures of the two or three months in which there is the heaviest grain movement.

Sir HENRY THORNTON: Quite so, that does not include all the expenses which have been involved by that movement. But I will say quite frankly here, without any hesitation whatever, that if it were not for our grain movement, we would be in a sad state financially, and that was illustrated vividly in 1929 when the grain failed to move. That was really, as far as the railways are concerned, what put us on the toboggan, so to speak, and I do not want anyone to assume anywhere in Canada that the railways fail to appreciate, or in any way want to get rid of the grain movement.

Mr. HANSON: All you said, Sir Henry, was that relatively it was a lower rate, and was less profitable, than the movement of other merchandise?

Sir HENRY THORNTON: It is a less remunerative business.

Mr. HANSON: I should like to say, in justice to the railways that parliament created that condition in 1922, and 1924, in its wisdom, rightly or wrongly, and we are bound by it, and nobody as far as I know has been—

Sir HENRY THORNTON: A railway is a good deal like a department store, you have got to sell all kinds of things; you may lose money on the sale of hairpins, and you may make it on the sale of neckties and handkerchiefs, but you have got to have a fully equipped shop, and sell whatever anybody wants to buy. In a railway you have to move all kinds of business that turns up, and you have to apply that rule to the movement of all business, and to that businesss generally which in the last analysis, best promotes the interests of the country.

Mr. BEAUBIEN: There was a statement made in the House last Friday to the extent that the Canadian National Railway company was in a bad state, and so forth, and probably a rate reduction or a wage reduction would be—

The CHAIRMAN: A rate increase.

Mr. BEAUBIEN: Or a wage reduction would be in order. The reason why I raised this point is that the statement was made that the freight rate on grain in Canada is 25 per cent less than on the United States railroads.

Sir HENRY THORNTON: Yes.

Mr. BEAUBIEN: The reason I raised the point and asked the question, was to try to establish that the hauling of grain in western Canada under the present rate was profitable to the railway companies. The understanding I have of the operations is this, that you haul 55 or 60 cars to Fort William and Port Arthur; that you gather your cars from your different feeders, and take them to one spot and that you make a train and carry right through to Fort William. Is not that a profitable business for the railway company, operating in that way?

Sir HENRY THORNTON: Yes, I think it is.

Mr. BEAUBIEN: Under the present rate?

Sir HENRY THORNTON: The only point that was raised was this, that grain was not as remunerative as other commodities, which is entirely correct.

Mr. HANSON: Relatively speaking?

Mr. GEARY: You cannot argue that way.

Sir HENRY THORNTON: Incidentally, the question that was asked me, was how do grain rates in the United States compare with the grain rates in Canada. I answered that question, but I did not intend it to be any argument for or against rates one way or the other, because it may well be that a certain rate is justifiable in the United States, and it may not be justifiable in Canada. For instance, you have to remember that the United States is now, or at least until the last year or so, consuming most of their own production. Formerly, in years gone by, the United States was a large grain exporting country. It is not so much so to-day. It is probably a fact that a large percentage of the grain crop in the United States is grown near to its point of consumption than is the case in Canada and the situation will be quite different It is a very dangerous thing to compare railway and transportation rates in different countries without any further exposition of the surrounding facts and circumstances; it is the most slippery ground that anyone can get upon, and I want you to understand when that question was asked me, I simply answered it, that is all.

Mr. BEAUBIEN: I am not criticizing your attitude, Sir Henry, but this statement was made in the House and I wanted to have it cleared up. You have informed me that the hauling of grain under the present system of gathering your cars in one divisional point from the different feeders and making a train load and carrying it to Fort William, is profitable to the railway company under the present rate.

Sir HENRY THORNTON: Yes. We do not want to lose that business. Nineteen-twenty-nine is an example of what happens. This will interest you. The average revenue per ton mile on general traffic in Canada on the Canadian National Railways is 1.081 cents, 1.085 cents, the average revenue on grain is

.526 cents. The return per ton mile on grain is about half what it is on general merchandise; and it simply bears out the statement that was made a moment ago, I think by Mr. Hanson, and I agree with him, that the grain movement is not as remunerative as other merchandise.

Mr. HANSON: That is all I started to prove.

Mr. MCGIBBON: Per ton mile?

Mr. BOTHWELL: Would it be possible to give the difference between the operating ratio on a carload of grain from Regina or Calgary or Lethbridge and a carload of coal to Fort William?

Sir HENRY THORNTON: It would be a very difficult thing to do. I am afraid we could not get that in that shape.

Mr. KENNEDY: Sir Henry, up until some seven or eight years ago, it was customary for the railways to give us the different operating ratios. Is that done now or have they discontinued it?

Sir HENRY THORNTON: I can give you the operating ratio for any one of our three regions, for any year than you like, if you would like us to do that.

Mr. KENNEDY: Yes, I would like that.

Sir HENRY THORNTON: Would you like to have the operating ratio for the western region?

Mr. KENNEDY: Yes.

Sir HENRY THORNTON: Do you want the central region as well?

Mr. KENNEDY: Yes.

Sir HENRY THORNTON: And the Atlantic region?

Mr. KENNEDY: Yes, for the last five years.

Sir HENRY THORNTON: Would the last three years do you as well, because if you will leave it at three years, it will save us a lot of work?

Mr. KENNEDY: All right, have it limited to three years now.

Mr. BELL: I should like to get a statement from you regarding the movement of grain from the Great Lakes, whether it is moved in American bottoms, or Canadian bottoms, and if there is any traffic in grain from Fort William to American ports, and if it is handled by American railways?

Sir HENRY THORNTON: I think Mr. Burnap, the traffic vice-president, could perhaps answer that question satisfactorily. You heard the question, Mr. Burnap?

Mr. BURNAP: There is a very heavy movement of grain from the head of the lakes to Buffalo, and it goes in the elevators there, and some of it is used by American flour mills located in Buffalo, some of it is forwarded by rail from Buffalo, and some forwarded by barge lines, from Buffalo to New York. That is, the movement is very considerable.

Mr. HANSON: Is it over half?

Mr. BURNAP: I think to-morrow I can give you the percentage. I have the figures in Montreal, and thinking they might come up, I wired this morning for them.

The CHAIRMAN: At the same time would you indicate to us the difference in figures so we can see how competitive it is?

Mr. BURNAP: I am not an authority, sir, on the question.

Sir HENRY THORNTON: If we cannot get the cost of haulage, we can get the revenue from the rates.

An Hon. MEMBER: We have been told grain is moving as low as 1½ cents a bushel from the head of the lakes to Buffalo this season, as against an opening season water rates from the head of the lakes to Montreal, of nine cents, and within the last ten days, six cents.

Mr. HANSON: I should like to know how you are going to compete against that?

Mr. BEAUBIEN: The Canadian shipper of grain will ship his grain through the cheapest route.

Sir HENRY THORNTON: There is the answer to the whole question. The shipper always ships his grain by the route which gives him the cheapest rate and quickest shipping.

Mr. HANSON: And the railways have always taken the position that no matter if they reduce their rates, the American competition would be reduced.

Sir HENRY THORNTON: The spread would probably be retained, whatever it is.

Mr. BELL: What is the remedy for it?

Sir HENRY THORNTON: I do not know of any.

Mr. KENNEDY: How would the deepening of the St. Lawrence affect the railways?

Mr. GEARY: Four cents a bushel.

Sir HENRY THORNTON: This is, of course, a question which has given, I think, every railway man in Canada a good deal of anxiety and it may have serious results. The only redeeming feature about it seems to be that there will be so much discussion and so much talk about it before the parties can agree, that most of us will be in a better land by the time it comes about.

Mr. GEARY: You are sure it will be a better land?

Sir HENRY THORNTON: I had in mind you, Colonel, I thought you would be there with a harp and a halo, and if I am somewhere else I will ask you to come down to spend a weekend with me.

Mr. GEARY: In the cold season?

Mr. HEAPS: You will not be talking so much about coal then, will you?

Sir HENRY THORNTON: No.

Mr. BELL: The government intends giving five cents a bushel on grain shipped for export. Is there any way of determining from the shipper that this grain will be handled by Canadian railways?

Sir HENRY THORNTON: I suppose that can be imposed as a limitation.

Mr. HANSON: On the same basis as the British preference?

Sir HENRY THORNTON: It is preference, only in a somewhat different fashion.

Mr. HANSON: It would have to be taken care of. We are not going to subsidize—I must tell you very frankly that I am not going to sit calmly by and have subsidies given on grain exported through Buffalo and New York.

Mr. BELL: Neither am I.

Sir HENRY THORNTON: There is another situation to be considered and that is that a fair amount of American grain goes through Montreal.

Mr. HANSON: But it goes through Montreal because it is economically cheaper to send it that way.

Sir HENRY THORNTON: It does not go that way from reasons of philanthropy.

Mr. PICKEL: Does it go by rail?

Sir HENRY THORNTON: Some of it goes by rail and some by water.

Mr. BEAUBIEN: The Americans ship their grain via Montreal because it is economical to do so.

Sir HENRY THORNTON: Of course. There is no philanthropy in the matter. The plain fact is that this grain moves the cheapest way for the shipper, and the shipper will hunt around to find the cheapest way, and what is more he will probably try to start cheaper ways.

Mr. BEAUBIEN: In times of depression competition is more acute?

Sir HENRY THORNTON: Yes.

Mr. BELL: Can we get comparative figures?

Sir HENRY THORNTON: Tell me what you would like?

Mr. BELL: What I would like to get at is how much cheaper it is to ship by Buffalo?

Mr. BURNAP: The barge line rate from Buffalo to New York at the present time is three and one half cents a bushel, and the railways have not met that rate.

Sir HENRY THORNTON: That is materially lower than the railway rate. Do you know what the railway rate is?

Mr. BURNAP: I think it runs fifteen cents a bushel at the present time.

Sir HENRY THORNTON: From Buffalo to New York.

Mr. BELL: What is the water rate?

Mr. HANSON: Three and a half.

Mr. BURNAP: It has been quoted as low as one and a half cents a bushel from the head of the Lakes to Buffalo. To Montreal the opening season rate all water was nine cents. It has been quoted as low as six cents a bushel from the head of the Lakes to Montreal all water.

Mr. GRAY: What is the rate from Buffalo and Port Colborne to Montreal through the canal?

Mr. BURNAP: In reply to that question, about two years ago in examining the situation we found there was an unexpected movement of grain from the head of the Lakes to Buffalo. We wondered where that grain was going and we found that some of it was being transhipped through the elevators so as not to violate the law, shipped into Canadian bottoms again. It was handled by U.S. vessels from the head of the Lakes to Buffalo, and shipped into Canadian vessels for Montreal to take advantage of the through rate. Much of the grain that is transferred from Port Colborne has moved from the head of the Lakes to Montreal.

Sir HENRY THORNTON: Does that answer your question or not?

Mr. GRAY: What would be the relative cost from the head of the Lakes to Liverpool via Buffalo and Montreal respectively?

Sir HENRY THORNTON: I doubt very much if we could get you that information. I think what Mr. Bell wants is how much it costs to move grain from the head of the Lakes all water via Buffalo and New York, and what it costs to move grain by water from the head of the Lakes to Montreal; and what it costs to move grain by water from the head of the Lakes to Georgian Bay ports and then by rail to Montreal?

Mr. BURNAP: Based upon experience lately, the rate to-day may not obtain to-morrow.

Sir HENRY THORNTON: Of course, you understand that there are almost daily fluctuations in these cases and any figures we would give you would only be an approximation. I think probably Mr. Burnap could give Mr. Bell that information. I do not know whether he could give it to-day. How long would it take, Mr. Burnap?

Mr. BURNAP: I will try to have it to-morrow.

Mr. BELL: Like Mr. Hanson, I am interested in the question of bonusing export grain from the west, and having it go by an all Canadian route as far as possible so that the benefit will accrue to Canadian railway and steamship companies.

Sir HENRY THORNTON: I think I have stated your question correctly. You have a note of that, Mr. Burnap, and you will get in touch with Mr. Fairweather and have that information for Mr. Bell as soon as you can?

Mr. BURNAP: Yes.

Mr. HANSON: According to your statement the rate from the head of the Lakes to New York is five cents a bushel?

Mr. BURNAP: I think so. If it is not so I will correct it.

Mr. HEAPS: Have we information showing how much American grain goes through Canadian ports?

Sir HENRY THORNTON: It is in the grain statistics of Canada. The Bureau of Statistics have all that.

Mr. HANSON: I had in mind going back to the question of decreased railway revenue. It is a very startling figure Sir Henry. We all agree on that. $46,000,000 in a twelve months period is a large figure, and it is not confined to any one class of service. The principal item is freight, 18%, but it covers the whole range of railway activities and of production in Canada. What are you going to do about it?

Sir HENRY THORNTON: Well, I think I said at the first meeting of this committee that the accuracy of a prophecy varied inversely with the experience and the importance of the prophet. Now, in the first place the question is, is the present depression indicative of a permanent condition or is it transitory? We have had such conditions—probably not to such a degree before—but we have had such conditions. When you asked what are we going to do about it, I think your question involves first an examination of what caused the condition, because before you can prescribe the medicine you have to know what kind of disease is being treated, otherwise the remedy might be the wrong one. I might venture this opinion with respect to the general question, although it looks like going a little far afield, and that is this: I think the only fair principle to apply to-day is that the great economic, social and political changes which have happened in the past, particularly the economic changes, have been spread over a period of some two to four hundred years. Take the discovery of steam as a form of energy. Formerly the principal form of energy was manual power—the backs of men, and relatively crude water power appliances; but the moment steam was discovered as a form of energy the frontiers of industry instantly expanded indefinitely, the potentiality of industry expanded prodigiously, and we immediately entered a mechanical era. The application of electricity in all its forms to-day is the child of steam, because without the steam engine there could have been no dynamo, and the development of steam carried in its train electrical application and the internal combustion engines and all of the extraordinary mechanical development that has taken place progressively in the last one hundred and fifty years. Now, that era has more than covered the life of any single industrialist or of any single generation, which is to say that each successive generation, and the world as a whole, had time to adjust itself to those constant progressive movements. It was an evolution. But since the war our economic political and social changes have taken place with appalling rapidity. More has happened since the war to the world as a whole socially, politically and economically than ever happened to the world in any previous one hundred or two hundred years; and the simple fact is that we to-day are unable to move fast enough to adjust ourselves to those rapidly changing con-

ditions. If we are going to solve these problems we have got to talk less and reach our conclusions quicker and act with greater rapidity. In other words, we have a runaway on our hands; and I think, no matter how academic it may sound, that that is largely responsible for our economic trouble. We are just not keyed up mentally to move fast enough to meet these changes which are happening all over the world, politically, economically and socially, with great rapidity. Now, you asked me what we are going to do about it. Well, as I say, much depends upon whether we are now confronted with a permanent or semi-permanent condition, or whether we are not, and I frankly admit I do not know and I haven't found anybody that does know. If anyone can answer that question which you have proposed, and which I admit is a serious question and certainly one that should engage the attention of all thoughtful people, he will probably be conferring the greatest benefit upon mankind that all history can reveal.

Mr. HANSON: In other words there has got to be a readjustment?

Sir HENRY THORNTON: Unquestionably.

Mr. HANSON: And all along the line; all over the whole outlook?

Sir HENRY THORNTON: It makes no difference Mr. Hanson, whether you look at it from a political, social or economical point of view, it looks to me as if we had approached a period which demanded a readjustment or a re-vamping of a good many of our policies and ideas.

Mr. HANSON: Take the question of rates. Heretofore, under the Railway Act—I am not speaking of Parliamentary rates at all because they are dictated by political considerations as I understand according to my knowledge of the situation—but take the question of rates. Let me give you an illustration of what you are up against in express rates. The express rate on a crate of oranges from St. John to Fredericton is eighty cents. That involves three or four different handlings—perhaps two on your line and three on the C.P.R. branch line. The truck is calling at the wholesale warehouse for that crate of oranges and the driver of that truck is putting those oranges into my house for thirty-five cents with the result that that situation brings about a decrease in revenue in expresses. What are you going to do to meet that situation? It is a fair question, I think.

Sir HENRY THORNTON: Yes, it is a fair question; and we are doing this: in the first place we are considering, in connection with the Canadian Pacific railway, although we have our own views on that subject—

Mr. HANSON: I do not want you to give away anything that is not settled or that will expose your hand. I would not put you in that position; but with that limitation can you answer my question?

Sir HENRY THORNTON: I will not give away the show. I want to tell you quite frankly what we are trying to do because I would like to have your reaction and the reaction of this committee. We run a certain number of passenger trains, and we are obliged to do so to-day in order to preserve the continuity of service—service to the different communities. These passenger trains have got to be run, and to-day they are running light. Now, we have under consideration filling those trains up with package freight at freight rates, L.C.L. rates. The trains have got to be run, the expense is there, let us fill the trains up and see if we cannot make some money.

Mr. HANSON: In other words you propose to meet that particular competition that way?

Sir HENRY THORNTON: We have under consideration a plan to try to meet that situation in that fashion. When you come to the general—

Mr. GEARY: That is a reversal of all your former policies?

Sir HENRY THORNTON: That is what I say. You have to move fast in these days. We are confronted with an entirely new situation, and we have to apply new remedies. You cannot be bound by old precedents which may have been perfectly correct ten years ago, and which will not work to-day.

Mr. GEARY: Does it follow from that that you are abandoning the principle that you have to move express at a higher rate than freight?

Sir HENRY THORNTON: No, I would not go that far. I am trying to answer frankly Mr. Hanson's question as to what they are doing. Now, I come to the general question of highway competition. The only way to meet it is to compete with it. There is no good trying to compete with the highway unless an analogous service is furnished because you do not get anywhere.

Mr. HANSON: May I interject there; as a corollary to that proposition should there not be public regulation of other common carriers as well?

Sir HENRY THORNTON: Mr. Hanson, I will not repeat my statement, but at the first meeting of this committee I ventured to express what I think ought to be done in the way of regulations.

Mr. HANSON: They ought to be regulated?

Sir HENRY THORNTON: There is no question about that; but after that there is still the competitive feature. Now, unless we furnish a service which is equally attractive to the highway service, we are not going to get the business. So, we have had a committee at work for some little time to see if we could not have some system of containers, collections and delivery to implement the trains which have to run, in order to work out some scheme which will put us on a parity with the highways when it comes to the question of competition. Now, that is as near as I can come to an answer to your question.

Mr. HANSON: That is a logical answer. I am glad the subject is engaging the attention of the management.

Mr. HEAPS: May I ask Sir Henry if he is in a position to state how reduced week-end fares have affected passenger traffic?

Sir HENRY THORNTON: I do not know offhand.

Mr. BURNAP: We cannot determine definitely just what the result has been.

Mr. HANSON: What has been the reduction? I understand it is small.

M. BURNAP: It is one and a quarter per cent on the round trip, one and a quarter times—a fare and a quarter instead of a fare and two-thirds.

Sir HENRY THORNTON: It compares numerically as one and a half compares with two.

Mr. HEAPS: Has there been any increase in traffic as a result of that reducton?

Sir HENRY THORNTON: Mr. Burnap, Mr. Heaps asks if there has been any particular increase in traffic?

Mr. BURNAP: We think it has excited some increase, but right now with the use of private automobiles at this particular season of the year it is difficult to determine to what extent we have succeeded in getting that business.

Sir HENRY THORNTON: How long have you had the reduced fare in operation?

Mr. BURNAP: From the first of May.

Mr. MCGIBBON: I am not speaking of passenger traffic between Ottawa and Montreal. Is not one of the difficulties the slowness of the trains? You can take an automobile from my part of the country and can go a distance in two and a half hours that it would take four and a half hours to go on a train.

Sir HENRY THORNTON: There is no doubt the automobile on the highway is a serious competitive factor with the railway. We run usually a local train and they have to stop at every station which means more time is taken by rail necessarily than in an automobile where the person goes straight through to his own door.

Mr. MCGIBBON: Would it not help traffic if those trains were speeded up a little?

Sir HENRY THORNTON: The only way to do that would be to put on an entire new train and put on a local staff. The real interference with fast movement is the local stations at which you have to stop. For instance, one of the features that help for speed on the train between Montreal and Toronto is the fact that they make only two or three stops.

Mr. MCGIBBON: We do not expect trains like that but it seems to me they are terribly slow.

Mr. HANSON: I have had my own trouble in that regard—people want faster trains and more stops, stops for every two or three miles, and I do not see how you can have the two together. However, they have not got much encouragement from me in that regard.

Sir HENRY THORNTON: I think the best way to treat that question would be to take the fast train between Toronto and Montreal, because the Chicago train is really the outgrowth of that. The fast trains we run from Toronto to Montreal is a factor in a financial way yielding a half million a year. I do not think there is any train, probably not on the American continent that earns more per mile, and they are far more profitable than any trains we run.

An Hon. MEMBER: What has been the effect on other trains?

Sir HENRY THORNTON: It does not materially affect the other trains—we simply collect additional business.

An Hon. MEMBER: Do you take into consideration the higher state of efficiency in which the road is kept to run those fast trains?

Sir HENRY THORNTON: The condition of the road bed is not affected by those fast trains—we would have to maintain the standard of efficiency. The real factor in those trains is not so much the average speed as the elimination of stops. The train that makes every stop and runs like a scared rabbit between the stations, is the one that might affect the road bed, but as to the efficiency of the road bed for passenger trains, we would have to do that in any case.

Mr. HANSON: As to passenger revenue, we discussed it last year and you stated the loss in passenger service last year was $12,000,000—I would like to know what it is this year?

Sir HENRY THORNTON: We will have that for you to-morrow.

The Committee adjourned until Thursday, June 11, at 11 o'clock.

THURSDAY, June 11, 1931.

The Select Standing Committee on Railways and Shipping met at 11 a.m., Hon. J. D. Chaplin, Chairman, presiding.

The CHAIRMAN: I was waiting a few moments for the minister, but we can go ahead where we left off yesterday. The Minister will be here later.

Sir HENRY THORNTON: I think, Mr. Chairman, there were some questions asked yesterday and I should like to answer them.

The CHAIRMAN: The questions that were asked by members are here, and I may say that I have eliminated some myself, and the others I have passed over to the railway officials. They will not be answered until the Minister returns, in accordance with the understanding arrived at the other day.

Sir HENRY THORNTON: There were certain questions asked, I believe, by the committee yesterday to which perhaps we might give the answers.

The CHAIRMAN: I think so.

Sir HENRY THORNTON: One of the questions asked was in regard to the amount of Canadian grain shipped via Buffalo. Perhaps I had better read it, because you may want to make some comment upon it. This was the question, what was the quantity of Canadian grain shipped via Buffalo for export through American ports in 1930? The answer is, Canadian grain via Buffalo, 92,479,728 bushels. Of that amount—

Mr. HANSON: Ninety-two millions?

Sir HENRY THORNTON: 92,479,728 bushels. Of that amount there was re-shipped to Montreal, 20,201,998 bushels, leaving a balance of the grain which went to Buffalo, which was exported via United States ports, or used for milling in bond to the United States, 72,277,730 bushels. As a matter of information for comparative purposes, the total Canadian grain exports in 1930 amounted to 216,670,052 bushels.

Mr. HANSON: About one-third went out by American ports?

Sir HENRY THORNTON: Yes, that is right.

Mr. HEAPS: In bond, milled in the States?

Mr. HANSON: Milled for export.

Sir HENRY THORNTON: I said in round figures, 72 million bushels of Canadian grain remained in Buffalo. Now, we do not know what percentage of that was turned into flour, or what percentage of it went to New York or some other port for shipment. All we know is that 72 millions of bushels of Canadian grain found its way to Buffalo and stayed there, or stayed in the United States; either stayed there or was exported. We have no way of determining what proportion of it was milled in the United States, and what proportion was shipped from the United States.

Mr. HANSON: I suppose, in any event, if they milled it, and retained it, they would have to pay a duty?

Sir HENRY THORNTON: If it was milled in transit and exported it would not pay a duty, that is right. Mr. Fairweather may be able to answer that question.

Mr. HANSON: It is answered well enough.

Mr. FAIRWEATHER: I was just simply going to remark that the Dominion Bureau of Statistics publishes a very thorough set of statistics on the moving of Canadian grain. Really, all the information is in there, particularly in the form of charts. For instance, here is the movement of Canadian grain—

Sir HENRY THORNTON: Can we get the information that Mr. Hanson refers to?

Mr. FAIRWEATHER: Yes.

Sir HENRY THORNTON: We can get that for you.

Mr. HANSON: I am not asking for it, I know it now.

Mr. HANBURY: You gave a total of 216,000,000 bushels, approximately, exported, of which 72,000,000 went through United States ports, leaving a balance of 144,000,000. Do you know what proportion of that went through Pacific ports?

Sir HENRY THORNTON: Yes, we can get that, but maybe not right off the bat, but it can be obtained; it is quite simple. While Mr. Fairweather is looking that up, perhaps I can go on.

The CHAIRMAN: Gentlemen, I would say that questions of this nature that any member can get himself, should not be taken up here, as it takes up too much time of this committee.

Mr. HANSON: The only point is, we get it on the record.

Mr. CHAIRMAN: I may be wrong in that respect.

Mr. HANSON: It may be of some value.

Sir HENRY THORNTON: Another question that was asked—by the way, I will hand those printed replies in so they can be included in the record, I am just mentioning them verbally now—the next question was, what are the rates on grain from the head of the lakes to Montreal, first via water, secondly via rail, and thirdly via water and rail. The answer to that question is this: via water, seven cents per bushel; via rail (for export), 34½ cents per bushel; via rail and water (1) via Northern Navigation Company, bagged wheat, 25 cents per 100 pounds, (2) via water and rail (head of the lakes to bay ports, thence rail) head of the lakes to bay ports, 2½ cents per bushel; bay ports to Montreal, 8·6 cents per bushel, making a total of 11·1 cents per bushel.

The next question that was asked was this, what are the rates on grain from Montreal and New York to Liverpool, first by tramp steamer, and secondly, by liner. There are no quotations available as to tramp cargoes at the present time moving to Liverpool. The rate by liner, that is, by established schedule service, is 4·56 to 5·33 cents per bushel. That is the rate per bushel from New York to Liverpool by liner service, and that is about all the information that we can get on that subject.

Secondly, the question was asked, what was the rate by barge line from Buffalo to New York; that is, by barge service from Buffalo to New York by the Erie canal, and the rate is from 3 to 3½ cents per bushel.

Mr. BOTHWELL: You gave the rate from New York to Liverpool; have you the rate from Montreal or any Canadian port?

Sir HENRY THORNTON: Well, yes, I gave you that. The rate from Montreal to Liverpool by what we call liners, established service, is from 4·56 to 5·33 cents per bushel. Now, from New York to Liverpool, it is approximately 5·33 cents per bushel; in other words, pretty much the same. Now, can you answer that question that was asked a while ago, Mr. Fairweather?

Mr. FAIRWEATHER: The grain exports through Vancouver in the crop year 1928-29 amounted to 96,138,218 bushels.

Sir HENRY THORNTON: He would like to know in respect to 1930.

Mr. HANBURY: 1930?

Mr. FAIRWEATHER: These statistics are all in crop years.

Mr. FRASER: You have not got the amount for the last crop year?

Mr. FAIRWEATHER: This is for the last available year.

Sir HENRY THORNTON: I think, if you would like the information, we can probably get it. We can dig it out for you, if you would like to have it. In other words, what Mr. Hanbury would like to know is, how much Canadian grain was shipped from the port of Vancouver?

Mr. HANBURY: Yes.

Mr. HANSON: I think the total export was 216,000,000 bushels.

Mr. HEAPS: I would like to ask Sir Henry the proportion of American grain that went through Canadian ports?

Sir HENRY THORNTON: Yes, we can give you that in just a moment.

Mr. FAIRWEATHER: The number of bushels of United States grain moving through Canadian ports in the crop year 1928-29 were 83,512,520.

Mr. HANSON: Eighty-three millions?

Mr. FAIRWEATHER: 83,512,520.

Mr. HEAPS: For the same year corresponding with the 72 millions?

Mr. FAIRWEATHER: Well, this is the crop year 1928-29.

Sir HENRY THORNTON: What is this. How does it compare with this?

Mr. FAIRWEATHER: That, sir, is the calendar year 1930.

Sir HENRY THORNTON: What Mr. Heaps evidently wants to know is this; what kind of balance is struck,—

Mr. HEAPS: Correct.

Sir HENRY THORNTON: —between Canadian grain that moves for export through American ports, and American grain that moves for export through Canadian ports. Just speaking offhand—I should like Mr. Fairweather or Mr. Burnap to correct me if I am wrong—I think the balance is generally somewhat in favour of the Canadian ports, is it not?

Mr. BURNAP: I think you are right, Sir Henry. I hope to have the actual figures—

Sir HENRY THORNTON: When can you get them?

Mr. BURNAP: The secretary is on the 'phone now.

Sir HENRY THORNTON: We may have the figures to-morrow morning. I think from general knowledge of the situation as far as the balance is concerned, there is rather more of American grain which finds its way to export through Canadian ports than Canadian grain that finds its way through American ports. Now, that is just a general statement.

Mr. HANSON: Just in that connection, do the Canadian railways get any benefit from the American grain, or is it all water haul?

Sir HENRY THORNTON: Of course, here you have 92,000,000 bushels of Canadian grain that moves to Buffalo. We get our portion of the movement of that grain to the head of the lakes, but I should say without any doubt practically all of that, in fact, every bushel is moved by water from the head of the lakes to Buffalo, and probably pretty nearly all of it, which was consigned to Montreal, also moved by water; so that out of the total of 92,000,000 bushels, the railways profit only by the rail movement to the head of the lakes.

Mr. HANSON: I am speaking of the American grain that went out through Montreal, did the Canadian railways get any haul on that at all at any point? I do not think they did.

Mr. FAIRWEATHER: Speaking with regard again to the crop year 1928-29, which is the only year for which I have the available statistics, there were 19,767,000 bushels of grain handled by rail from Georgian Bay ports to Montreal, and there were 16,000,000 bushels—half of that may be included in the other—that went through to Saint John.

Sir HENRY THORNTON: What Mr. Hanson wants to know is this: He says a certain amount of American grain moved through Canadian ports. Now, how much of that grain was moved by Canadian railways, or in what way, if at all, did the Canadian railways profit by that movement? That is the question in a nut-shell, as I understand it.

Mr. HANSON: Yes.

Sir HENRY THORNTON: Can anybody answer that?

Mr. BURNAP: I would not attempt to give you the exact figures, sir.

Sir HENRY THORNTON: Can we get them?

Mr. BURNAP: A considerable proportion.

Sir HENRY THORNTON: Can we get it?

Mr. BURNAP: We certainly can.

Mr. HANSON: I would not have supposed you got anything out of it; I am very glad to hear you got something. The movement by water from Buffalo to Montreal, how does it get to Buffalo?

Sir HENRY THORNTON: It must have got to Buffalo presumably by water.

Mr. GRAY: We got some of it.

Sir HENRY THORNTON: A good part you must remember, was moved from Chicago, and by water to Georgian Bay ports. We would get it by rail from there.

Mr. HANSON: You may do that.

Sir HENRY THORNTON: Those are all the questions. No, there are some other questions.

Mr. Kennedy asked about the operating ratio of the three regions of the Canadian National Railway for the last three years, and I have them here. I will just give the result to you in a general way. On the eastern lines, the operating ratio varied from 110 per cent to 115 per cent; the central regions operating ratio varied from 78 per cent to 85 per cent. In other words, the most favourable year was the year 1928 when there was the largest volume of traffic. The western region's operating ratio varied from 83 per cent to 93 per cent. In each one of these instances, the most favourable operating result was in the year 1928. The eastern lines had their lowest operating ratio in 1929.

There is another question, and I have forgotten who asked it, but I think it was Mr. Heaps. The question was in regard to a statement of the production, and the cost of production of the coal raised by the Rail and River Coal Corporation, and I will just hand it in.

Mr. HEAPS: Mr. Smith asked for that.

Sir HENRY THORNTON: It will go on the record, Mr. Smith, I shall read it, if you like. I shall give it to you in round figures. The production from 1926 to 1930, four years, was 4,515,509 tons; the production costs, including idle time, was $7,454,250.37, and the average cost per ton was $1.65. During this period the mines were closed for a total of 25 months, or substantially two years. I think Mr. Smith asked about the wage scale, or Mr. Heaps asked that question.

Mr. HEAPS: Yes.

Sir HENRY THORNTON: I have here a statement, which is rather long, and I do not think you will want me to read it. It gives me the information asked for, and it also gives a comparison of wages paid in Canadian mines. Well, we have no

direct information from the coal operators as to what wages are paid; but we have endeavoured from public statistics and from other sources, to secure that information, and we do give you a comparison of the wages paid in the various coal fields of Canada, but I should like you to understand it only represents the best information we could obtain from an examination of public records. It is rather a long statement, and I think you probably want me to go on with the other statement.

The CHAIRMAN: Is it your pleasure to place this on the record?

Some Hon. MEMBERS: Yes.

RAIL AND RIVER COAL COMPANY

WAGE SCALE IN EFFECT FEBRUARY 1, 1931

1. *Inside Day Labour—*

Motormen	$4 00
Drivers	4 00
Bottom cagers	4 00
Track layers	4 00
Timbermen	4 00
Snappers, on crab gathering locomotives	4 00
Trip riders, on haulage locomotives	3 80
Water haulers	3 80
Machine haulers	3 80
Track layers, helpers	3 80
Timbermen, helpers	3 80
Bratticemen	3 80
Trappers	2 40
Couplers and greasers	2 40
Other inside day labour	3 60
Machine cutting, by the day	4 00

2. *Outside Day Labour—*

First blacksmith	4 50–4 70
Second blacksmith	4 00
Blacksmith, helpers	3 80
Mine carpenters	3 80
Dumpers	3 60
Trimmers on railroad cars	3 50
Slate pickers on table or cars	3 20
Couplers and greasers, boys	2 25
All other outside day labour, except boys	3 20

3. *Machine Scale—Chain Machines—*

Cutting in rooms, any type breast machine, per ton	.09
Cutting in rooms, any type shortwall machine, per ton	.08
Cutting in rooms, any type arc wall machine, per ton	.04
Cutting entries, breakthroughs between entries, breakthroughs between rooms and turning rooms:	
8 in. wide, per ton .09 and extra per yard	.19
10 in. wide, per ton .09 and extra per yard	.16
12 in. wide, per ton .09 and extra per yard	.14
Hand drilling; shooting and loading in rooms, per ton	.45
Hand drilling; shooting and loading in entries breakthroughs between entries and turning rooms—	
8 in. wide, per ton .45 and extra per yard	.60
10 in. wide, per ton .45 and extra per yard	.53
12 in. wide, per ton .45 and extra per yard	.45

4. *Stone Measurement—*

When thickness of stone is 13 inches	To be paid for per yd. running with the place 1 inch	24 in. Wide	18 in. Wide	15 in. Wide	12 in. Wide	8 in. Wide
		.06	.05	.05	.04	.03

QUESTION BY MR. HEAPS:

Comparison of wages paid in various coal fields in Canada, by classes?

Answer:

	Nova Scotia	Alberta	Vancouver Island
Contract miners	$6 69	$ 7 78	$6 71
Hand miners	4 15	5 20—5 57	4 52
Hoisting engineers	4 25	5 65—6 20	5 39
Drivers	3 60	4 85—5 25	4 13
Bratticemen	3 73	5 20—5 57	4 35
Pumpmen	3 93	4 40—4 95	3 96
Labourers, underground	3 45	4 40—4 67	3 97
Labourers, surface	3 40	4 15—4 41	3 76
Machinists	4 15	4 85—5 77	5 40
Carpenters	3 88	5 45—5 77	4 83
Blacksmiths	4 05	5 45—5 77	5 11
Machine miners	....	5 85—7 00	4 81

NOTE.—Above figures from Department of Labour Report No. 14 "Wages and Hours of Labour in Canada".

SIR HENRY THORNTON: That, Mr. Chairman, completes the list of questions which have been asked with respect to which we have available information.

MR. DUFF: With regard to this coal question, I think Sir Henry told us yesterday that some 1,600,000 tons of coal were raised from this mine in Ohio. What proportion of that one million, six hundred thousand tons was used by the Canadian National Railways?

SIR HENRY THORNTON: I can give you that in a moment. The total amount of coal raised, was 1,8000,000 tons. Of that amount 1,600,000 was used for our own purposes.

MR. DUFF: How much?

SIR HENRY THORNTON: 1,600,000 tons, leaving 200,000 tons. These 200,000 tons were sold to consumers there.

MR. DUFF: That is, 200,000 tons were sold to private consumers? Can you give us any information as to whether or not you made a profit? You said it cost $1.26 or $1.10 to raise and it was sold for what?

SIR HENRY THORNTON: We sold it at $1.50 per ton.

MR. DUFF: It was sold at a profit?

SIR HENRY THORNTON: Yes.

MR. DUFF: Now, Sir Henry, some mention was made of the fact that if a fair price was obtained for this mine, the Canadian National Railways might consider selling it?

SIR HENRY THORNTON: I would so recommend to the proprietor.

MR. DUFF: Well, if this mine was sold, the Canadian National Railways would have to buy 1,600,000 tons of coal outside. How much would you have to pay for 1,600,000 tons?

SIR HENRY THORNTON: That question cannot be answered shortly. I might explain to you that one of the reasons which prompted the Grand Trunk Railway company to acquire this mine, at the time of its acquisition, which was somewhere around 1908 or 1910, was that there was a combination of coal mining interests in the United States, and the tendency of that combine was to maintain high prices for coal. The Grand Trunk Railway, to protect themselves against that situation, decided that it should acquire its own coal mine properties. That was the situation at that time, and that was the reason. Now, to-day, the situation is quite different, and as far as I can see, it is likely to remain so, for some time. And the prices of coal in the United States can only be described as chaotic. We are buying coal as what seems to be an unremunerative price to the producer.

MR. DUFF: What is that?

SIR HENRY THORNTON: Having regard to that situation—

MR. DUFF: What is that price?

Sir HENRY THORNTON (to Mr. Vaughan): Can you say roughly?

MR. VAUGHAN: We can buy coal all the way from ninety cents up.

MR. DUFF: Up to what?

MR. VAUGHAN: Up to $1.25, $1.50. It depends entirely from what district the coal comes. Of course, our cost is based upon freight rates to our line. Some lines have a lower freight rate, and some a higher freight rate. The coal produced by the Rail and River Company takes a lower rate.

MR. DUFF: It is on that the prices are based?

SIR HENRY THORNTON: Yes.

MR. DUFF: What I am getting at, Mr. Chairman, is this, whether it is good business or not, if this is a valuable coal mine, and the railway can save money by using 1,600,000 tons of coal a year from their own mine, why consider selling it?

SIR HENRY THORNTON: The answer to that is this: as far as our judment leads us to believe, the situation to-day and as far as we can see in the future, is not likely to be the situation which existed at the time the Grand Trunk acquired the mine. In other words, the coal situation has changed, and we believe, as far as our judgment dictates, that we can to-day afford to sell that property providing we can get our money out of it. I cannot recommend giving it away, nor can I recommend selling it at an amount materially less than that which represents the investment in the property. But again in turn, due to the condition of the coal market in the United States, it is almost impossible to sell any mine at any price.

MR. HANSON: You are quite right.

MR. DUFF: What I am trying to get at is this: if you sold this mine at a fair price, for business reasons, you would have to use most of this 1,600,000 tons, you would have to buy most of this 1,600,000 tons from other United States mines.

SIR HENRY THORNTON: That is true. Our judgment is that the situation is such we do not think we are going to suffer any.

Mr. DUFF: You are making a profit on what you sell outside?

SIR HENRY THORNTON: Yes.

MR. DUFF: Thirty cents a ton?

Sir HENRY THORNTON: Yes, and don't forget, of course, the sentimental reasons which intervene, and must necessarily intervene with respect to state-owned property, more so than with a privately owned property. We have been criticized for owning and operating a mine in the United States, and there may be some sentimental reason for that criticism. My only answer is that we have got the mine, and we must make the best we can of it. And if we can rid of it at a justifiable price, at a price which will conserve the interests of the property, I think we should do so.

Mr. DUFF: Because you have been criticized is not a good reason why you should sell the mine.

SIR HENRY THORNTON: I do not say that, Mr. Duff. No amount of criticism would force the administration of this railway to do a thing which they did not honestly believe was to the best interests of Canada, but at the same time, we must listen to the zephyrs which blow.

Mr. EULER: Is it more advantageous to keep the mine and raise the coal or to sell the mine and buy coal from other mines?

Sir HENRY THORNTON: Mr. Euler, under present conditions, our judgment is, if we can get the money out of that property that has been invested in it, it would be better for us to sell the mine, but those were not the conditions which existed at the time the mine was bought, which was in 1910 or thereabouts.

Mr. EULER: I suppose a little later on you may get more money for the mine?

Sir HENRY THORNTON: Well, I do not see how we can get any less for it.

Mr. VAUGHAN: We have one of the best areas in the district.

Mr. HEAPS: Is it not true if you buy coal you might be able to obtain some traffic that you are not getting now, by virtue of the purchasing of the coal?

Sir HENRY THORNTON: That is obviously a horse-trading proposition, and it is pretty difficult to answer. There is the opportunity for a little poker there; that is quite true.

Mr. CANTLEY: My objection to the whole thing is this: why should we have to spend between three and four hundred thousand dollars in that property when, as a matter of fact, you could have bought coal any time since that in the open market for less money than you can produce it.

Sir HENRY THORNTON: Well, the only answer I can make to that, Colonel, is this; that we had the property which represented a considerable investment, and we felt that in the interests of the proprietor, wo ought to conserve the investment, having due regard to reason and the costs to the Canadian purchaser.

Mr. CANTLEY: You have to spend between three and four hundred thousand dollars on the property.

Sir HENRY THORNTON: Was your question based upon this: that since 1922 we have included three hundred thousand in that property?

Mr. CANTLEY: Yes. You say you would be able to acquire that much?

Sir HENRY THORNTON: I do not know off-hand.

Mr. VAUGHAN: We have to keep our mine modernized, the same as any other mine, putting new screens and so forth.

Sir HENRY THORNTON: The answer to your question is this. We have to maintain the property, the same as any other manufacturing property has to be maintained, and this amount comes in the maintenance costs, Colonel.

Mr. HEAPS: You could have bought this coal cheaper in the open market than what you are producing it at the present time?

Sir HENRY THORNTON: I do not know.

Mr. HEAPS: That is the inference I am getting.

Mr. VAUGHAN: We have gone into that pretty carefully, and if we shut down our mine, the cost of shutting the mine down would amount to considerably more than any additional price we pay for the coal to-day.

Sir HENRY THORNTON: I think the whole meat of the argument is this, that we have the property, which is a certain investment, and we have to try to conserve that investment.

Mr. MCGIBBON: What is the average price you pay for the coal you buy in the United States?

Mr. VAUGHAN: Last year nearly all the coal we bought came from our own mine, and the average cost was $1.26, our average cost at the Rail and River Coal mine last month was $1.07 to the railway, indicating that the cost was going down. The cost is also going down, I understand, this year.

Mr. DUFF: Down to $1.10?

Sir HENRY THORNTON: But Mr. Duff remember if you close that mine there is involved the expense for maintenance and interest on capital which has got to be taken into consideration.

Mr. DUFF: You have to buy coal from the United States and if you close down that mine you have got to buy 1,600,000 more from outside mines and I say keep your mine.

Sir HENRY THORNTON: I may say in view of the price of coal mining property at present, my judgment is that under present conditions both as to cost of coal and with respect to coal mining property we ought to retain that mine. As soon as we can get rid of it under terms and conditions reasonable, I think we ought to get rid of it. If anybody came to us and asked us to buy coal mining property in the United States we would not look at it, but we have this, and we have got to take care of it. If the Grand Trunk Railway Company had not owned the mine during the war it would have cost that company many millions more for coal and they could not have operated. Up to the war and since the end of the war certain conditions existed and you cannot apply the same rule prior to the war and during the war to the conditions as they obtain to-day. Mr. Fairweather will now continue.

Mr. HANSON: Before he continues, just before closing yesterday I was asking a pretty bald question and you partly answered it—have you anything to add to your observation yesterday remedying conditions as far as the falling off in revenues is concerned?

Sir HENRY THORNTON: Of course that is a question that ought to be addressed to one of the prophets of Israel. Perhaps Sam Jacobs.

Mr. HANSON: Perhaps it is hard to answer and should not be asked, but in view of the alarming condition, and if I can believe what I read in the paper yesterday, such as indicated that in the revenues for the first week of June there was a falling-off of 25 per cent, which is more alarming than in 1930.

Sir HENRY THORNTON: I share in your view but the problem is what are we going to do?

Mr. HANSON: I want to know if you are still struggling with the question?

Sir HENRY THORNTON: The trouble is every banker and economist has a different remedy from a different point of view and probably no one has the right remedy and no one the wrong one, but this may interest you—here is a statement made by a well-known economist at a meeting of bankers in New York on November 4, 1921, and this is what he said, and it may throw light on the situation. This economist quoted eight experts as follows:—

"The farmer will not buy much from the proceeds of this harvest; and, with the price declines in process throughout the world, there would seem to be very little prospect of any extensive business revival in the near future."

"The general prospect is for slow and irregular business for ten years."

"I expect to see a long and slow recovery to general level of sub-normal, slow business."

"Prices will advance a little from present levels and then fall once more. Recovery will be slow."

"Conditions abroad will continue to affect our business conditions here. It is a conservative estimate to say that ten years must elapse before we can see genuinely prosperous business in this country."

"Business will come back to fair, slow operations in three years."

"The period of readjustment will be long. It will take at least ten years."

"We must expect a slow return to a basis on which business can be done at a profit in about three years."

That was the prediction made by several economists in 1921, and then the economist continued:—

"These pessimistic forecasts were made on the 4th of November of the year 1921. At that time business was actually improving, although the experts did not know it. Within four months the gain was so marked that everybody could see it. Within sixteen months

business was so far above normal that experts became frightened again. To-day, the major economic factors are more favourable to a rapid recovery of business than they were in 1921. It is my sober belief that just as the depressionists of 1921 were routed, so the depressionists of 1931 are in for a rude awakening."

That represents the opinion to-day of economists who refer to the situation and draw an analogy with the situation in 1921.

Mr. CANTLEY: You might as well go to a fortune-teller as go to those fellows.

Mr. GRAY: In 1921 he did not calculate the Liberal Government was coming into power.

The CHAIRMAN: I hear it stated that one of the leaders of the Liberal party consulted a soothsayer in regard to the question.

Sir HENRY THORNTON: Your question is a pertinent one but I do not know what the answer is. There is no use getting ourselves into a mix-up in trying to seek an answer, but frankly I do not know.

The CHAIRMAN: Mr. Nicholson is not a member of the committee but as he desires to ask some questions we will hear him.

Mr. NICHOLSON: I just wanted to ask one or two questions. Is it fair to assume that the railway cannot be expected to earn a return on the capital valuation as set out on the balance sheet of approximately $2,530,000,000? Is it fair to assume that the railways cannot under normal conditions be expected to earn a return on that sum of money?

Sir HENRY THORNTON: Do you want me to answer that?

Mr. NICHOLSON: Yes. I am not asking it in a critical sense, but it is because I would like to get the views of the management with regard to what action Parliament should take to put the capitalization at a place where the railways can be expected to earn a return on the proper investment of property, and the question is based on the presumption that the capitalization set forth in the balance sheet, an accumulation of years, is not a reasonable capitalization.

Sir HENRY THORNTON: The answer to that question, I may say, must be somewhat prolonged but I will try to make it as short as possible. The answer to that question involves a brief statement with reference to the capital system of the Canadian National Railways. There is no doubt the capital structure of the Canadian National Railway system is that which no private corporation could or would regard as sound. That is largely the result of circumstances and the exigencies of the past. There is a certain amount of money in our capital which has no business to be there. For example, if I recall rightly—and I am just speaking from memory—on such a complicated subject it is not always easy to give absolutely correct figures.

For example, the Canadian Government acquired the capital stock of the old Mackenzie and Mann interest, which I think was called then the Canadian Northern System, for $10,000,000, and promptly wrote up the capital to $100,000,000 and took it into the books at that figure. In other words, there is $90,000,000 pure water and it represents no tangible interest as far as the purchase price is concerned and ought to be eliminated. There are a certain number of items of that sort but that was the principal one. Then there is the question of—

Mr. MCGIBBON: Did not the government assume obligations in addition to that. I remember they gave MacKenzie and Mann $10,000,000. Did they not assume certain obligations?

Sir HENRY THORNTON: They must have inferentially, if not directly assumed obligation for bonds and fixed charges, otherwise, the property would have gone into the hands of receivers which the government could not contemplate.

Mr. McGIBBON: The government had advanced money.

Sir HENRY THORNTON: Oh, yes.

Mr. McGIBBON: Would not that be the reason of the writing up?

Sir HENRY THORNTON: I do not think so. As far as the country is concerned the fact remains.

Mr. NICHOLSON: In considering the matter of capitalization I take it for granted that the capital stock held by the dominion government, and I have only reference to the long term funded debt, the loan by the dominion government, $604,000,000.

Sir HENRY THORNTON: That is all relative and important, but if you will excuse me I will try to make a connected statement of the situation and it is very difficult to continue a connected statement if questions are asked during the process of it. Then there is the question, should deficits be capitalized or not? They represent money which the Dominion Government advanced to the Canadian National Railway, but back of this stands no tangible property and there again is the question as to whether this should be capitalized. A private company would say no. Sound financing necessitates that the funded debt should represent no more than the money that went into the property for construction purposes whether it be for the road-bed or equipment.

There you have to decide to what extent and at what figure the total capitalization of the Canadian National Railway should be fixed and that problem has not been decided by any government since I have been in Canada. I certainly feel that the subject is one that merits investigation and study and we would be vastly better off, both the government, the railway and the people of Canada, if that question were judicially examined and some conclusion reached. Did you ask the broad question, can the Canadian National Railway be made to pay?

Mr. NICHOLSON: Not that. Making the railway pay, as I interpret it, would be to put the railway in a position to earn operating cost and return on reasonable capitalization, having regard to the value of property.

Sir HENRY THORNTON: The answer to that is, given reasonable business conditions in Canada, I say yes, and in support of that statement I say in 1928 when prosperous conditions existed in Canada the railway earned not only fixed charges but $8,000,000 besides.

Now if we could have done that with the capital structure we had, and I personally feel, and bankers generally feel, that it is an unsound financial structure. If we could do that in 1928 with the return of such times or a reasonable approximation of such times, not only could that be done but it could be done to a still greater extent because during this period of depression we, along with other enterprises, have learned a good many tricks in the way of economy and we have been able to materially improve our efficiency and adopt things in our system which might have been overlooked otherwise. That is the same with other corporations in view of the condition, but the plain answer is this: Given that capital structure which any committee of sound financial men would recommend as fair and reasonable and given a reasonable return to prosperous times, the Canadian National system can earn its fixed charges and the interest on its funded debt.

Now, if I undertook to say what a reasonable structure would be or what the deficits of prosperous times would be I would be talking until the adjournment of parliament.

Mr. HEAPS: Can you give the committee the approximate valuation of the property to-day?

Sir HENRY THORNTON: I would not want to answer that offhand.

Mr. HANSON: The fact of the matter is a set-up was to be considered last year by parliament.

Sir HENRY THORNTON: In the first place, about five years ago we tried to find out financially what we had and it took three years to find out what the situation was financially with respect to the Canadian National Railway system. Nobody has any conception of the involved and in many cases inaccurate condition of the books and accounts chiefly because in some cases the accounts were not available—previous proprietory companies did not have the information and we found out there were about 150 different mortgages on the property; they were all of different terms and different rates of interest and different periods of maturity. A mortgage would be first on the property for three or four hundred miles and become a second and third lien and some were guaranteed by the Federal Government and some by the provinces, and the task of cataloguing all those securities and assessing their value was almost stupendous, and when we thought we had come to the end of the road some new mortgage would crawl out of the pile of wood that nobody had heard of before. So the task of finding out the exact financial structure was almost impossible because the proprietory owners had done some queer things with references to the finances, and those problems took nearly five years to go over and to find out what we had.

At that time we did prepare a scheme which I and the financial officers of the company thought sound. It was submitted to three important bankers of international reputation and one Canadian banker and they agreed that if that structure could be brought into existence it would be an excellent thing for Canada as a whole; but, for one reason or another, the government of the day was unable and could not see its way clear to bring it before parliament, and at present the depressed state of business and the condition of the company's earnings and the general uncertainty with reference to the future made it difficult for any banker or committee of bankers or anybody else to say what should be done.

Mr. EULER: The obligations of the system of course have to be paid, but in making a valuation of the road on which your capitalization should be based would you say anything more than the appraisal value of the whole system, whether any other factors than that should be added?

Sir HENRY THORNTON: I think the only sound principle to proceed upon is the funded debt of the system ought to represent the money that went into the property for construction purposes and is represented by tangible assets. How much stock we put out does not matter, but certainly no sound banker would say that the funded debt of any institution should be more than that which represents the tangible assets.

Mr. MCGIBBON: As far as the country is concerned, they are not running these roads for to-morrow, but for a hundred and fifty years hence. After you take reasonable fixed capital structure, instead of wiping the rest of the capital away, would it not be better to leave it as common stock of the company?

The CHAIRMAN: Yes. You are entirely right and that is my feeling about the whole thing—the funded debt is represented by assets and the money advanced by the government should be represented by stock which in, say, fifty years from to-day may be paying a dividend, and whatever reasonable stock you should issue against the Canadian National Railway is likely to earn a profit and the country has a right to earn that money back, sometime in the future, if there is any way of doing it.

Mr. EULER: You get rid of this matter of figuring up interest and adding it to your debt.

Sir HENRY THORNTON: That is it. Let me give you this statement which may be of interest; every new country must have railways for developing pur-

poses and those railways have to be built in advance of settlement and development, and there is a certain period in which the railway securities will be in default until the country is settled and traffic appears. Of course, if you proceed on any other theory, no railway will be built for development purposes in any country. What happened in the United States? After the civil war in the United States, west of the Mississippi large number of railways were built for development purposes and the plain fact is that since the civil war of the United States investors of railways of that country west of the Mississippi have lost $3,250,000,000 in attrition of capital. Some of the railways to-day that were regarded as prosperous and recognized as fairly sound investments have passed through sixteen different receiverships. The Santa Fe and Southern Pacific and other railways have passed through numerous receiverships, and every time some of the funded debt was cancelled and stock written down and capital lost. That happened in the United States, and whatever our situation in Canada, and however much Canada may be subject to criticism in its course in respect to transportation, it does not present anything like as bad a picture as the United States. When you build development railways in a new country you bet on the future of the country, and we did that and are still betting on the future, and it is a good bet, but don't let us deceive ourselves that we can build and expect a railway to pay right from the start; it cannot be done.

Mr. NICHOLSON: The best information I have been able to get is that Class I railways in the United States carry their capital valuation, amounts ranging from $90,000 to $125,000 of their main line and branch tracks, excluding terminals, passing tracks, etc., and that the capital valuation of the Canadian Pacific Railway excluding ocean and coastal steamships was $70,000 a mile. Would it therefore be fair to place the capital valuation of the Canadian National Railway at $60,000 per mile? I am assuming the general equipment valuation of the Canadian National is reasonable, and I am looking for information that the Parliament of Canada could use to put the Canadian National in a proper capital position.

Sir HENRY THORNTON: Just offhand and drawing on my own experience of thirty-five years, I think that is not an unreasonable amount—it might be a little on the high side but I do not know as I could argue with you about it.

Mr. NICHOLSON: To put the figure exactly, capital of $60,000 a mile, that is $10,000 a mile less than the C.P.R. and much less than United States railways, and that is understood because of the difference in density of traffic, but that would place the capital at approximately $1,400,000,000.

Sir HENRY THORNTON: That is about right. With a long term funded debt now $1,168,565,862.63 and with a capital stock all held by the Dominion government, meant that it really did not matter whether the capital stock was $100,000,000, $200,000,000 or any other figure.

Mr. EULER: Would your $60,000 exclude the equipment?

Sir HENRY THORNTON: That includes the value of the property as a going concern.

Mr. NICHOLSON: Exactly.

Sir HENRY THORNTON: I do not think you are far out of the way. If it came down to making a recommendation I would want to go over the figures more carefully but just offhand I think you are close to it.

Mr. DUFF: I think it is a little low.

Mr. NICHOLSON: Just one more question and I am through, with regard to the question of stock. The Canadian people already own the capital stock of the Canadian National Railway amounting to $265,628,338.70 and it makes no difference to the Canadian people whether the capital stock is $100,000,000, or

$200,000,000, or $300,000,000. When the time comes when the property can earn fixed charges on the capital and there is a distribution to be made—

Sir HENRY THORNTON: If the government owns all the stock it makes no difference because the government gets all out of it whether or not the interest is paid. Dr. McGibbon referred to that a moment ago, and I say the funded debt should represent the money that went into the property as tangible assets, and the capital stock represents all the money the government put into the property on the theory that some day when the population is 30,000,000 or 40,000,000 that stock will begin to pay a dividend and the people will be entitled to return on that.

Mr. EULER: What is the use of setting a bad example and having the common stock watered.

Sir HENRY THORNTON: If we make money after paying interest on fixed charges the country would get it anyway. It makes no difference whether the stock is 1 or 10,000,000 if the government gets all the dividend. But the whole point is this: in many enterprises the capital stock does not represent tangible assets—it represents that mysterious thing known as good-will or prospects of the future or all sorts of things. We know in business capital stock very frequently does not represent any tangible assets; it represents hope.

Mr. HEAPS: Would it be possible at a future meeting to give the committee an approximate idea of the physical value of the railway?

Sir HENRY THORNTON: I think so; we can give you the best of our judgment, but it is not an easy question to answer.

Mr. HEAPS: That is all I can expect.

Mr. POWER: Can you give the figures you submitted to the government on a former occasion?

Sir HENRY THORNTON: I would like to talk to the Minister about that.

Mr. NICHOLSON: I would like to ask if the capital should represent the creation of some tangible asset? I believe there was too much money put into that and should be eliminated to arrive at the proper valuation.

Sir HENRY THORNTON: Yes, you will have it if it is possible to arrive at it.

Mr. HANSON: I think if we go back to when the railways were absorbed, it is clearly set out.

Sir HENRY THORNTON: I think you and I in principle are in accord.

The CHAIRMAN: Before the discussion is closed, I would like to see some of the debt the railway owes to the Dominion Government remain on the books there, because if the debt is cancelled I see people around here, who, the moment the railway would commence to pay, will be asking for reduced freight rates.

Mr. POWER: That is a matter of public policy.

The CHAIRMAN: Absolutely, and I have let the discussion go on because it has been interesting and instructive.

Sir HENRY THORNTON: In considering the freight rates you would have to take in consideration the condition of the Canadian Pacific Railway because there is a large investment in that company which the people of Canada do not want destroyed.

The CHAIRMAN: It is good that we have a railway commission to deal with the rates.

Mr. FAIRWEATHER: Freight revenue was affected by a decrease in revenue per ton mile from 1·120 cents in 1929 to 1·081 cents in 1930, or 3·5 per cent, and an increase in the average haul of a ton of freight from—

Mr. HANSON: Did we finish with passenger revenue?

Mr. FAIRWEATHER: We have not got to that.

Sir HENRY THORNTON: That is down below, Mr. Hanson.

Mr. FAIRWEATHER: —279·36 miles to 300·66 miles, or 7·6 per cent. The average revenue per ton increased from $3.13 to $3.25, or 3·9 per cent. The following shows the comparative decrease in freight revenue, tonnage and revenue ton miles:—

	Decrease	
	Amount	Per cent
Freight revenue	$35,944,408	18.0
Freight tonnage	13,429,622	21.0
Revenue ton miles	2,677,856,077	15.0

There were no important freight rate changes during the year.

Passenger Revenue

The following table indicates the decrease in passenger revenue, passengers carried and passenger miles in 1930, as compared with 1929:—

	Decrease	
	Amount	Per cent
Passenger revenue	$5,588,508	16.9
Passengers carried	2,031,060	12.7
Passenger miles	198,973,393	16.5

The average revenue per passenger decreased from $2.06 in 1929 to $1.97 in 1930, a decrease of 4·4 per cent, the average revenue per passenger per mile decreased from 2·741 cents to 2·728 cents, or 0·5 per cent. The average haul decreased from 75·32 miles to 72·03 miles, or 4·4 per cent.

Express, Mail, Telegraph, and Miscellaneous.

Express revenue for 1930 amounted to $11,488,177, a decrease from 1929 of $2,043,187, or 15·1 per cent. Revenue from the carriage of mails was $3,085,854 in 1930, a decrease of $73,809, or 2·3 per cent. Telegraph revenues were $5,254,798, a decrease of $867,354, or 14·2 per cent from 1929.

Hon. Mr. EULER: Were these services profitable or otherwise?

Sir HENRY THORNTON: Which services?

Hon. Mr. EULER: Express.

Sir HENRY THORNTON: Yes.

Mr. FRASER: Is your express revenue affected to any extent by the carriage of parcels by the Post Office?

Sir HENRY THORNTON: Well, of course, that has been in existence for some time. It would not have any comparative effect, I believe, in comparing 1930 with 1929. If it were a new thing, which appeared in 1930, I should say yes, it would have an important comparative effect, but seeing it has been in operation for some time, I do not think there is so much—

Mr. FRASER: In your opinion, Sir Henry, is the parcel post rate of the Post Office one that pays its way, or do you know?

Sir HENRY THORNTON: No, I do not know; I cannot answer that off-hand, without making an examination. I really do not know.

Mr. FRASER: I understand it does not belong to your department, but I thought you might have some information.

Sir HENRY THORNTON: I do not think I can really answer that.

Hon. Mr. EULER: Do you show a profit after making a payment on fixed charges? Do you show a profit after making a payment on fixed charges on your equipment, and capital expended in the express business?

Mr. HANSON: We would need a balance sheet to show that; we ought to have a balance sheet.

Sir HENRY THORNTON: The net operating revenues from express services in 1930 were $6,265,000, the operating ratio was 51·2 per cent.

Mr. HANSON: It was very profitable?

Sir HENRY THORNTON: Very much so, but I should not like that idea to become unduly prevalent.

Hon. Mr. EULER: After paying interest on fixed charges?

Mr. HANSON: That is net.

Sir HENRY THORNTON: After all charges have been paid, including——

Mr. HANSON: The fact of the matter is, it is a very highly profitable part of the business?

Sir HENRY THORNTON: After a proper adjustment has been made for interest on equipment, the net profit to the residue, the net income, is about $290,000.

Mr. HANSON: Of course, you are not giving us very much information, sir.

Sir HENRY THORNTON: I would like to point out this plain fact, and be quite frank with you, the express business is a very profitable business.

Mr. HANSON: You are losing your business.

Sir HENRY THORNTON: That is quite true, and as I explained it to you yesterday, we are trying to get some of it back.

Mr. HANSON: Let me suggest this to you as a constructive suggestion, the rates on express matter in this country are too high, and that competition you have is going to increase because of your high rates, and that you are going to continue to lose revenue on express by reason of the very highness of your charges.

Sir HENRY THORNTON: All I can say—

Mr. HANSON: And speaking of competition, this is a constructive suggestion made in the best of good faith.

Sir HENRY THORNTON: I recognize its very sincerity, and it is made for constructive purposes. The only answer I can give to you is, that we do recognize that situation and it is under examination.

Mr. HANSON: That is fair enough.

Hon. Mr. EULER: Are these rates subject to the Board of Railway Commissioners?

Sir HENRY THORNTON: Yes.

Mr. HANSON: The funny part of it is, every time there is an application to decrease your rates, the express companies, believing that offence is the best kind of defence, ask for an increase in rates.

Hon. Mr. EULER: Do they get them? They do not get a reduction, any way.

Mr. HANSON: They do not get a reduction.

Sir HENRY THORNTON: The whole point is——

The CHAIRMAN: It is an interesting and consoling thing to know that the railway companies are taking the express matter seriously under their consideration.

Mr. HANSON: That is as far as I want to go.

The CHAIRMAN: I can say this in respect to passenger rates and passenger traffic, in my district the company is operating an electric road there, and they allow busses to come in and beat them out of two or three of the very best districts, and then they have to go back and buy out these bus companies.

Mr. MCGIBBON: They are doing that all over.

The CHAIRMAN: They may be doing that in other districts. That is what happened to us. The suggestion Mr. Hanson makes may save them something in another way.

Sir HENRY THORNTON: Maybe.

Mr. HANSON: I do not wish to follow it any further.

Sir HENRY THORNTON: I think you are quite right, and I appreciate the suggestion.

Mr. KENNEDY: Do you think you are getting fair treatment in connection with the carriage of mails throughout Canada?

Sir HENRY THORNTON: Well, of course, I suppose, strictly speaking, no railway would regard fair treatment in anything unless they got 100 per cent of the business available.

Mr. HANSON: You mean, as between the different railways?

Sir HENRY THORNTON: Broadly speaking, the government divides the business between the two companies on a judicial basis, and it is practically a 50-50 split. The Canadian Pacific Railway get a revenue of about $326,000 a year more than we get, but it is practically a fifty per cent division. We have no complaint to make about that although we will always strive, just as the Canadian Pacific will strive, to get as much as we can.

Mr. HANSON: I think the question was directed to the question of rates. It is a matter of negotiation between the government and the company, I understand.

Sir HENRY THORNTON: It is not very much of negotiation. I think the government usually says what it is going to pay and that is the end of it. I am bound to say the government has always been reasonable.

Mr. HANSON: The reason I asked you is this; in my community I have occasion to transmit a good deal of correspondence to Edmundston, the mails have always gone on the Canadian Pacific Railway. I mail a letter to-day, and it is picked up the next day, and I can get a reply in four days, which is most inconvenient to business; whereas, if it went by the National line, we could get rid of a letter to-day, it would go out to-night, get in Edmundston the next day, and be answered that day, and back the next morning. I tried to get a service established there. The rate that the district superintendent told me he would have to pay if the National Railway were to get the business, seemed to be astonishingly high to carry mail to Edmundston from Fredericton and back.

Mr. GRAY: Before we leave this,—I was called from the committee for a minute and did not hear what was going on. The drop in telegraph revenue, is it partially due to reduction of service?

Sir HENRY THORNTON: I do not think it is so much due to that as it is to the general reduction in general business. When business falls off, particularly stock market operations, the telegraph business is similarly affected, and the reduction in telegraph business is more or less in keeping with the percentage reduction of freight and passengers, and almost everything.

Mr. HANSON: Just one question, please. With regard to the telephone business, has the competition of the telephone over a period of years resulted in a general decrease of telegraph revenue, or have you followed that up?

Sir HENRY THORNTON: I should think there must have been a decrease, although I have never examined it from that point of view. I have no information about that. Have you any, Mr. Galloway?

Mr. GALLOWAY: Generally speaking, I should say the telegraph business has been able to hold its own, but of late years the Bell Telephone competition has been very keen, and is getting keener than ever.

Sir HENRY THORNTON: In view of the telephonic communication, there is a tendency to take the telegraph business away from the railway company. We

know that; the speed with which long distance calls can be put through, and the clarity of communication for long distance in the last three or four years, has very materially improved.

Mr. HANSON: No doubt.

Mr. MCGIBBON: In fact, a good many telegraph offices have been closed.

Mr. HANSON: That will be an increasing factor.

Sir HENRY THORNTON: Probably it will be.

Mr. HANSON: Well, now, coming back to the revenues from freight and passengers. Last year, Sir Henry, you told us that you lost $12,000,000, or in 1929, on your passenger service, approximately $12,000,000; what was the operating loss for 1930?

Sir HENRY THORNTON: You asked this question, Mr. Hanson; what was the loss on passenger service in 1930. And the answer is, $15,815,368. Now, that of course, was accentuated by the decrease in passenger traffic, because it does not cost a railway any more to haul a train full of passengers than empty. Income on passenger travel depends almost entirely upon the degree to which the train can be filled.

Hon. Mr. EULER: Do you say that this loss is attributable to the fact that you have an unnecessary duplication of service as between the two systems?

Sir HENRY THORNTON: Well there was—that is true to an extent. Earlier this year the Canadian Pacific Railway and ourselves embarked upon an examination of the whole passenger mileage situation to see to what extent we could, without damage to either system, reduce unremunerative service, and to some extent competitive service; and the two traffic departments of the respective railways examined that situation very thoroughly, and the result is that we reduced, or will have reduced before the year is over, at the rate of—I would put it this way—we have reduced our passenger mileage at the rate of approximately three million passenger train miles per annum, and the Canadian Pacific made a reduction, but not so much, because their mileage was not so great.

Mr. HANBURY: Can you give us what the percentage would be to your total?

Sir HENRY THORNTON: I cannot give you that off the bat, but I can give it to you to-morrow.

Mr. BURNAP: 12·4 per cent.

Sir HENRY THORNTON: 12·4 per cent, Mr. Hanbury, rail reduction.

Mr. HANSON: The C.P.R. is comparable?

Hon. Mr. EULER: Do you think that you have arrived at an irreducible minimum?

Sir HENRY THORNTON: I think we have. You always get up against certain problems when you want to take off a passenger train; naturally every community dislikes it, no community wants to—

Hon. Mr. EULER: I am referring to the competitive end of it.

Sir HENRY THORNTON: Yes, I think we have. For instance, we took off our Confederation this year, and the Canadian Pacific have reduced their service. I should say, broadly speaking, there is not very much waste to-day in competitive service as between the two companies.

Mr. HANSON: Take the service from here to Montreal. What reduction has there been in the competitive service? The Canadian Pacific Railway have taken off one train, so far as I know.

Sir HENRY THORNTON: Can you answer that, Mr. Burnap?

Mr. BURNAP: I cannot, off-hand. I can check that up. We checked up with the Canadian Pacific, and both reduced as far as they thought could be—

Sir HENRY THORNTON: May I just say to the officers, that they speak louder in order that the members and the reporter may get their remarks.

Now, did I answer that or not?

Mr. HANSON: I am speaking of the competitive services to Montreal and Ottawa. So far as I can find out, there has just been one train taken off, and that is the Canadian Pacific train to Montreal in the morning, and the train on Saturday. You have not taken off any.

Mr. BURNAP: We have taken off one train, sir.

Mr. HANSON: What train was that?

Mr. SMART: Number 52.

Mr. HANSON: What train is that?

Mr. SMART: The one that left at four something in the afternoon.

Sir HENRY THORNTON: We each took off a train.

Hon. Mr. EULER: How many trains are there between Ottawa and Montreal?

Sir HENRY THORNTON: I cannot give you that off-hand.

The CHAIRMAN: Yesterday a gentleman came to see me from Montreal, and he told me that there were only three passengers on the chair car that he came on. That does not look like a very profitable proceeding.

Mr. BURNAP: As a matter of fact, at the present time we have three local trains between Montreal and Ottawa, and one through train, that is, the Montreal to Vancouver train that runs over the same track.

Mr. HANSON: Four each way.

Mr. BURNAP: Four each way.

Mr. HANSON: How many on the Canadian Pacific Railway?

Mr. BURNAP: I think they have seven.

Sir HENRY THORNTON: May we go on, Mr. Chairman?

Mr. FAIRWEATHER: Railway operating expenses—

Mr. MCGIBBON: May I ask a question there, Sir Henry. Looking at your report, I see your operating expenses have decreased about $26,000,000, and loooking at the details over here, I find there is a difference in maintenance of eight and a half millions, maintenance, equipment, six and a half millions, and so on. The point I want to make is this; is most of this practically automatic? For instance, if you do not run a train you do not burn coal, you do not use oil, you do not pay wages, and your equipment is not worn out to the same extent.

Sir HENRY THORNTON: Undoubtedly a percentage is automatic. It is very difficult for anyone to say just what the effect of competition on any traffic is, in percentage.

Mr. MCGIBBON: Going over it, it struck me that about twenty millions out of that twenty-six millions were automatic.

Sir HENRY THORNTON: I should think a certain amount of that was automatic. I can only say in answer to that, this, as I undertook to explain at the previous meetings, we ration our expenses so far as they are controllable, month by month. I think I explained to you that there was a meeting of each region about the 25th of each month, and at that meeting, all spending departments are represented, with the general manager of the region as chairman of the meeting. An estimate is made of the probable gross revenue of that region for the following month, and having regard to the probable gross revenue, and effort is made to allocate the expenses to those different primary accounts, with regard to that gross revenue. Transportation expenses are to a considerable

extent uncontrollable. That is, there are certain expenditures from which there can be no escape. For example, if a station is open, you must have a station agent; if business is good, you may have two or three clerks, but if business is bad, you naturally reduce the station force, but you cannot get below the agent. To a certain extent, the same thing is likewise applicable to your maintenance work. You cannot reduce the section gang, you must always have a section foreman, and enough men to maintain the safety of traffic, and take care of emergencies. You must, for instance, have enough men in a section gang, if a broken rail is found, to be able to renew that rail and replace it. So that, you get to a certain irreducible minimum. At these monthly meeetings, an effort is made by the officers themselves in charge of their respective departments to reduce their expenses, having due regard to the maintenance of the property and safety of service, to keep those expenses at a minimum. Each year we are finding newer avenues for economies, for economical reduction of expenses. That is going on continuously.

MR. MCGIBBON: What I had in mind, Sir Henry, was this. Outside of this automatic decrease in business, there was not very much of a decrease, probably about six millions dollars throughout the whole system?

SIR HENRY THORNTON: I do not know whether we can get it or not. Mr. Fairweather as the Director of the Bureau of Economics, and one of his functions is to study those statistics, and keep in touch with them, may be able to give you some information on that. Perhaps he can give you a better statement on this point than I can myself, although I am in touch with it. At the same time, it is quite impossible for me to keep in my mind all of the innumerable number of things and figures which develop on the railway. Perhaps, Mr. Fairweather, you can make a statement which would throw some light upon the situation.

MR. FAIRWEATHER: Well, I may say to that, the analysis of operations of a railway company, for the purpose of telling whether or not the management has efficiently operated that property is, of course, a highly technical problem. It involves a close study of the detail of the accounts representing the expenditures made, and what was obtained for that expenditure. It is a subject which has engaged the attention of technicians in railway matters now for some ten years, and it is basicly dependent upon the conception of the railway as a manufacturing concern; that is, that the railway is producing transportation. Just as in the case of any other manufacturing concern the expenses will be found, upon analysis, divisible into those which are independent of use, and those which are dependent upon use, and the determination of the basic principles underlying that division is a long and complicated study. I may say that at the present time the American Railway Engineering Association has a committee that is charged with carrying on that work, and I happen to be a member of that committee. We in the Canadian National Railway have been analyzing our accounts year by year in accordance with a formula representing the best known accounting practices, with regard to railways. I may say here that without exception, the inherent efficiency of the management of the Canadian National Railway has increased each year from 1923 on. There has not been a year in which there has been a retrograde step in the inherent index of management efficiency. That is true, although it may seem strange, even in the year 1930, in the face of the depression, the inherent index of management efficiency went up. The reason that the Canadian National Railway, in common with all railways, suffered such a drop in their net revenue, was not due to inefficient management, it was simply due to the fact that the operating expenses of a railway —I will speak roughly—are divisible 33 per cent or 35 per cent fixed, and about 65 per cent controllable.

MR. HANBURY: Without interest on capital?

MR. FAIRWEATHER: Purely operating account, and, of course, these percentages are charged on every individual account, and the percentages adopted for each individual account have been determined by the concensus of opinion of the best technicians of the United States railways and ourselves.

MR. MCGIBBON: I am afraid you did not get my point. Out of this $26,000,000 decrease in operating expenses, it seems to me that about $20,000,000 of it is automatic, and not very much more than $6,000,000 of a decrease otherwise in the whole system.

MR. FAIRWEATHER: Well, sir, in answer to that, I might say I would ask for a definition of what you mean by "automatic"?

MR. MCGIBBON: I am just taking your statement. For instance, maintenance of way, there is a drop there of $8,600,000, perhaps no doubt due to the decreased traffic.

MR. FAIRWEATHER: But the management had to step in and make that decrease, the management had to see to it that those materials were not applied, the management had to see that the staff was reduced when the traffic fell off, and it is in the application of the management that you get this apparent automatic reduction.

MR. MCGIBBON: Well, in part.

MR. HANSON: Mr. McGibbon is saying that the $20,000,000 decrease is due to the falling off in traffic, and that there has not been a decrease in the other elements.

MR. FAIRWEATHER: There has, sir, there has been an increase in the efficiency of operation.

Mr. HANBURY: How does the ratio compare with other years?

SIR HENRY THORNTON: I think this whole question may be a little prolonged, but it is perhaps interesting. Mr. Fairweather, whose functions are the study of all things of that sort, can give you a better statement of the whole situation than I can. Will you just go ahead now, Mr. Fairweather.

MR. FAIRWEATHER: Well, continuing in the general discussion, not only do we compare the operating efficiency of our own railway with ourselves in different periods to see whether we are doing better or doing worse, but we also compare our operating efficiency with other railways to see whether we are keeping pace with those other railways, and as I say, these analyses are technical, but when you do make an adjustment for the main factors, and analyze the comparison, that is, the density of traffic which affects the division of the expenses as between overhead and those expenses which are the direct expenses proportioned to traffic, I say when you make that comparison, and compare the absolute operating efficiency index of the Canadian National Railways with other railways, you find this, that as compared with Class I railways of the United States our absolute index of operating efficiency stands four per cent higher than that of the United States roads.

Sir HENRY THORNTON: Have you figures to support that statement?

Mr. FAIRWEATHER: Well, I have here, class 1 roads of the United States have a density measured in traffic units 2·07 times as great as that of the Canadian National. Their apparent efficiency of operation if adjusted to the difference in traffic density, would indicate that they were operating 20 per cent more efficiently than the Canadian National, but when you adjust that index to traffic density, you find that the Canadian National Railways are operating slightly more efficiently than the average class 1 road.

Sir HENRY THORNTON: May I just interrupt Mr. Fairweather to say that you must keep in mind, in the examination of statistical information, furnished to any railway, particularly the matter of expenses, that it is based largely on

the foundation of traffic density. That is to say, the greater the traffic density automatically the more efficient the operation becomes, and applying that to our railway, we have a very low traffic density, because our railway is a development railway, it was built in advance of settlement, and for the purpose of attracting and developing settlement, so that in any comparison that is made, you must take into consideration traffic density. Take for instance the London & Northeastern Railway in England. That railway has a main line mileage of approximately 6,000 miles. The mileage of the Canadian National Railway is something like 22,000 miles. The gross revenues of the two companies are precisely the same, or nearly the same. In other words, on one railway you have the same gross revenue concentrated in 6,000 miles, and on the other railway, you have the same gross revenue distributed over 22,000 miles, or more than three times the mileage; so that you will easily see that one of the large factors which enters into the consideration of any railway problem is, what is the traffic density on that particular railway; and allowance has always to be made for it.

Mr. FAIRWEATHER: To further illustrate the point—

I would further illustrate the point by taking the general account of maintenance of way and structure. There you find that Class 1 roads are apparently 30 per cent better than the Canadian National Railway. When you correct for the traffic density, you find the Canadian National Railway is just as efficient, the reason being about two-thirds of the maintenance of way and structure expenses are independent of traffic, and on a light traffic line your unit cost of maintenance of way and structuure must of necessity be high in spite of efficient management.

Take transportation account which is an important item, that is affected, but to a lesser degree by the density of traffic. When you give us the advantage of having more tonnage to move you find we are operating ten per cent better on transportation than Class 1 roads.

Mr. MCGIBBON: On page 7, take the employees compensation, 1930 and 1929 the decrease in maintenance of way and structures is three and a half millions and in maintenance of equipment a decrease of two and a half million—and transportation seven million. Those are practically all automatic decreases, are they not?

Sir HENRY THORNTON: In a sense, yes, although here is where the management intervenes. I do not mean to say this management, but I am speaking about railways in general. For instance, you have a falling off in traffic. Now, the management has got to say from its experience the standard of maintenance which the character of traffic demands on different parts of the railway system. For example, the standard of maintenance necessarily between Montreal and Toronto would be a much higher standard than that which might be necessary on some of the western lines and the management has to draw on its business management to say, having regard for the circumstances which surround each individual part of the railway what that standard must be, and unless that intervention is made and unless the management exercises its intelligence in respect to things of that kind, then no reduction becomes possible, or you might find yourself in the position of maintaining one line at a higher standard of maintenance than the condition of traffic demands.

It is quite true what Mr. McGibbon has said that a large proportion of reduction of expenses is automatic, but unless the management takes advantage and directs and guides the distribution of expenses, besides the character of maintenance and a great many problems, no saving will be made.

Mr. HANSON: I think we agree in theory on that, but that is not the practice, let us get down to brass tacks. On page 4 you show a decrease on railway

operating revenue of something over $46,000,000, and on page 6 at the foot, you show only a decrease of $26,000,000.

Sir HENRY THORNTON: Yes, that is right—there is a difference.

Mr. HANSON: They have not kept pace one with the other, and Dr. McGibbon suggests of the $26,000,000; $20,000,000 is automatic, leaving $6,000,000 for all the other things. In view of the alarming situation I do not want to lay too much stress on it, but I am alarmed and a great many members are alarmed, at the situation and we should not be classed as enemies of the road because we are alarmed, but how are we to meet the situation? And are we meeting losses in revenue and decreases in revenue by a corresponding decrease in railway operating expenses? I fear we are not.

Sir HENRY THORNTON: In answer to that I may say the management shares your alarm and entirely shares your anxiety, and certainly the object of the railway and administration is to present as large an amount of net earnings as possible. There can be no other object, because to pursue any other course would be simply stupid. Every day and every week the vice presidents and myself are meeting to see what new methods of real economy can be introduced and in developing those methods and bringing them into effect we must necessarily draw on such technical experience as we have. We must, for instance, decide how far road maintenance may go without accumulating a bill for deferred maintenance which might be in the last analysis much more expensive.

Mr. MCGIBBON: Or impair efficiency?

Sir HENRY THORNTON: Yes. We must have certain character and frequency of service to the best of our ability and decide the degree to which the frequency of service can be reduced, without retarding the development of the communities we serve. In our transportation expenses, in administering those we have to see to what extent we can consolidate divisions and general superintendents and to what extent eliminate our movement of trains and all the other thousand and one things that enter into the operation of a railway. And all I can say is the vice presidents and myself are thoroughly seized of the seriousness of this situation and do everything which our intelligence tells us to do towards reducing expenses. We want in your own interest, if for no other purpose, to make the net earnings as big as possible because the bigger they are the better for the country. We have no interest as an executor in maintaining a higher order of efficiency which is not justified. We would not last five minutes were we to do so, and please remember that the railway business is a profession—it has its ethics and principles. The reputation of a railway officer is exactly like the reputation of a lawyer or doctor. If he has a good reputation he will succeed, and if he forfeits that reputation he will not. So looking at it from a selfish point of view the officers—and I venture to include myself—have no other object than to try to operate the railway as economically and intelligently as our experience will enable us to do.

Mr. HANSON: I welcome that declaration. As far as I am concerned I am not going to pursue the question any further. Sir Henry Thornton says he is seized of the situation and we must leave the thing for you, Sir Henry, to work out and we rely on your methods.

Sir HENRY THORNTON: There are very few nights I do not take a bundle of reports and worry over them until morning and wonder how the devil can we save more money. And I have spent a good many sleepless nights, and Mr. Hungerford has also, to try to find a way to reduce expenses. Remember we have a personal pride in this railway system—we have built up a certain reputation, and I think we have earned a certain confidence in the public mind and

we do not want to forfeit that confidence. We do not want to make a mistake any more than a doctor at an operation. We want to say to the people of Canada we have done the best we could and to say to them if they can show any better way, we want your advice.

Mr. HANSON: As a layman we could not be expected to do that, but having had the principle accepted, I say it is up to you to carry it out and the people of Canada are expecting you to respond, individually and collectively.

Sir HENRY THORNTON: That is a fair statement and we welcome that statement and will do our level best.

The Committee adjourned until Tuesday, June 16, at 11 o'clock.

TUESDAY, June 16, 1931.

The Select Standing Committee on Railways and Shipping met at 11.00 a.m., Hon. Mr. Chaplin presided.

Mr. HANSON: Mr. Chairman, in the discussion the other day with relation to the purchase of the Canadian Northern Railway stock, everybody of course knows that $10,000,000 was paid for the stock, and it is carried to the capital structure at $100,000,000. Those of us who were not in parliament in 1918 when that happened would like to have a statement as to just how that was done in that way.

Hon. Mr. MANION: That $100,000,000 worth of stock was put to a Board of Arbitration, and the Board of Arbitration said it was worth $10,800,000. The government paid $10,000,000, so that while it is carried at $100,000,000 in the Railway Balance sheet it really cost the government of Canada $10,000,000, and that is part of the proposal in regard to refinancing, for example, that $90,000,000 should be written off. I read the report of the meeting the other day, and Sir Henry was not quite right when he said it had been written up, nor was the other party right who said it was written down. As a matter of fact, it was $100,000,000 for which the government of Canada paid $10,000,000.

Mr. HANSON: It is capital stock of a par value of $100,000,000, and it is carried into the capital structure at the issued par value?

Hon. Mr. MANION: Yes, although the government only paid $10,000,000.

Sir HENRY THORNTON: I was a little careless in making the statement. I did not want to make a wrong impression.

There were certain questions asked at the last meeting which I take it you would like answered first.

Mr. Hanbury asked as to the amount of grain shipped through the port of Vancouver for the year 1930. The answer is 64,296,404 bushels.

Mr. Heaps asked what kind of balance is struck between Canadian grain that moves for export through American ports and American grain that moves for export through Canadian ports. The answer is as follows—and this is, incidentally, for the year 1930 which was an abnormal year, a peculiar year, and certain allowances must always be made for the exigencies which surround the year under discussion; but the answer for 1930 is this:—

Canadian grain moved through American ports during 1930, 72,277,730 bushels.

Total Canadian grain exported during 1930, 216,670,052 bushels.

Percentage through American ports to total, 33.3 per cent.

American grain moved through Canadian ports during 1930, 19,282,109 bushels.

Total American grain exported during 1930, 125,065,944 bushels.

Percentage through American ports to total, 15·4 per cent.

I gave a figure at the last meeting which I think would have indicated a good deal higher percentage, or a larger volume of American grain through Canadian ports than this figure here. This is for the calendar year. The figure I gave you was for the crop year, and I am not so sure but that the crop year is the better yardstick by which to measure it.

33542—8½

Mr. HEAPS: That is for one year which you claim is an abnormal year. Would it not be better to have something over a period of years, say four or five years?

Sir HENRY THORNTON: I think it would. I doubt, as a matter of fact, that that really gives you very much in the way of information. We know what you want. What you want to find out is on the average how much American grain goes through Canadian ports and how much Canadian grain goes through American ports taken over a period of years, and if you will let that stand we can have that by the next committee meeting and, I think, give you a more comprehensive statement.

Mr. Hanson asked a question in regard to American grain which moves through Canadian ports, how much of it was moved by Canadian railways, or in what way, if at all, did the Canadian railways profit by that movement. This again, Mr. Hanson, is a calendar year, and a very abnormal year. The answer is: Of the American grain which moved through the Canadian ports the Canadian National Railway handled 2,468,347 bushels; but that again is a figure that is distorted by the abnormalities of the year under consideration.

Mr. Chairman and gentlemen, at one of the previous meetings of this committee certain questions were addressed to me with respect to my own salary and the conditions under which my employment exists with respect to the Canadian National Railway system, and there was also a reference to the salaries of other officers. I would like to make a brief statement with respect to the whole situation.

The salary which I am paid personally, and the allowances which are made to me on account of what is regarded to be necessitous obligations of my position, were determined by an arrangement with the Board of Directors of the Canadian National Railways, and approved by that board late in 1929. The salary is a contractual obligation existing between myself and the government of Canada. The additional allowances received the approval of the Board, and were regarded as those allowances which were essential for the carrying out of my responsibilities. All of those salaries and allowances were duly approved by the Board of Directors, and that part of the allowances which are not a contractual obligation between myself and the government of Canada were within the knowledge of the late government and had the approval of that government.

Since the officers of the Canadian National Railways and myself have been associated in the administration of this property, we have endeavoured to carry out our responsibilities with fidelity and with honesty and, we hope, with intelligence. The results speak for themselves, and each member of this committee can draw his own conclusions.

With respect to the rate of pay which I received, and the other allowances, I can only say that they are in keeping with what is generally paid for such services on the North American continent, and in some instances, are materially less. There has been no deviation, or alteration or change of any sort in my salary, my allowances, or my condition of services since 1929, or when the last arrangement was concluded with the Board of Directors of the Canadian National Railways and the government of Canada. The present situation is just what it was at that time.

I have nothing more to say upon the subject, because I feel that any further action which should be taken should be left to this committee. I can only give you the statement as to how my terms of service were arranged, and give you the assurance that it was approved by the Board of Directors, was within the knowledge and approval of the late government, that there has been no alteration since that time, and that it is in accord with the general rate of pay for such services elsewhere.

With that statement, gentlemen, I leave the matter in the hands of the committee to decide what action you wish to take.

Mr. BELL (St. Antoine): May I ask you this question, Sir Henry: has your salary and the salaries of the other officers been brought to the attention of the new Board of Directors?

Sir HENRY THORNTON: I do not think they have been specifically brought to the attention of the present board. The salaries of officers are generally supposed to be tacitly contractual obligations unless there is thought to be some reason for change on the part of the individual who is the superior of the officer in question, or the Board of Directors itself. There has never been a specific discussion of officers salaries in general with the present Board of Directors. And I might say, as I have said before, that all of these salaries are matters of Board action and must have the approval of the Board. The officers of the railway company may alter salaries less than $9,000 per annum. Over that any alteration in salary must be submitted to the Board of Directors, and cannot be effective until it has the approval of the Board of Directors. So that practically speaking, in fact definitely speaking, all salaries are subject, first, to the approval of the Board of Directors, and they remain as fixed by the Board until altered by the Board.

Mr. HEAPS: How often does the Board meet?

Sir HENRY THORNTON: Once a month. There is an executive committee which meets usually once a week. At rare intervals sometimes when there is not much business an executive committee will be passed; but for all intents and purposes you can say that the executive committee meets once a week. That executive committee has all of the power of the Board. That is to say, that the executive committee takes action with respect to a certain matter and, in the judgment of the executive committee, the matter is urgent, it is so marked and then by the by-laws of the company it becomes the action of the Board. The minutes of the executive committee are sent to each member of the Board to examine them, and sometimes there is a discussion at the next meeting of the Board.

Mr. HEAPS: How is this executive committee appointed?

Sir HENRY THORNTON: It was really appointed by informal consultation between myself and the members of the Board and, of course, the Minister of Railways as representing the proprietor. I can tell you who the members of the executive committee are.

Mr. HANSON: I suppose it is set up by by-law?

Sir HENRY THORNTON: Oh, yes, it is set up by by-law. Technically it is appointed by the Chairman, but practically speaking it is the result of just a general informal discussion to find out just what is the most appropriate thing to do. At the moment, it consists of Mr. Labelle, our director in Montreal, Mr. Morrow, our director from Toronto, Mr. Boyce, Mr. Moore, Mr. Smart, representing the government, as deputy minister, and Mr. Morrow, our director from Quebec, and myself, together with Mr. Ruel, the legal Vice-President.

Mr. MCGIBBON: Sir Henry, I brought this matter up, and I wish to predicate my remarks with this statement: I do not intend to say what you or any of your officers are worth. You may be worth a great deal more than you are getting. I do think, however, that whatever it is it should be specified in the contract with the government. That contract is for $75,000 plus a reasonable amount for expenses.

Now, if nobody else will tell you I am going to take the liberty of saying that the popular opinion is you are drawing over $150,000.

Sir HENRY THORNTON: I wish it were true.

Mr. McGIBBON: Well, I am just telling you what the public at large are talking about, and that you are living in a house for which you are charging $20,000 a year, in addition to your salary, and that public money is being paid out, at least railway money on behalf of yourself and directors, all of which should come out of their own private pockets; that there is rank extravagance in the way of salaries all the way down from the top to the bottom, and that men are being retired at ridiculous retiring allowances, and that previous to their retirement their salaries had been boosted so that they could retire at around $8,000 or $10,000 a year.

I am not going to take the time here to go into all the things. I have put a number of questions on paper there which will bring out the information that I am seeking, but I think it is in the interests of the public that they should be answered, because they are talking about it every place, in other words, that the National Railways is a fertile field for graft, to use a common expression. I am not saying these things are true, but it is being said all over the country, and I do say it is in the interests of the National Railways and it is in the interest of the public to have this matter cleared up. I do not for a minute say this is true, but I have heard it said that your personal expense account has run over $100,000 a year. Personally I do not believe that. I do not mind telling you that the public are saying that.

We cannot conduct an enterprise of this kind under suspicion. I think I am safe in saying that, and I think if a frank statement were made to the committee it would be in the best interests of all concerned. We all recognize that the job is a big job and we are not antagonistic to the success of the National Railways. It is twelve years since we took the railways over, and I know something of the controversy that took place at that time in regard to keeping the railway. As I stated here before negotiations were entered into at that time to sell the stock of the Canadian Northern to the C.P.R. That was stopped by the government of the day, and being interested as we all are in the welfare of the National Railways, and in the interests of the good name of the government, and in the country at large, a frank statement should be made, and those questions that are on the order paper should be answered. They can be answered confidentially as far as I am concerned; but the statement should be a clear one. Everybody seems to be afraid to say anything about it, but I have taken the liberty, in your presence, sir, to say those things. I have nothing against you or against any of the Board of Directors or the railways; but we are interested in this company, and we are interested in its success.

Sir HENRY THORNTON: I might say if you will permit me, Mr. Chairman, just this one thing: the officers of this company and myself have only one form of capital, and that is our reputations as railway officers. I venture the statement that none of us are rich men. Not very often are faithful officers of a railway office men of opulence. The only thing that we have to sell is our skill and our intelligence, whatever it may be, and our reputations. Certainly in the maintenance of those reputations, and in the maintenance of our reputations in the professional world, we would have no desire to pursue a course which could only be a stupid course, that is, the course of dealing with salaries of officers and subordinates in any other fashion than that which sound business judgment and a recognition of service and ability would indicate.

The whole question, as I have tried to explain to the committee, was one which rests in the hands of the directors. The Board of Directors represents intelligent business men. There are many operations of a railway which must be left to a Board of Directors, and this is one of the things that has been so regarded in the past.

Hon. Mr. EULER: Mr. Chairman, perhaps it is unfortunate that a debate of this particular form should go on. Dr. McGibbon and I are very good

friends, at least I think we are, and I for one regret that we should use a phrase such as "a fertile field for graft." I have heard a few little more or less unimportant rumours, that possibly some of the executives are being paid higher salaries than should be paid. I have never at any time heard anybody say that the conduct of the National Railways provides a fertile field for graft, and I for one do not think that that is the general sentiment throughout the country, and I think that I should say that. It is a statement that if—

Mr. McGIBBON: If those questions are answered it will clear the air.

Hon. Mr. EULER: That is not so. It can only do one thing and that is to hurt the National Railways. I said the other day in the House that I had absolutely no defence to make if it can be proven that there is gross extravagance in the management of the railways. It has, so far, not been proven, and surely it cannot be for the benefit of the public to make statements which will destroy confidence in the officers of the company. I really think that that particular expression in itself ought to be withdrawn. It can only do harm and I do not believe it is true.

Mr. McGIBBON: Mr. Chairman, I do not mind withdrawing it. I think I made myself pretty plain. I am only repeating what everybody is saying. I asked the question a while ago that the railway company or the executive refused to answer, I think unwisely. That has done more to create suspicion throughout the country than anything else, because if the answers were not in accord with the agreements with the government all they had to do was to say so. When they refused to say so the public were justified in assuming that there were agreements with regard to salaries which were not being lived up to.

Sir HENRY THORNTON: If you will pardon me interrupting, I simply stated at that time that the Minister was away.

Mr. McGIBBON: No the Minister was here, Sir Henry.

Sir HENRY THORNTON: My recollection is that this question came up when the Minister was gone, and it was the decision of the committee that the matter should rest until the Minister returned. That is my recollection.

Mr. McGIBBON: I know exactly what I am talking about, and it is not right. Those questions were asked on the order paper and they were delivered by the Minister himself in the House.

The CHAIRMAN: Just one at a time, please. Let me make this explanation and it will probably clear the air. The matter came up here and I made my decision respecting it when the Minister was not here. Previous to that time the Minister had those questions in the House. Now, that is where we started from.

Mr. HANSON: And it was decided to let the matter stand until he returned.

The CHAIRMAN: Some member of the committee said "your decision is contrary to the Minister's decision. The Minister gave a decision in the House and you give a different decision here". Now, the Minister is here and he can make whatever decision he likes. As far as I am concerned I am the Chairman of this meeting, and I want you to understand that I am your servant. I am to do in the committee as you want me to do.

Mr. HANSON: Sir Henry said that these answers were given in the absence of the Minister. In the first instance they were given by the Minister himself. He delivered the answers to the House himself.

Sir HENRY THORNTON: My recollection was that the matter was discussed when the Minister was not here and there was a suggestion made that the matter should stand over till the Minister returned. My own feeling was that I did not care to take any definite action one way or the other in the matter till the Minister did return. I think that was all I said.

Mr. BELL: I am only expressing my own personal views in this matter; but when I asked Sir Henry with regard to this question, if it had been brought to the attention of the new Board of Directors I had a certain specific reason in view for so doing. Certainly if we have a responsible government, and the new directors are appointed, or have been appointed as we know they have been since this new government came into power, I should think that the Board of Directors of the Canadian National Railways in matters of this kind should be apprised of those questions that are in controversy at the present time first. And I would make a motion, if you consider it in order, Mr. Chairman, that the questions as submitted by Dr. McGibbon, and also the questions regarding the officers of the company which have been referred to in this committee, should be submitted to the Board of Directors of the Canadian National Railways, and a copy of those minutes be submitted to the Minister of Railways, then if in their judgment this information should be submitted to this committee, why, then, that course should be followed.

The CHAIRMAN: Before the motion is put, you all understand how this matter came about. I have made a ruling. Now, the first thing, in my judgment, that you must do is to get rid of that ruling. That is my opinion about the matter. Do not sidestep it by another motion that does not get us anywhere. The point is this: I have made a ruling, and if the ruling does not suit you then rescind it. It is your meeting not mine.

Mr. HEAPS: Will you kindly explain what that ruling is.

Mr. GRAY: I raised the question then, Mr. Chairman, Mr. Pouliot had asked some questions, and they had been referred as an order for return to the Minister, and had not been answered. Mr. Pouliot came into this committee, and I think the committee decided that having been placed before parliament therefore this committee should not deal with those questions. I raised the point then that Dr. McGibbon's questions—and Mr. Euler immediately followed me—had been before parliament and, while through the Minister they would not be answered we contended that, therefore, parliament had answered them, and that Dr. McGibbon's questions were exactly in the same position as Mr. Pouliot's; if Mr. Pouliot's were not to be answered, that Dr. McGibbon's should not be answered while Mr. Pouliot's still were on the order paper. Dr. McGibbon's had been answered by the Minister and, therefore, we were subservient to parliament. I think then Mr. Heaps or Mr. Hanson raised the question, that having been before the Minister we should leave the matter in abeyance until the Minister returned.

I still contend that they are in the same relative situation as Mr. Pouliot's, that they have been before parliament and parliament has stated the situation.

The CHAIRMAN: I have no objection to the way Mr. Gray puts the matter before the committee. The stand I took was that Mr. Pouliot's questions and that Dr. McGibbon's questions were not on all fours, that Mr. Pouliot's questions had been actually answered or were in the way of being answered by parliament itself, and that the questions of Dr. McGibbon had not been answered at all, and it had been represented during the absence of the Minister that the Minister had answered them, whereas as a matter of fact all the Minister had done was to submit the questions to the Board, and the answer came back from the Board that to answer them was not in the public interest. That was the position you took as far as the Minister was concerned, and he was not here. I simply made the ruling that in respect of those questions that had reference to current business of the company they would not be answered; but any questions that had reference to the previous year's business would be answered, and in that catagory came the question of salaries, and I intimated to the committee that inasmuch as the President had an agreement with Parliament in which his salary was well known to everyone, it appeared to me to be reasonable that any information respecting the salaries of the under officials should be forthcoming.

That is the position I took. I made the ruling based upon that, and I just simply say this, that if that ruling does not suit the meeting you know how to change it.

Hon. Mr. EULER: May I say that no one has suggested disobeying a ruling of the Chairman. The questions, I take it, were submitted by Dr. McGibbon. Now, a suggestion has been made by Mr. Bell that the questions be submitted to the Board of Directors of the Railways. Perhaps Dr. McGibbon is quite content with that solution?

Mr. MCGIBBON: I am not.

Hon. Mr. EULER: Well, that is pretty definite. I was just going to say this further: While there may have been some—I might use the word—suspicion as to the former board that was appointed by the late government of which I happened to be a member, I have nothing to say with regard to that; but you have now an entirely newly constituted Board in which I would expect the present government at least to have some confidence, and if they have that confidence why should not those questions be submitted to them. The President has already told us that the question of all these salaries of higher officers must be passed upon by the Board. That clearly indicates they surely are entirely responsible for the whole scale of salaries, and if there is any suspicion that the salaries are too high surely this is a question which, suspicion, if you like, should very fairly be presented to that Board of Directors for consideration. It seems to me that is a very fair suggestion.

Sir EUGÈNE FISET: Sir Henry has made the statement here that his own salary has been fixed by order in council plus certain emoluments. He has also stated that he was given certain other allowances which received the approval of the Board of Directors of the Canadian National Railways. He has also stated that these allowances, as fixed by the Board of Directors of the Canadian National Railways, have been approved by the Privy Council, as a matter of fact, or by the government.

Sir HENRY THORNTON: I did not say that. I said it was within the knowledge of the government.

Sir EUGÈNE FISET: That is exactly what I wanted to know. Then Sir Henry said that the fixing of those salaries by the Board of Directors, was known, let us say, to the old administration. May I take it that the present schedule of salaries that are being received by Sir Henry Thornton himself and by the high officials of the Canadian National Railways have been submitted to the Minister of Railways for his information. I mean the present Minister of Railways.

Hon. Mr. MANION: The salaries of the management have never officially been before the Minister of Railways or the government. I may say that personally I know something of them; but that is personal. So far as officially goes they have never been before the Minister of Railways or the government.

Hon. Mr. EULER: You do not include the salary of the President. That is fixed by the government.

Hon. Mr. MANION: That is before the Minister of Railways and before the government as it is before you, because it is a public document which was passed by order in council I think, in 1928. That, of course, is public property; but the present government has had no discussion at any time dealing with the salaries of officers of the railway.

As Sir Henry pointed out, it is absolutely correct that the salaries of himself and his officers are largely fixed by the directorate. It is true that originally the late government made an arrangement with him at $75,000 a year and—Dr. McGibbon expressed it correctly, "legitimate expenses", some word meaning that,—I do not know that I should even give the figure, but a figure was decided

on as legitimate expenses. That is public property because the late government passed it by an Order-in-Council. I am informed that there was no necessity for that, that generally speaking the directors of the company have control of the salaries themselves, and they do not necessarily need to come before the government at all.

The only reason, may I say, that such a discussion as this takes place is because of the condition financially of the Canadian National Railways. If the Canadian National Railways were in a position that it did not require guarantees of vast amounts or cash assistance from the government of Canada, then I should say that the question of salaries would never get before a committee of this kind at all, because we would not have anything to do with the estimates of the National Railways. They would handle those as a private company would handle its estimates; but in view of the conditions that have existed, in view of the fact that the government of Canada for the people of Canada has to either guarantee or supply immense amounts of money, then naturally I presume it is right that the members of parliament should question so far as it is ethical to question.

Since I have been brought into the discussion—I did not intend to say this, but perhaps I had better make my position clear to the committee—I have read the reports of the committee. I might perhaps apologize now to the committee for my absence, but it was due to illness in my family that prevented me from being here. The committee met all last week in my absence. I was quite agreeable to that and I wired the Chairman to that effect. However, I have read the reports of the committee, as I say, rather hurriedly I admit; but I have read every one of them and the committee, to use a colloquialism passed the buck on to me in regard to Sir Henry Thornton's salary.

I am only a member of this committee just the same as my friend Mr. Euler or Mr. Gray or Dr. McGibbon, or any of the other members of the committee. It is true I am minister of railways and in that way I am in closer contact with the business of the Canadian National Railways than the other members, and possibly have more knowledge of the business of the railway; but having passed the responsibility to me, to use a better term, I am going to pass it back to the committee in this way: that so far as getting the details of Sir Henry Thornton's salary are concerned, or the salaries of his officers, this committee will have to decide themselves how it shall get this detail. In other words, if necessary it will have to vote on what they get, and I am willing to take my position and vote with the rest of them.

So far as Sir Henry Thornton's salary is concerned, he stated here this morning that in addition to the $75,000 and the legitimate expenses which he got by agreement with the late government, confirmed by Order-in-Council and passed by the late directorate, I understood him to say—I may be wrong—that so far as he remembered the subject of salaries had not been discussed by the present directorate. I may be wrong but I understood Sir Henry to say that.

Sir HENRY THORNTON: That is correct.

Hon. Mr. MANION: By the new directorate.

Sir HENRY THORNTON: The question was never raised at any Board meeting.

Hon. Mr. MANION: So that is perfectly clear. He stated as well that he is getting other emoluments, fees, call them what you will; that through an arrangement with the late directorate he is given other fees or emoluments in addition to what was arranged in agreement with the late government.

Now, as to whether all this should be made public or not, I suppose it is more or less up to me to give my personal opinion. And I am not afraid to give my personal opinion on the subject, and I am going to give it here. My feeling is that so long as the government of Canada for the people of Canada

have to put up vast amounts of money, or guarantee vast amounts of money, and take, therefore, the responsibility of these vast amounts of money—and remember that the money advanced at different times for the National Railways plus interest and the guarantees of the government of Canada for the National Railways amounts to more than the whole cost of the war—now, I am saying this just because it is a very serious situation, involving the immense amounts of money which the government has had to put up, or guarantee, and is, therefore, responsible for,—it seems to me that it is legitimate to deal with the salaries of particularly the higher officers of the company. That is my opinion. So far as I am concerned, I can see no harm done to the company by disclosing those salaries to the public, and I agree with Dr. McGibbon thus far. I have had people come to me—and I will admit quite frankly that the statement was absolutely untrue—and say that they understood Sir Henry Thornton was getting $300,000 a year. I have had that put to me on two or three different occasions. I personally have heard other statements made that were not true just as that was not true. I know that is not true; but I have heard statements made like that, and because of that I feel that perhaps it might be well to clear the air. However, I am only one member of this committee. The only reason I express that opinion is because the committee put it up to me and I am giving it back to them. I am not going to suggest to the committee what it should do. The committee can do as it likes. This committee can either do as was suggested by Mr. Gray and Mr. Euler, at least pass it back to the directorate, or they can insist on getting the salaries; but they have to decide. I am not going to decide for them. I am a member of the committee and, as I have said, in view of the immense amounts of money involved, in view of the financial liability of this government which is in power, and of the late government when it was in power, and any future governments, because this will go on for a long time, it is quite right, in my mind, that the members of Parliament in Canada should look into the affairs of the company pretty thoroughly, and should not thereby be accused of being enemies of the National Railways. I deny absolutely that I am an enemy of the Canadian National Railways. I am too good a Canadian to be an enemy of the Canadian National Railways, and anybody who is an enemy of the Canadian National Railways is not a good Canadian. I do not think a man should be classed as an enemy of the Canadian National because he wants to get some detail about the vast amounts of money that are being handled. Remember, the National Railways handle something between $200,000,000 and $300,000,000 annually, and in 1928, as Sir Henry will support, they took in $304,000,000. That was the operating revenue in 1928, an immense amount of money. Not only an immense amount of money such as that, but the government has either to supply or guarantee vast amounts of money, and, therefore, I think that people are quite right in demanding information of all kinds about the National Railways without being branded as unfriendly to that railway. And I certainly resent any imputation that this government, or any member of the government, is anything but friendly disposed to the Canadian National Railways. My ambition is—and I have expressed this to Sir Henry Thornton—that perhaps before this government goes out of power the Railway will once again be on a good financial basis. To-day it is not, largely due to the depression I admit; but to-day it is not in that position. It is in a rather serious position. All railways are, but the National Railways particularly a little worse, a good deal worse, perhaps, because of its origin and its general make-up, and because of the building of two transcontinental railways which should originally have been one. That is, to a large extent the truth. I have only tried to make myself clear.

Hon. Mr. EULER: Mr. Chairman, when my good friend the Minister made his statement with regard to enemies of the National Railways he was looking rather hard at me.

Hon. Mr. MANION: I like you; that is why I was looking at you.

Hon. Mr. EULER: I know I made a statement in the House the other day in which I mentioned something about enemies of the National Railways, and I want to assure this committee that I absolutely did not have in my mind anybody so far as the government particularly is concerned. I want to make this clear, if I may say so, in this committee, that there have been attacks made, or an attack, but we surely do not want to introduce policies into those deliberations, but because it has been made by certain members of the party against the Canadian National Railways, and if it indicates enemity on the part of the government, then I hope it will be made quite clear that it is not the case. The Minister made it abundantly clear that certainly he is not and the government is not opposed to the railways, and that is a good thing it was said, because the National Railways have some enemies, perhaps not in this room; but I think it is just as well to make it plain. I have nothing more to say. I think the thing that is absolutely at stake, so far as the principle is concerned, is whether you want the public at large throughout the whole of Canada to know what the salaries of the President and his chief executives are. Personally, I can see some reasons where it might not be good for that information to be given out, and I am not going to deny that members of Parliament, generally speaking, have a right to go and get full information about the conduct of the railways, or anything for that matter in which the Dominion's moneys are invested. I think the thing can be carried too far. I do not want to be classed as extravagant, but even if some of the salaries are unduly high I do not think that in the whole scheme of things in connection with the National Railways, involving hundreds of millions of dollars, it amounts to a hill of beans and certainly is not worth while in view of the effect it may have throughout the country in destroying confidence in the National Railways. We all know that rumours are going on throughout the country, most of them false, certainly the one about the $300,000 is so grotesically false that it is hardly worth while considering.

Mr. MCGIBBON: Are you sure about that.

Hon. Mr. EULER: Yes, I am sure about that.

Mr. MCGIBBON: What is his salary.

Hon. Mr. EULER: $75,000.

Mr. MCGIBBON: Is that all?

Hon. Mr. EULER: As far as I know, yes.

Mr. MCGIBBON: Well, then don't say if you don't know.

Hon. Mr. EULER: Don't say if you don't know either.

Mr. MCGIBBON: You are making a positive statement.

Hon. Mr. EULER: As far as I know his salary is $75,000. I was a member of the government that fixed that salary. I do not know whether other small salaries are being paid. Do you know? I deprecate this idea of hearing rumours and spreading them around. I heard a gentleman the other day say 'I have heard so and so and I am going to tell it to my constituents, I am going to tell it wherever I get an opportunity.' I say that is absolutely wrong, and I say that anybody who does that is an enemy of public ownership. Imagine me if I heard a rumour about you, Mr. Chairman, or about the Minister of Railways, or about Dr. McGibbon, going out and spreading it broadcast throughout the country. If I print it in a newspaper I would be a proper subject for libel. Men that do that are no friends of the National Railways.

Mr. MCGIBBON: I do not purpose sitting here being lectured by a member of this committee. The information that I asked for I had a right to ask for. I represent 40,000 shareholders of this company, and if the information was not true, if what I asked about Sir Henry Thornton's salary was not true, then all

the government had to do was to say so, and if it was just as the Order in Council said, $75,000, all the government had to was to say $75,000 and that would end it. The fact that they would not say that leads this country rightly to assume that he is getting more and, as I say, I do not purpose sitting here being lectured by the honourable member from Waterloo. If it is not true why don't they say so now. Here is the place to say so. As a matter of fact, everybody knows that it is not true.

Mr. GRAY: I wish to thank the Minister for the very frank statement that he has given to this committee to-day, and in dealing with this particular subject, and having in mind what has been raised this morning and what has generally been discussed, I should like to call to the minds of the members of the committee the very fair and frank questions placed to Sir Henry Thornton which I take it deal not only with the general conduct of the railway as a whole but also the question of salaries from the highest to the lowest officials, and questions of economy from the top to the bottom.

Mr. Hanson raised the question as to whether the management, Sir Henry Thornton and the Board of Directors were cognizant of the very serious condition in which this railway and the country was at the present time, and Sir Henry dealt there and then with that very much at length. It is on the record where he stated that the management were cognizant of conditions, and that they were dealing at this time with that subject. I take it to mean that they are dealing with the matter as a whole, including salaries. I noticed just recently where the superintendent of one of the departments of the railway had passed away and that that position now remains open, no longer to be filled, a question of economy no doubt. To my mind, the question raised by Mr. Hanson and the answer given by Sir Henry Thornton should give complete confidence to this committee and the country as a whole.

I think that Mr. Bell has raised a very, very fair question here—

Sir HENRY THORNTON: May I interrupt you just long enough to say that I did propose, and will in the course of this meeting—submitting to each member of the committee substantial documentary evidence of what steps have been taken to control expenses and to deal with the questions to which Mr. Hanson referred. It is well enough for me to say that we are cognizant, and you will see there tangible evidence that that was a correct statement. I have this tangible evidence here which I intend to submit. It is on the table. We intend to submit all of those documents to the members of the committee, and while the documents will be voluminous, I hope each member of the committee will at least in a cursory way examine the documents, because I think on the face of them they will carry conviction with respect to the truth of the statement to which I have just referred.

Mr. GRAY: I thank you, Sir Henry, for those remarks. That is about all, therefore, I have to say on the subject, Mr. Chairman, except this; having been a member of this committee for a number of years there has always been complete harmony and uniformity with the procedure of this committee and we have been unanimous in all our decisions, and I would like to see—I know all of us would like to see that we should go out of this committee unanimous, that we are not divided on this subject in any way whatsoever.

Mr. HANSON: Mr. Chairman, if I may be permitted I should like to say this to Sir Henry, very frankly that I am delighted he is going to give us in some concrete form the evidence of his desire to meet what I think are the wishes of the committee, namely, to show us that he is struggling with this stupendous composition that lies before him. I had no other object in bringing the matter before the committee except to impress upon them that in my mind, at all events, the situation is very serious, and to get an expression from the management that they are seized with the seriousness of the situation and are grappling with it.

May I say further that I thank the Minister of Railways for the unequivocal stand which he has taken in respect to this matter. I do not think that it is a matter of idle curiosity at all with respect to the question of salaries of executives. As to the legal position, I have no doubt that representing the shareholders of this country we are entitled to the information asked for. Sir Henry's own compensation is a matter of contractual relationship and a public document, and I am not questioning the amount of Sir Henry Thornton's salary, and I do not think that big business men in this country or men who are seized with the importance of big business are questioning it either. I can say this, without any undue egotism, that I have had a good deal to do with big business in this country and I know something of the salaries that are paid to big executives. I am not saying that Sir Henry Thornton's salary is too much. But while I am on my feet I would like to say this that I believe it would be a better line of policy if the Railways would be frank and tell the country just what those salaries are. Those who have been accustomed to dealing with big things will say that they are perfectly all right. The man who is dealing with picayune things will criticize always.

I would like to say to my friend Dr. McGibbon that I regret that he used the phrase he did. I do not quite agree with him. I never heard that the National Railways was a fertile field for graft, and I would not like that to go on the record. What I think he does mean is that there is a suggestion in the minds of the public that there has been a good deal of extravagance in the past. Perhaps there probably has been, but I venture to say under the pressure of present-day circumstances that that day is passed. I venture to say that the very pressure of circumstances will end that sort of thing, if it ever existed, and I do not say it has.

With regard to Mr. Bell's motion, that is a dilatory motion, a sidestepping of the situation. Let us vote one way or the other.

Sir HENRY THORNTON: Mr. Chairman, may I just say this: In so far as this whole salary position is concerned, in so far as my own compensation is concerned it is not a source of anxiety. What happens to me with respect to this railway is of relatively small importance; but what I do have at heart very much is the real welfare of the company and what has happened in the past—and I will give you one or two instances, if you will bear with me, when the salaries of efficient men are made known, the salaries of men who have established themselves in the railway world as men of outstanding ability in their particular line. It sometimes happens that they are immediately approached by other companies and an effort is made to get them away from the Canadian National Railways. As far as my own salary and allowances are concerned I do not care about them. My only reason for objecting to making them known was because it carried with it the essential precedent of doing the same thing with respect to any other officer in the service of the company.

Within the last two months one of our most valued officers, a man whom I considered to be the best man in his line in the whole railway world, was offered a post with another company at a higher salary than he is getting with us. Well, happily he decided to remain. A year or two ago one of our officers, again a man for whom we all had the most respect, and whom we could have only replaced with the greatest difficulty was tried to be induced away from us by another railway company. In one case it was a private enterprise, not a railway company that wanted the services of the first officer to whom I referred. In the case of the second officer to whom I referred it was another railway company.

Now, in an enterprise of this size there must be certain information which it is repugnant to the interests of the railway company itself to be disclosed. I am not speaking about myself at all. Never mind me. It does not matter

what happens to me as far as this railway is concerned at all; but what I am interested in is in protecting our own officers and in pursuing that course which is best in the interests of the railway. So in order to cover that situation this whole matter was left to the selected representatives of the government, that is to say, the Board of Directors, in the hope that they would deal with the thing and deal with it properly, and they have done so up to the present time.

Do not misunderstand the statement that I have made. I am speaking about all the officers of this company, and let me say—and I mean this in no disrespectful way—it is exceedingly distasteful to me after all the years that I have put in with this company and I think that some of you may be agreed that I have at least not been lacking in industry but it is exceedingly distasteful to stand up here and be put in a position such as this. I would rather not. I would rather leave it to the board of directors. I am now simply speaking with respect to the officers of the company and not myself.

Mr. HEAPS: I would like to say a word. We have been discussing this matter now for fully an hour. The morning is almost gone, and it would give the appearance that the whole existence of the Canadian National Railways practically depended upon the salaries of a few of the higher officials. I have no desire to withhold any information which any member of the committee is desirous of obtaining. I think once having raised this question here and in the House, a statement of some kind will have to be made ultimately otherwise our work here will have been of very little value. Supposing a statement is given out by an official of the company stating what the official's salaries are, are we in a position to say whether it is a right thing or a wrong thing. The only way in which I can form an idea as to whether the salaries being paid are sufficient or too much for the character of the work that is being performed is by having a comparative statement of salaries being paid for similar positions for a similar class of work. We have the statement here this morning from Sir Henry that other people are receiving somewhat similar salaries as he is receiving. I do not know how that applies to the other officials of the company. Sir Henry made the statement that some of the higher officials of the company have been induced away from the service of the Canadian National Railways by the offer of higher remuneration.

Sir HENRY THORNTON: I might interrupt you, Mr. Heaps, to say from my own knowledge of the wages and salaries paid on other railroads, the salaries of all of our officers are in keeping with similar emoluments elsewhere. In fact I have been at some pains in the past to enquire from those who know what salaries were paid to the Vice-Presidents, the Chief of Motive Power, the General Managers, and people of that sort, and naturally I have had to do that if I was going to fulfil my own responsibilities. Most of those salaries come before the Board of Directors in the form of recommendations from myself as to what they should be. I have got to satisfy myself from inquiry as to what the going wage is, what the going salary should be for certain responsibilities and for certain positions, and that I have done. I can only say that the salaries that our officers receive—and incidentally I might say that their responsibilities are of a very difficult and delicate character, having regard to the public ownership of those railways—and I do not want you to misunderstand me when I speak of that responsibility of our officers; but their responsibilities are not lightened because of these public functions, or because of the railway's public functions, and its public ownership. It requires judgment, it requires tact, and it requires a great many things which an officer of a private railway is not called upon to exercise. He goes ahead and does what he pleases and he is only responsible to his particular chief. I do not complain about that; I have no objection to it. It is the exigencies of the situation. But here is just an example: The principal officers and myself were

here most of last week and will be here most of this week and I do not know how many more weeks; but we are here answering questions, giving the best of our intelligence to the questions that have been asked. That is not a thing that happens to an officer connected with a private railway. Understand, we do not object. We realize it has got to be done; but I do want to make clear, to this committee that the responsibility on the officers of this company is, as I put it, not lightened by its public ownership feature, and my own desire is to protect in the interests of the company—I am not talking about my own salary at all. I will come and I will go and it won't matter very much; but it does matter a devil of a lot what happens to this railroad as far as the general run of its officers are concerned.

Mr. HEAPS: I think when we sit here as a committee and questions are put to the officers of the company we readily realize how much more difficult it is to run a publicly owned utility. I am satisfied that had this been a meeting of directors or shareholders of a privately owned concern a good deal of the information asked for would not be available to the shareholders of that corporation. However, there seems to be a general idea that something should be said or given out in regard to the salaries of the officials. The whole question boils down to this: It has been suggested by Mr. Bell that it should go back to the board of directors of the company and should be considered carefully there. On the other hand, Dr. McGibbon probably wants some other method, and I think it perhaps might be the best thing if this matter were referred to say a committee composed of men who are not directly responsible to this committee here. I think perhaps it might be proper, Mr. Chairman, if a small committee say of this committee could go into this question and report back at some future time. I think it cannot very well be done by questions and cross questions, and I would suggest a small committee comprising five members of this committee, including the Chairman and the Minister along with three other members to be chosen by the Minister himself, I think probably this whole question could be considered and dealt with to the satisfaction of all concerned.

I will be glad if Mr. Bell will incorporate that in his motion in place of referring this thing back to the Board of Directors.

Mr. BELL: The other day when you gave your ruling one of the reasons you gave was that you had attended enough shareholders meetings to know that they were entitled to this information. Now, the situation, sir, is this: As we all know the shareholders get their information from the Board of Directors. I asked Sir Henry Thornton this morning had the new Board of Directors of the Canadian National Railways received this information regarding this particular matter and he stated that they had not. Dr. Manion, Minister of Railways, tells us that he had not in an official way received the information either.

It comes down to this, that we are discussing a question here, first of all, that has not been put before the present Board of Directors. Personally, when Mr. Hanson says that this is dilatory I cannot for the life of me see where he gets the use of that word regarding this motion. I want to know what the opinion of the present Board of Directors is regarding the salaries of the Canadian National Officials at the present time. The second thing I want to do is to discuss the officials' salaries and to get in an official way what these salaries are, and for that reason I am putting the motion before the meeting. I am not trying to keep back Dr. McGibbon's questions. I am trying to get the information for him, but I think it should come in an official way and it will be handed back to the Minister of Railways, and if on the floor of the House we want to make a political football of this thing, well, let us all get in.

Hon. Mr. EULER: Just to get the matter clear in my own mind, is it your suggestion, Mr. Bell, that all those questions submitted by Dr. McGibbon be submitted to the new Board of Directors?

Mr. BELL: No. My motion was to this effect that these questions be submitted to Sir Henry Thornton who will submit answers to them to the Board of Directors and the Board of Directors will in turn make their report and give answers to them to the Minister of Railways and then the information is open to any member of Parliament who has not the information, to ask for it on the floor of the House, or if the Minister prefers, he can give the information.

Mr. HANSON: We are either entitled to the information here or we are not. Let us settle the question and get on with something. We are only going around in circles.

Mr. HEAPS: I move that the question of salaries and emoluments received by the officers of the Canadian National Railways be referred to a sub-committee of this committee comprised of five members.

Hon. Mr. EULER: I will second that motion, Mr. Chairman.

The CHAIRMAN: I was somewhat in doubt as to whether this committee would have the right to appoint a sub-committee; but paragraph 616 of Beauchesne's Parliamentary Rules and Forms reads as follows:

> "Although it is not competent to a Committee to divide itself into sub-committees, it does not seem to be imcompatible with this principle, for a Select Committee to avail itself of the services of its members, individually, or in the form of sub-committees, for the doing of many things connected with the business of the Committee, which do not involve a delegation of authority."

Would you put that motion of yours in writing so that I can have it? The member does not mention any names for this committee.

Mr. HEAPS: I will name them if you wish.

The CHAIRMAN: It has been moved by Mr. Heaps and seconded by Mr. Euler that the question of salaries and emoluments received by the officials of the Canadian National Railways system be referred to a sub-committee of five for consideration and report.

Mr. MCGIBBON: I do not want to be intruding on the committee but I want to impress on the committee again that all this controversy is simply going to make the public more suspicious, and rightly so. I will just leave it at that. It is just a subterfuge.

Mr. HEAPS: I very strongly object, Mr. Chairman, to the use of the term "subterfuge".

The CHAIRMAN: I will ask the gentleman to withdraw the word "subterfuge." I will submit in its place the word " circumlocution." I am not particularly in favour of this motion, but at the same time I am your Chairman. There is the ruling that I made and I would like you to discard it, get rid of it. However, I am willing to accept this motion and put it to your good judgment. In accordance with the motion I would name the following gentlemen to act upon the committee;—Mr. Euler, Mr. Hanson, Mr. Heaps, Mr. McGibbon and Mr. Rogers.

Mr. HANSON: I think the Chairman and the Minister of Railways ought to be on the committee. As far as I am concerned I do not care whether I act or not.

The CHAIRMAN : Of course, some of you always want to pass the buck to someone else, and what gets me is this: that I made a ruling that I thought was fair and you have disregarded it by circumlocution.

Mr. HANSON: No, we did not, we just delayed it till the Minister got back.

The CHAIRMAN: It is moved by Mr. Heaps, seconded by Mr. Euler that the question of salaries and emoluments received by the officials of the Cana-

dian National Railway system be referred to a sub-committee of five for consideration and report, and the five who will act on the committee are Messrs. Euler, Heaps, McGibbon, Hanson and Rogers.

Hon. Mr. EULER: I have no objection to acting on that committee but it looks as though Mr. Heaps and myself were putting ourselves on the committee.

The CHAIRMAN: I made it quite clear that Mr. Heaps did not name anybody at all, and inasmuch as the four or five I have named have been the ones to shift the burden onto someone else I am going to put upon them the responsibility of getting down to work.

Mr. MCGIBBON: I do not think you should include me, I have not tried to sidetrack it.

The CHAIRMAN: You have certainly taken an active part in a certain position on this. I do not want to cast any aspersions on anyone, and I am asking those who have taken part in this to help us get rid of it. I think the easiest way would have been to meet the situation right in its face in the first place. I tried to do that. What is your pleasure regarding the motion?

Motion carried.

Sir HENRY THORNTON: Mr. Chairman, following what I said to Mr. Hanson a moment ago, I shall ask one of the clerks to distribute the documents which accompany what I am about to say. I am sorry these documents are so voluminous, but it is quite impossible to present the case conclusively without them.

Now, Mr. Chairman, these documents represent the operating budget for the month of March, 1931. I am reading from this larger book here. As I said before, I am sorry these documents are so voluminous, but I cannot explain the situation to you without giving to you all of the information we have; and might I also say to members of the committee that there is naturally, a great deal of information here which is relatively confidential, that is, it relates to the inner workings of the railway itself; it represents steps which the company's organization has taken, which the officers at headquarters, the vice-presidents and myself have evolved to control expenses.

Taking this larger book, it represents the minutes of the regional and departmental budget meetings. As I said before, this is merely for the month of march. I might have selected any other month, but this happened to be the month that was easily available, and furthermore, the month for which we have now the definite final figures.

At each one of our regions, about the 18th of the month, as I explained to you before, a meeting is held by the operating officers of the region to discuss their budget for the following month. The first meeting happened to be the regional meeting of the central region. The officers present were, the general manager who presided, the chief engineer, general superintendent, M.P. and Car equipment, general superintendent of transportation, regional auditor, general storekeeper, assistant freight and traffic manager, general passenger agent, assistant to chief engineer, chief travelling accountant, general superintendent, district engineer, superintendent of transportation, chief clerk, general superintendent, assistant engineer, general superintendent, district engineer, manager of electric lines, and the manager of the car ferries. In other words, there were present at that meeting, all of the officers of that region who were responsible for expenditures. Then, you will see that there follows a discussion. For instance, the managers read a statement of revenues and expenses for the month of January, 1929, which, compared with the estimate for the same month, reflected that the revenues had been over-estimated to the extent of $438,081 of which $363,940 was in freight, $10,735 in passenger, and $42,365 in express. Expenses were over-estimated to the extent of $455,026. In other words, that meeting started off generally with an examination of the previous months per-

formances; and then there follows right through—I shall not undertake to read it for you, but if you will examine it at your leisure you will see there was discussed freight revenues, passenger revenues, and then we come to the general comment and discussion of expenses.

Mr. HANSON: The red figures indicate the deficits over the estimates?

Sir HENRY THORNTON: They represent decreases.

Mr. HANSON: Decreases?

Sir HENRY THORNTON: Yes.

Mr. HANSON: All right, that is better.

Sir HENRY THORNTON: Now, I am not going to attempt to read this whole manuscript through. You will find in it the regional meeting of the central region, the western region, the Grand Trunk Western, Central Vermont, in fact, all our property including express department, telegraph department, hotel department, and subsidiary companies. In other words, this document reveals that the responsible officers of the company in their respective territories sat down and thoroughly and carefully examined first the performances of the preceding month to see to what extent they had over estimated or under estimated both revenues and expenses. Every item was discussed in the outmost detail.

Now, at the end of that meeting, officers of that region drew up this monthly budget; that is, the budget for the following month, with their recommendations and how much money should be allotted to them. First, how much money would accrue in the way of gross revenue, and secondly, what money should be allocated for the different items of expenditure. All of those budgets are then examined at Montreal, headquarters, by the respective vice-presidents and myself, together with the director of statistics, who is specially charged with this kind of work, and as a result of that examination, we authorize, prior to the first of the month, each region with respect to those expenditures.

Now, I will ask you to take this little book. That book represents a synopsis; it represents the conclusion reached on all that data. In page one you find a discussion of the situation—

> Effective with the month of January 1931, the budgets have been prepared in a manner to more clearly outline the results of the different departments and regions comprising the Canadian National Railways.

It outlines the different departments in the regions comprising the railway system, and it gives the expenses of the whole system right through.

Mr. HANSON: It is a consolidation of the other?

Sir HENRY THORNTON: This little book represents a consolidation of the larger one. Then, at page two, you find the budget set forth for the month of March. Now, that was the budget which was finally authorized, which the regions were authorized to follow after the discussion between the vice-presidents and myself, at which we determined what the expenditure should be as nearly as we could arrive at it. You will see the first item is the budget for 1931, and the actual for 1930.

Mr. HANSON: Of that month?

Sir HENRY THORNTON: Of that month. In other words, we estimated that for the month of March our gross revenue would be $13,606,110 as compared with $17,162,982 for the same month last year, and then we allocated the expenses, and you will see that the maintenance of way and structures, maintenance of equipment, traffic, transportation and so on, until you come to the total railway operating expenditure, which was budgeted at $13,265,380 as compared with $14,885,581 actual in March 1930. That is to say, it represents the amount of money which we authorized the regions to spend as far as those expenses were controllable; and you will be interested, if you will

look on the last column of that sheet, to find the budget for the month of March 1931. That is divided between the Canadian National Express, and Canadian National Telegraph, hotels and separately operated properties, and finally we get to the last two columns in the sheet which give us the summation of the whole system.

Mr. HANSON: It is across over here.

Sir HENRY THORNTON: The last sheet. That is, for the system, the last two columns are the system, made up of these different items which precede it. Then, you turn over to the next page.

Mr. HANSON: It is very comprehensive, I should say. The total is $13,606,110.

Sir HENRY THORNTON: The principal thing I want you to turn to is page 11, at the bottom of the page. If you look at page 11 you will see how closely it is worked out. If you look at the last two columns you will see the general heading is "Total-system", and under that heading you have two columns, one called "budget" and the other called "actual." Now, the first column represents the estimate which was made of gross earnings and expenditures, and the second column headed "actual" indicates what did actually happen. From that you will see in that month the gross revenue for the system was estimated at $14,393,767, and the actual result was $14,424,219. In other words, we estimated our gross revenue within $25,000 of what actually happened.

Then, when you come to the expenses, you will see that we authorized $2,223,451 for maintenance of way and structures; the actual expenditure for maintenance of way and structure was $2,217,152. In other words, in the latter part of February of this year we fixed and authorized the regions to expend a total of $2,223,000, speaking in round figures, for maintenance of way and structures and they actually spent $2,217,000. That is how close a control we have on our expenses. You come to maintenance of equipment. For the maintenance of equipment we authorized $3,344,947, and $3,363,668 were spent, again a very close figure.

Hon. Mr. EULER: Are they held absolutely within your estimate?

Sir HENRY THORNTON: The regions are held absolutely to these figures.

Hon. Mr. EULER: In this case there is a little more spent than was authorized.

Sir HENRY THORNTON: I mean to say this; this amount is given to them, they are authorized to spend that much, and they may overreach a few thousand in one item and under reach in some other item.

Mr. HANSON: Due to their commitments?

Sir HENRY THORNTON: Due to exigencies that cannot be entirely foreseen. Take transportation expenses, we estimated and authorized $7,106,000, and the actual transportation expense was $6,940,000, if you take the last figure, the total expenses. I shall not go over every similar item, but take the last figure, the total expenses authorized and estimated were $14,032,000, and the actual expenses were $13,768,000. Now that tells the whole story of control of expenses, and I am going to make a statement that there is no railway on the North American continent that has so complete and thoroughly organized a control of expenses as the Canadian National Railways. These expenses begin as an estimate by the regions, they come to headquarters and are examined and adjusted and approved or disapproved or altered, and they finally go to the region in the form in which they appear the first of the month, as the authorized expenditure, and the results I have just read indicate the degree of accuracy to which the regions themselves adhere to those estimated and authorized expenditures.

Mr. HEAPS: There is a reduction of approximately $2,000,000.

Sir HENRY THORNTON: There is exactly what it shows there. What are you speaking of, Mr. Heaps?

Mr. HEAPS: The total here for the actual is $13,768,000 for the month, and I think for the same month last year—

Sir HENRY THORNTON: This comparison I have given you is what merely happened. It is not a comparison with last year, but comparing the authorized budget with what actually did happen for that month.

Mr. HEAPS: The actual for last year was $15,718,000.

Sir HENRY THORNTON: The point I desire to make clearly is, that these figures are just given you, and an examination of that whole book reveals the control of expenses, and as I say, as a railway officer and having had some experience of railway business, that does not exist anywhere that I know of.

Hon. Mr. EULER: Showing that you are not going on in a haphazard way.

Sir HENRY THORNTON: I am showing this to support the general statement which I made to Mr. Hanson, that this matter is carried on—

Sir EUGENE FISET: After these estimates are passed by the regions and are submitted to headquarters and finally passed, are they submitted to the board of directors before being finally approved?

Sir HENRY THORNTON: This is in the hands of the executive officers and myself. Of course, I give the board an idea of what is going to happen for the next month, but the details of those are left in the hands of the officers and myself.

Mr. HANSON: I do not see how any board could deal with it, they could not possibly deal with it. If you ever sat on a board you would know they would not attempt to deal with it.

Sir HENRY THORNTON: No. Some of the railways in the United States have sent their officers to Montreal to find out how we are handling this matter, and I offer this whole book with all of the data and figures and machinery to show exactly how we handle our expenses, and as definite evidence to this committee that the matter is not being handled in a haphazard way nor in an extravagant way, and I will go further and say that it represents the most scientific and complete control of expenses of any railway system on the North American continent, and you can look through it and decide for yourself,—

Mr. HANSON: Now, following this up, you have given this as a consolidation—

Sir HENRY THORNTON: This gives every month, you understand, every month this is done.

Mr. HANSON: How is it working out with the results from revenue?

Sir HENRY THORNTON: Why in the first place—

Mr. HANSON: Are you keeping within the mark?

Sir HENRY THORNTON: Oh entirely. There is the answer, take that one month, and this month is not exceptional, we estimated our gross revenue within some $30,000 of what it actually was. We fixed our expenses about $300,000 less than they actually were. That is the answer. We have control. We not only achieve our objective, but we bettered it by about $300,000. That happens month after month.

Hon. Dr. MANION: May I put in a word to make the picture complete? You cannot control in any way the interest on your capital debt.

Sir HENRY THORNTON: No.

Hon. Dr. MANION: What I mean to say is this, the deficit in earnings which go towards paying the national or public debt is certainly not going

to be less unless there is a very miraculous change, I think the public should know that.

Sir HENRY THORNTON: Why certainly. What I am trying to make clear is this: I have nothing to say about the national debt, or anything of that sort, but I am just trying to make clear to the members of this committee that we are sincerely and earnestly trying to increase our earnings. By the degree by which we increase our net earnings do we more nearly reach paying our fixed charges.

Hon. Dr. MANION: I do not question that at all, I am trying to point out to the members of the committee and members of parliament, and I think they should know this, that due to the decreased earnings of the Canadian National Railways, which are going down at the rate of about five millions a month, the Canadian National will be unable to pay the interest to the public, and there is going to be a greater inability this year than in the past, by some marked extent. I think the members of parliament should know that.

Sir HENRY THORNTON: That is perfectly true.

Hon. Dr. MANION: I think the whole picture is not complete without that part of it being known.

Sir HENRY THORNTON: That is perfectly true. When you come down to the last item on this sheet you will see that our deficit in March before interest on Dominion government advances was $4,014,554 as compared with $2,392,494 shown in statement No. 1, for March of the year before. But unless some organized and effective effort is made to control expenses, then that deficit to which Dr. Manion has referred would be greater. Our only effort is to reduce that deficit, and reduce it to the lowest possible figure, and this represents the implement which we are employing to accomplish that purpose.

Mr. HEAPS: May I ask this question, if I am not asking you something that is beyond you to answer at the present time; in view of the statement you have just made about the month of March, 1931, could you give us a comparison of the year 1930, taking the same basis as you have taken this month—you say the deficit last year was $29,000,000?

Sir HENRY THORNTON: About $29,000,000.

Mr. HEAPS: How would that work out, approximately, if you can give me the figures for the year 1931?

Sir HENRY THORNTON: Mr. Heaps, of course everybody will understand that trying to make an estimate of what is going to happen in these days is an almost impossible thing to do. We can estimate from month to month with a great degree of accuracy, but I cannot tell you to-day with any degree of accuracy what our gross revenues are going to be say in September or October, but I can tell you pretty closely what they are going to be next month.

Mr. HANSON: What Sir Henry is doing, as I understand it, is giving this as an exhibit of what they are trying to do to meet the situation, and I think we ought to accept it in that spirit.

Hon. Dr. MANION: So I will not be misunderstood, and the members of parliament should have a complete picture, I am not questioning anything that Sir Henry said in the least, but I was just calling the attention of the members of parliament who have to guarantee money advanced to the railway, that unless something miraculous happens, the deficit, instead of being $29,000,000 will be very much more than $29,000,000, I do not know how much more, but it will be considerably more than $29,000,000 unless something almost miraculous happens.

Sir HENRY THORNTON: Without question.

Mr. HANSON: That is what caused the enquiry on my part; I was asking the management to show how they are going to meet the situation, and this is Sir Henry's answer.

Sir HENRY THORNTON: This is showing you, of course, the whole thing has to start with control of expenses.

Hon. Mr. EULER: I take it what you are trying to say here is that the actual expenses are within your budget, but the vital thing, in my mind, is whether that budgeting is done properly.

Hon. Dr. MANION: Might I interject a remark here. The very next part of the budget is deficit for interest, and they have allowed thirty million dollars for that.

Hon. Mr. EULER: That is uncontrollable. The other part of the budget is in regard to the various services.

Sir HENRY THORNTON: We start with an estimate of the gross revenue, then the maintenance of way, maintenance of equipment, transportation expenses, all the departments are examined—

Mr. HANSON: These are all controllable.

Sir HENRY THORNTON: Transportation is not entirely controllable. We have from our professional knowledge and experience to decide how much we should spend, the minimum amount of money it is safe to spend on this property to maintain safety of service.

Hon. Mr. EULER: That is a vital part.

Sir HENRY THORNTON: That is what we have to decide. The regions, to begin with, make recommendations. Mr. Hungerford and various vice presidents and myself check them and we might say, "well, it is high." We think we could get on with less money than that another year or another month. We might say, "Well, the track on a certain region is getting a little bad," perhaps not bad in respect to getting out of hand. We think it would be unwise to reduce expenses to that amount. In other words, we put these regional estimates through the sieve of our own intelligence, to call it such, and then we finally decide what the region is to spend and that is what the region does spend and all it gets to spend. As I said before, the object of all of this is to indicate to you the steps that are taken to control expenses and how closely that object is achieved.

Hon. Mr. EULER: When you and your officers, Mr. Hungerford and others, review that amount, you are making your decision as to whether the amount submitted to you by your regional officers is correct or not. While this is going on, what have you in mind particularly, primarily the proper efficiency of the road or have you an eye particularly to the revenues you are making?

Sir HENRY THORNTON: In fact, you have to keep an eye on everything; you have to take into consideration every element. Low revenues naturally indicate poverty of traffic; poverty of traffic indicates you do not have to spend so much money on maintenance because the railway is not being subjected to the same use. You have to decide whether a certain rail will carry for another year or another month or not. There are hnudreds of technical questions that enter into the determination of this budget.

Hon. Mr. EULER: Do you ever sacrifice, in any case, the possible efficiency of the service of the road?

Sir HENRY THORNTON: No.

Hon. Mr. EULER: When the revenues are low?

Sir HENRY THORNTON: No. There are two things you must protect primarily. In the first place, you must maintain safety of traffic. That is the

first consideration, and the second is you must maintain that degree of efficiency which will enable you to retain the traffic you have.

Hon. Mr. EULER: You cannot reduce it beyond a certain minimum.

Sir HENRY THORNTON: You get to a certain point, and you cannot go below that.

Hon. Mr. EULER: Because traffic has gone down?

Sir HENRY THORNTON: By carefully weighing of the demands of traffic as between one line and another, you can come to an intelligent standard of maintenance. You can decide that a certain line, having regard for its traffic, ought to be maintained at a certain standard, and some other line which has a less important traffic should not be so maintained; and that is where the judgment and the intelligence of the railway officer come into play. That is the reason we have vice presidents and officers.

Mr. MACMILLAN: How far ahead of the first of each month—

Sir HENRY THORNTON: What is that?

Mr. MACMILLAN: How far ahead of the first of each month do you get that?

Sir HENRY THORNTON: These are dated the 15th of the month. The budgets are all approved about the 27th of each month, and the region is advised by telegraph or possibly by mail, if close enough, as to what their budget is to be the following month, so that on the first of the month each general manager knows what his expenditures are going to be and what he can work on. In other words, this organization follows an orderly procedure instead of allowing the thing to take care of itself as a great many people in this country imagine. Some people imagine that a railway is some mysterious way runs itself, and there is not very much intelligence being displayed in it. Well now, I am trying to offer you definite evidence that we have it controlled, and some of the officers who are here can tell you, just as I have told you, that there is no railway system—and I challenge anybody to meet that statement—of the magnitude of the Canadian National Railways, that has got such an effective control of its expenses as we have worked out here.

Hon. Mr. EULER: What I am trying to get at is this—it is very commendable of course that you estimate very close to your expenditures—, what are the guiding principles involved? Is the primary principle the maintenance of way; that you must have a certain standard, or is it affected by your knowledge that the revenues perhaps may not be up to a certain mark, and perhaps you may reduce more by reason of the fact you know the revenue is lower?

Sir HENRY THORNTON: All I can say Mr. Euler, is it is a combination of the two. You have to steer a line between revenue and standard of maintenance.

The CHAIRMAN: Gentlemen, as it is one o'clock, we shall adjourn now, and if it is the wish of the committee, we will appoint an hour to meet to-morrow afternoon to try to get over this work.

Sir HENRY THORNTON: May I just ask the members of the committee to give more than passing attention to these documents because they are really very interesting, and I think they will throw some new light on the whole situation.

Committee adjourned until Wednesday, June 17 at 11 o'clock.

WEDNESDAY, June 17, 1931.

The Select Standing Committee on Railways and Shipping met at 11 o'clock a.m., Hon. J. D. Chaplin, Chairman, presiding.

The CHAIRMAN: Gentlemen, come to order please. The Minister will not be here for over half an hour or so. He does not wish us to delay till he comes. He wants us to get along with the business.

Sir HENRY THORNTON: Mr. Chairman, there was one question which Mr. Heaps asked and which I told him yesterday we would try to get in more complete form. The question is; what kind of balance is struck between Canadian grain that moves for export through American ports and American grain that moves for export through Canadian ports.

We have this by crop years, which I will hand in, from 1925 to 1931. I do not think it necessary to read the whole report; but I will briefly say this.

Mr. HEAPS: If you could just give us the balance one way or the other?

Sir HENRY THORNTON: That is just what I was going to do, Mr. Heaps, The percentage of Canadian grain through American ports runs from 56·2 per cent to 41·15 per cent. It varies between those two percentages. The percentage of American grain through Canadian ports runs from 18·58 per cent to 38·9 per cent.

Mr. HEAPS: Could not you give it to us in bushels, instead of percentages?

The CHAIRMAN: The whole report will be incorporated in the record.

Sir HENRY THORNTON: Perhaps I might just hand this to you, Mr. Heaps, and you will look it over.

Mr. FRASER: Sir Henry, is that 56 per cent of the total crop or 36 per cent of the total exported?

Sir HENRY THORNTON: 56 per cent of the total exported, not the total crop. I will hand this in to the official reporter.

	Crop Years					
	1925-1926	1926-1927	1927-1928	1928-1929	1929-1930	1930-1931 *
Canadian grain moved through American ports..	175,017,236	166,721,976	159,848,826	184,734,634	71,469,140	87,403,000
Total Canadian grain exported.....	338,239,225	296,857,927	329,090,720	403,047,232	152,923,478	213,345,000
Percentage through American ports to total.....	51·7	56·2	48·6	45·8	46·7	41·15
American grain moved through Canadian ports...	47,743,453	52,824,682	88,452,274	83,512,520	23,591,415	12,526,000
Total American grain exported.....	160,487,000	208,965,000	227,121,000	222,328,000	126,915,000	60,836,000
Percentage through Canadian ports to total.....	29·7	25·27	38·94	37·56	18·58	20·6

*Part of crop year ending May 31, 1931.

Sir HENRY THORNTON: That answers the only question which I think is outstanding with respect to unfinished business.

I would just like briefly to finish up what I was speaking of when the meeting closed yesterday in regard to the budget, and the operation of the budget with respect to this control of expenses. I hope that members of the committee will be sufficiently interested to look that over, because I might talk for a day or so on the subject and still not cover all of the points in it; but an examination of that budget, I think, will reveal to you the kind of machinery that has been set up for expense control.

I would like to particularly call your attention to the fact that this budget is not prepared in any hit or miss fashion. The regions form as careful an estimate as they can of the probable gross revenues of that region for the ensuing month, and then they not only take each one of the major subdivisions of expenses, such as maintenance of way and structures, maintenance of equipment, transportation, and so on, but they take each item under those general subdivisions, discuss and examine it and make their recommendation accordingly. Then, as I tried to explain to you yesterday that goes to headquarters in Montreal for final examination, analysis, and either approval or alteration. So that I think you will see from that it is not a hit or miss estimate; but it is a thoroughly scientific way, as far as anything of that sort can be scientific, of arriving at an intelligent allocation of expenses.

In that connection I think it will be of interest to the committee to say that commencing with the latter part of last year and more particularly this year, in conjunction with the Canadian Pacific Railway and in co-operation with that company, an examination was made of passenger train service in an effort to reduce passenger train mileage and competition which might be expensive and unreasonable. As a result of that the passenger train mileage has been reduced on the Canadian National Railways by the round figure of 3,000,000 passenger miles per annum. That is the rate of reduction.

Mr. CANTLEY: What percentage is that to the whole? What percentage of reduction does that entail?

Sir HENRY THORNTON: It represented 12 per cent of the whole. Now it is 14 per cent. Of course, that is going on month by month in conjunction with our Canadian Pacific friends.

Mr. HANSON: What proportion would be branch line service and what proportion main line service?

Mr. BURNAP: We have here a statement which shows all of the trains taken off and the terminals between which they run. I think Mr. Fairweather has it there and can turn it over.

Sir HENRY THORNTON: I think we could get at that figure but it would entail an examination of the report.

Mr. HANBURY: Have you any percentage showing separately the reductions on the Canadian National Railways and the Canadian Pacific Railway?

Sir HENRY THORNTON: We have not got that, Mr. Hanbury.

Mr. HANSON: With reference to this budget I have had an opportunity to go through it and I want to compliment you, Sir Henry. I think it is what you claim it to be, and I think the public would be very glad to know that there is something like this under way. I think that statement ought to be made in fairness to the management.

Sir HENRY THORNTON: The officers of the company and certainly myself appreciate what you have said. Of course, it is highly technical. A great deal of it is technical and a great deal of it is difficult to understand. And if it were not technical you would not have to have any officers; that is to say, the thing would run itself. But on behalf of the officers and myself I am very appreciative of what Mr. Hanson has said.

Now, I do not want to pursue that subject any further; but there is one other thing to which I would like to refer, and that is this pamphlet entitled "Analysis of Operating Results". That is a careful but at the same time technical analysis of the operations of the company for the preceding month in which it is issued. It covers all of the transportation activities of the company and you will find on the first page a definition of what the various terms and expressions mean that appear later on in the report; but I will content myself with the statement that that analysis of operating results was worked out by the Director of the Bureau of Statistics and the various Vice-Presidents of the company and myself some years ago, shortly after the present administration took hold, with a view of presenting to the operating and technical officers of the company the results of their efforts as expressed statistically for the month in question over the preceding month so that they could see how their efforts compared with other regions and with other districts, and the degree to which they attained their objective.

Again, without wishing in any sense to be complimentary to the Canadian National itself I can only say that that represents, as far as my knowledge goes, the most complete set of statistics which is furnished by any railway company. That goes to division superintendents, train masters and officers superior in rank, is studied by them and examined by them, and I know that often quite subordinate officers do studiously examine that work because frequently on my trips over the railway I talk to them about it and find that they are conversant with what their own division is doing, or their own district, or region, and they know what other regions and districts are doing, and that a very marked degree of admirable competition is excited by these reports on the part of the different districts of the railway to vie with each other and to make a favourable performance. You will find that train masters, and superintendents and officers of that sort examine that report with the same interest that the baseball fan would look at the baseball reports in the morning newspaper.

That, gentlemen, is all I have to say upon this particular subject, but again I hope that the members of the committee even though they do not quite understand the technical aspects of this analysis of expenses will at least look it over, and I think it will give you some idea of the searching character of the examinations which are made of our operating results.

Is it your pleasure now, Mr. Chairman, that we should go on where we left off with the examination of the expenses in detail.

Mr. GEARY: Just before you pass from that analysis, under "General Performance," it was a bit of a surprise to me to find that the grain loadings have very materially increased and the commodity loadings have decreased. I was just going to ask what is the significance of your note which reads:—

> This shift in trend was caused by upturn in traffic over March on the Western and Grand Trunk Western Regions, but under present trade conditions has no importance.

Sir HENRY THORNTON: I am just trying to find that note.

Mr. GEARY: Is it just a casual increase?

Sir HENRY THORNTON: That is what it is so regarded. That is not only statistical information but it is a sort of running narrative of the events of the month under consideration, and that statement was made simply for the purpose of indicating that it was not indicative of any extraordinary or fundamental alteration in conditions.

Mr. GEARY: That is, you make the statement without prejudice.

Sir HENRY THORNTON: That is right. This is supposed to be, and is a perfectly unprejudiced statement of actual facts for the use of officers, and we put it at the disposal of this committee although the information is necessarily

somewhat confidential; but at the same time I think it is sufficiently illuminating to justify its presentation to this committee.

Is there anything further, Col. Geary?

Mr. GEARY: Not at the moment.

Mr. FAIRWEATHER: Continuing at page 6: During the year 1930 the operated road mileage of the Canadian National increased 392.6 miles, principally due to the completion of Branch Line construction authorized in prior years. This is in addition to the Central Vermont Railway mileage now included in the System mileage. A comparison of the mileage and equipment at the end of 1929 and 1930 follows:—

—	Dec. 31, 1929	Dec. 31, 1930		
	Canadian National Railways (Excl. C.V. Ry.)	Canadian National Railways (Excl. C.V. Ry.)	Central Vermont Ry.	Total
Operated road mileage	19,571·36	19,963·95	461·62	20,425·57
Miles of all tracks	27,004·22	27,428·66	678·85	28,107·51
Locomotives	3,096	3,127	53	3,180
Freight train cars	123,164	124,861	3,330	128,191
Passenger Train cars	3,765	3,797	53	3,850
Work Equipment	8,234	8,126	147	8,273

A technical analysis of the variations in wages, changes in the prices of materials, variations in traffic, increase in size of property and weather conditions shows that the expenses for 1930 were effectively controlled and compare quite favourably with those of the preceding year.

The total decrease in Railway Operating Expenses was $25,915,965 or 11.7 per cent, the monthly comparison being as follows:—

—	Railway Operating Expenses		
	1930	1929	Decrease
	$	$	$
January	16,088,157	16,092,944	4,787
February	15,662,515	16,661,595	999,080
March	16,267,437	17,367,947	1,100,510
April	16,119,331	18,559,785	2,440,454
May	16,704,475	20,045,927	3,341,452
June	17,160,860	20,409,851	3,248,991
July	16,866,935	20,345,980	3,479,045
August	16,800,995	18,898,267	2,097,272
September	16,956,195	18,764,578	1,808,383
October	17,028,267	18,740,718	1,712,451
November	15,095,571	17,753,583	2,663,012
December	14,508,769	17,529,297	3,020,528
Total	195,259,507	221,175,472	25,915,965

A comparison of Railway Operating Expenses, 1930 with 1929, by General Accounts follows:—

General Account	1930	1929	Decrease	
			Amount	Per cent
	$	$	$	
Maintenance of Way and Structure	39,777,567	48,436,118	8,658,551	17·9

Mr. GEARY: That is quite a substantial decrease.

Sir HENRY THORNTON: When times are prosperous an individual quite justifiably embarks upon certain expenses which in times that are less prosperous he would defer without damage to his house or property. Now, it is an exceedingly difficult thing in the determination of maintenance of way expenses to say exactly where deferred maintenance appears and where it disappears, and it is thus largely a matter of the examination of the frequency of traffic, the weight of traffic, and its importance. For instance, between Montreal and Toronto, in fact, between Montreal right through to Chicago, where there is our maximum density of traffic and weight and importance of traffic, a much higher standard of maintenance is necessary than on some part of the railway where those conditions do not exist.

Deferred maintenance is a very expensive thing to embark upon, because quite frequently a dollar saved in maintenance may reappear in two or three years with a very high rate of interest. That is to say, one may accumulate a condition of deferred maintenance which in subsequent years will involve a very heavy expenditure to catch up. One of the outstanding examples of that is perhaps the condition of the old Grand Trunk Railway system which was not maintained at a proper standard and which had accumulated a very definite volume of deferred maintenance which this administration had to catch up. Some of that was justifiable, some of it was undoubtedly due to the war and the conditions which existed after the war; but whatever the reason may be the fact remains that there had accumulated a very material volume of deferred maintenance on the Grand Trunk Railway system. For instance, two outstanding examples to which I have referred before, small things in a way but still indicative of the general situation, the two passenger stations at Hamilton and London. The London station is to-day, I think, about 80 years old. The Hamilton station was fully as old as that. That has been eliminated.

Mr. HANSON: What about Riviere du Loup?

Sir HENRY THORNTON: Riviere du Loup fortunately was not on the Grand Trunk, therefore, the reference is irrelevant.

Mr. HANSON: I have often had to get out at Riviere du Loup in the middle of the night. I have a great deal of sympathy for Mr. Pouliot.

Sir HENRY THORNTON: There are a great many stations on this railroad that we would like to renew. It certainly is not a matter of pride to the railway company to maintain an unsatisfactory station. We were confronted with a certain situation this year, and the Board and the officers of the company, in conjunction with the government represented by the Minister of Railways, simply had to cut our cloth to what there was to spend.

Sir EUGENE FISET: And there is also the unfortunate fact that it belongs to what we call no man's land, the eastern division.

Sir HENRY THORNTON: There is no such term as no man's land which is represented by the constituency from which you come, General; and perhaps the same thing might also be extended to Mr. Pouliot. But on the old Grand Trunk there was very little rock ballast. The rail was too light, and the railway, for various reasons, presented a condition of deferred maintenance which had to be caught up.

Again, if you go to the old Canadian Northern, there was a railway which had only just emerged from construction. Its improvement had been retarded by the war. Fills were too narrow to hold the ballast. Cuts were too narrow for drainage. Passenger sidings were infrequent and too short, and yards were insufficient. All of those things, as I have explained before, had to be taken in hand and involved not only expenditure of capital but also increased expenditure on account of maintenance and catching up this deferred maintenance to which you have just referred.

What we have tried to do on the railway to-day I venture to say has been done intelligently, and I am not responsible for it. If any intelligence has been displayed it has been displayed by the engineering department, the various divisional engineers and superintendents, and general superintendents right up to the chief engineer and the Vice-President in charge of that operation. They have displayed that intelligence which with prudent economy would save money without at the same time carrying a large outlay for the future for deferred maintenance. That is the only answer I can give you.

Mr. GEARY: Deferred maintenance does not increase by itself.

Sir HENRY THORNTON: Deferred maintenance unquestionably proceeds at compound interest, no question about that. But there are certain items, for instance, let us say you are going to take out 80-pound rail and renew it with 130-pound rail. There again you have got to apply technical knowledge. You may say that under the circumstances that rail will carry another year. Again, the situation may be such that it will not, but in each case, there has been an effort made to avoid the compounding of deferred maintenance. That is not only my opinion but it is the opinion of our own engineering officers who are skilled in their business.

Mr. CANTLEY: Referring to the first item, Maintenance of way and structures, may I ask if all the steel rails ordered and delivered in 1930 were put in the track?

Sir HENRY THORNTON: Mr. Hungerford can answer that question.

Mr. HUNGERFORD: I have not the figures available here.

Mr. CANTLEY: Can you give us any idea of the percentage?

Sir HENRY THORNTON: We can get you that, Colonel Cantley.

Mr. CANTLEY: What was the percentage of rails put in the track that were ordered and delivered in 1930?

Mr. HUNGERFORD: We will get the information for you.

Mr. FRASER: I see there is an increase in the Traffic Item there.

Sir HENRY THORNTON: If you will let that stand we will give you that a little later on in this report and I think perhaps that will be made clear at that time.

Mr. FAIRWEATHER: Continuing on page 7:—

	$	$	$	
Maintenance of Equipment	43,091,330	49,527,852	6,436,522	13·0
Traffic	7,712,966	7,552,656	160,310 (Inc.)	2·1 (Inc.)
Transportation	96,105,934	108,034,012	11,928,078	11·0
Miscellaneous	2,235,525	2,403,141	167,616	7·0
General	7,696,385	7,184,738	511,647 (Inc.)	7·1 (Inc.)
Transportation for Investment—Credit	1,360,199	1,963,044	602,845	30·7
Total Oper. Expenses	195,259,507	221,175,472	25,915,965	11·7

A further division between labour and materials, etc., by General Accounts, follows:—

Employees' Compensation	1930	1929	Decrease
	$	$	$
Maintenance of Way and Structures	23,520,724	26,975,797	3,455,073
Maintenance of Equipment	23,758,242	26,215,852	2,457,610
Traffic	3,498,346	3,564,743	66,397
Transportation	65,184,210	72,362,255	7,178,045
Miscellaneous	1,056,752	1,125,153	68,401
General	4,748,067	4,621,657	126,410 (Inc.)
Total	121,766,341	134,865,457	13,099,116

Materials and Miscellaneous	1930	1929	Decrease
	$	$	$
Maintenance of Way and Structures	16,256,843	21,460,321	5,203,478
Maintenance of Equipment	19,333,088	23,312,000	3,978,912
Traffic	4,214,620	3,987,913	226,707 (Inc.)
Transportation	30,921,723	35,671,756	4,750,033
Miscellaneous	1,178,773	1,277 988	99,215
General	2,948,318	2,563,081	385,237 (Inc.)
Transportation for Investment—Credit	1,360,199	1,963,044	602,845
Total	73,493,166	86,310,015	12,816,849

The decrease in Payroll Expense, amounting to $13,039,116, resulted from decreased employment—$15,270,648, partially offset by increases in rate per man hour amounting to $2,171,532. There were no wage increases of any account in 1930. Increases granted during 1929 are reflected to some extent in 1930 figures. The harmonious relations existing between the Company and employees continued through the year.

Mr. GEARY: May I ask a question there on maintenance of way and structures. You have a total decrease of $8,000,000. On labour you have a decrease of $3,000,000 and on materials $5,000,000. Does that represent the normal proportion between material and labour, or is it less in material by reason of your having more material on hand?

Sir HENRY THORNTON: I think that probably is about the average. Of course, one thing in maintenance of way expense which is beginning to make itself felt is the introduction of creosoted ties. For the last eight years we have been increasing year by year the number of creosoted ties that have been put into the track. Now we have got to the point where the earning value of those creosoted ties is beginning to make itself felt and find an expression in fewer ties bought per annum. As a matter of fact, our tie purchases have fallen off very heavily due particularly to the introduction of creosoted ties, and particularly to a much closer inspection of the ties that are to be taken out of the track.

Mr. GEARY: In that item of creosoted ties would the introduction of that tie distribute the balance between the cost of material and the cost of labour?

Sir HENRY THORNTON: Undoubtedly.

Mr. HANSON: Sir Henry, this tie question is one that gives the ordinary member of parliament, in the east at all events, a great amount of trouble.

Sir HENRY THORNTON: You are not alone in that.

Mr. HANSON: The charge is made, Sir Henry, that previous to the election —I am going to be very specific—you loaded up with ties in Eastern Canada, and when we tried to get some work to relieve the unemployment situation in New Brunswick in the fall of 1930 we were met with the situation that you had on hand from purchases from the preceding year more than double your requirements. I think I am safe in putting it in that way. What have you got to say about that?

Sir HENRY THORNTON: I am not quite sure that I know just what the question is.

Mr. HANSON: That you overbought in 1929-30.

Sir HENRY THORNTON: Well, that may be the thought, that it was done for political purposes.

Mr. HANSON: I will be very frank and say I mean that.

Sir HENRY THORNTON: There is nothing like being perfectly frank.

Mr. HANSON: What did you have on hand at the beginning of the season of 1930?

Hon. Mr. MANION: My recollection is that the figure you gave me, Sir Henry, was something like 10,000,000 or 12,000,000 ties.

Sir HENRY THORNTON: Yes. The whole point is this: That we were building up and had been building up for some years to accumulate 100 per cent of our ties on hand. That is more or less the practice which is followed by railways. Personally, in the light of the present situation I think it is too much, and in times of depression and where you are endeavouring to economize you perhaps do things that you would not have done if times were more prosperous; but broadly speaking, we were trying to build up our tie situation so that we would be sure each year when the season commenced that we had a sufficient number of ties to carry on that work continuously throughout the year. I will ask Mr. Vaughan to speak on the subject, but certainly I am not aware of any attempt on the part of this railway company to unduly increase its tie purchases in the face of an election for the purpose of producing a possible political result for one party or the other.

Mr. HANSON: I do not say that you did it for the purpose of that at all, but the charge is made and you have heard it as well as I have.

Sir HENRY THORNTON: You hear all kinds of charges.

Mr. HANSON: That the supply of ties on hand was abnormal, and had been abnormally increased in the preceding twelve months, and we found ourselves in the position of where we could hardly get the railway to buy anything and then only at a depressed price.

Sir HENRY THORNTON: Mr. Vaughan is here. He is our Vice President in charge of purchases, and I would like him to speak on that.

Mr. VAUGHAN: We were in the same position as every other railway. We were endeavouring to build up this carry-over 100 per cent, which is practically the carry-over that most railroads have in the United States, on the theory that if we could get all our ties in by the 1st of June we would save money when labour was plentiful and it did not interfere with the heavy movement of traffic. We brought that carry-over up to 100 per cent in 1929. There was never a contract placed for political purposes. The whole idea was to bring that carry-over up to 100 per cent so that we would always have ties on hand in the spring sufficient to go on with our work. Personally, I cannot tell the politics of any tie contractor we do business with. I can say conscientiously there was never a tie contract given to a man down there because of his politics. To-day we have nearly 2,000 tie contracts on the system, and I can tell the politics of only one or two men in the whole 2,000.

Mr. HANSON: You deny the charge?

Mr. VAUGHAN: Absolutely.

Mr. FRASER: May I ask this general question in regard to the tie situation: How is the price of ties fixed?

Sir HENRY THORNTON: Will you answer that, Mr. Vaughan?

Mr. VAUGHAN: As a matter of fact, we advertise for tenders on ties.

Mr. HANSON: You go through the form?

Mr. VAUGHAN: We go through the form, that is quite so. The prices are usually ridiculously high and we never pay them. The result is it gets down to the point that we fix what we think is a reasonable price for ties on each region and the contractors are usually glad to get the contract on that basis. We buy ties on the different regions. We know all the tie contractors on the line, where their timber is located and their ability to deliver ties, and so on. And we take a great many ties direct from the settlers. We have this year 1,600 or 1,700 contracts direct with the settlers.

Mr. GEARY: In the result you are buying in the open market?

Mr. VAUGHAN: Yes.

Mr. FRASER: I understand then that the tie contractor has nothing to do with the price at all. The tender that he gives you has nothing to do with the price. You really fix that price and say you can have that contract or do without it.

Mr. VAUGHAN: Well, except this, Mr. Fraser, in getting all these tenders in, if we find a man who is responsible and who has given us a very low tender we may take his price and fix that as the price on the region for everyone.

Mr. HANSON: That would be a factor?

Mr. VAUGHAN: Yes.

Mr. FRASER: So that the tender after all is a factor in the fixing of the price?

Mr. VAUGHAN: Yes.

Mr. MCGIBBON: What parts of the country do you get your ties from mostly?

Mr. VAUGHAN: They are secured all over the country from coast to coast depending on our requirements. We buy our requirements for the Atlantic region in the Atlantic region.

Hon. Mr. MANION: Is it not right that about 25 per cent of your tie contracts are given to settlers in small lots?

Mr. VAUGHAN: Yes, fully that.

Mr. HANSON: And you have extended that each year?

Mr. VAUGHAN: We have extended it, yes. We do not refuse to take ties from settlers. Our position is, of course, that unfortunately a good many of the settlers want to get into the contract class.

Sir HENRY THORNTON: In 1930 the total number of ties purchased was 7,900,000, 2,500,000 of which we purchased from settlers.

Hon. Mr. MANION: Do you not mean 1929-30?

Sir HENRY THORNTON: Ties delivered in 1930.

Hon. Mr. MANION: This past year you only bought a little over 3,000,000.

Sir HENRY THORNTON: Yes, I would say perhaps a third of those would come from settlers. The purchases from settlers have increased each year.

Mr. HANSON: How many did you purchase in 1929 for delivery in 1930 compared with the two preceding years?

Mr. VAUGHAN: I think it was possibly a little greater.

Mr. HANSON: Without delaying the committee, we might have the information showing exactly what your purchases have been.

Mr. VAUGHAN: Yes, I have got the information here.

The CHAIRMAN: We can take that up in the form of a question for to-morrow.

Sir HENRY THORNTON: We will make a note of that.

Mr. CANTLEY: Mr. Vaughan, there is another criticism to this effect that you buy ties from so-called dealers that do not produce a tie at all. You have for years, and they in turn sublet those contracts making a profit out of them to the detriment of the small man who actually supplies the ties.

Mr. VAUGHAN: I think that would happen in a very rare case. There are a great many men who are not financially able to take out a contract and they will go to a contractor and he may finance them and assist them in getting those ties out.

Mr. CANTLEY: My criticism is this, at least the criticism reported to me is this; the small operator who owns a small mill tenders for ties. He does not get it but the dealer gets it, and then the dealer says to the small contractor you can have a contract for two, three or four thousand ties at ten cents less.

Mr. VAUGHAN: I do not know any case of that kind, Col. Cantley. If there are any I would like to know of them. There may be the odd case.

Mr. CANTLEY: I think I can give you a few cases.

Hon. Mr. MANION: Last year you called for 3,000,000 ties and you had tenders for something like 60,000,000, is that correct?

Mr. VAUGHAN: We called for tenders in the fall of 1930 for 3,000,000 ties and, as you say, we received tenders for 60,000,000.

Hon. Mr. MANION: I know, because I got letters of abuse from all parts of the country.

Sir HENRY THORNTON: As far as the political situation is concerned, it is awfully hard to keep up with the politics of the average tie contractors.

Mr. HANSON: I would like to make one exception and that is the President of our association. He has been a life-long tory.

Sir HENRY THORNTON: I know, but you have to keep up awfully fast with some of those fellows.

The CHAIRMAN: Is that all the questions that are required on the tie situation?

Mr. STEWART (Lethbridge): I would like you to leave that open. I may have something to say on that later.

The CHAIRMAN: It will be taken up again to-morrow.

Mr. STEWART (Lethbridge): I do not think I will have my information till later on.

The CHAIRMAN: You are perfectly free to bring your question up at any time.

Mr. FAIRWEATHER: Resuming on page 8, at the top of the page:

The decrease in Materials and Miscellaneous Account, amounting to $12,316,849, is made up as follows:—

Decrease due to Price Changes	$2,823,075
Decrease due to less material used	9,993,774
Total Decrease	$12,816,849

By classes of materials, the decreases were as follows:—

—	Decrease due to Price Changes	Decrease due to Quantity Used	Net Decrease
	$	$	$
Ties	33,040	1,558,796	1,591,836
Rails	22,071	703,727	725,798
Coal	310,416	3,149,268	3,459,684
Miscellaneous Material	2,457,548	4,581,983	7,039,531
Total	2,823,075	9,993,774	12,816,849

Mr. HANSON: It is very gratifying to notice that you are beginning to get the benefit of the decrease in the price of commodities.

Mr. FRASER: What was the decrease in the price of ties?

Mr. VAUGHAN: Ten to fifteen cents, but that would not come in here. The prices were ten to fifteen cents higher in 1929 than they were in 1930.

Sir HENRY THORNTON: That figure Mr. Vaughan is giving you is just an average.

Mr. FRASER: We can get the definite figures later on?

Sir HENRY THORNTON: We can furnish I think within reason what the spread will be on almost anything you want to ask.

Mr. FRASER: What I want to know is this, what was the comparative price in British Columbia for ties this year compared with last year?

Mr. HANSON: And the same with New Brunswick?

Mr. KENNEDY: What was the decrease in the price of coal?

Sir HENRY THORNTON: Mr. Vaughan, the question is asked what was the average in the alteration in the price of coal.

Mr. VAUGHAN: Well, there was little decrease in the price of coal in Canada. The large decrease in the price of coal was in the United States. For example, there has not been a decrease in the price of coal in the Maritime Provinces for years, and there has been little decrease in the price of coal in the Western Provinces for the last few years. There has been some decrease in the United States. The cost of producing coal in our mines has been going down right along.

Mr. KENNEDY: Could we get the figures on that?

Mr. VAUGHAN: You mean the average price paid in the various regions?

Mr. KENNEDY: Yes.

Mr. VAUGHAN: You are referring only to Canadian coal or do you want American coal too?

Mr. KENNEDY: Yes.

Mr. VAUGHAN: Well that American coal I presume would be at the mine.

Mr. KENNEDY: There is one question I would like to ask regarding coal. I find amongst the miners in the West criticism that the railway orders come in in big bunches, that the mines would be idle for a long time and then there would be an order come in for a big bunch of coal and they are anxious that something should be done to stabilize the volume of employment during the year. I was wondering just what could be done in that respect.

Mr. VAUGHAN: We are doing everything we can in that respect. We try to give them continuous operation and we do give them as continuous operation as we can depending, of course, upon our requirements. We do not want to be taking coal that we do not need but we aim to give them as much continuous employment as we can consistent, of course, with our own requirements, and economy.

Mr. FAIRWEATHER:—

An examination of the Railway Operating Expenses, by General Accounts, shows that Maintenance of Way and Structures Expenses in the two years compared as follows:—

1930	$	39,777,567
1929		48,436,118
Decrease	$	8,658,551 or 17·9%

During the year, 457 miles of new 100 lb. rail and 153 miles of new 85 lb. rail were laid; 380 miles were re-laid with 80 to 100 lb. released rail. A total of 1,300,784 treated ties were placed in track, as compared with 1,612,228 in 1929.

The decrease of $8,658,551 in Maintenance of Way and Structures Expenses is made up as follows:—

——	Decreasd		Net
	Due to Change in rate per Man Hour or Price of Material	Due to Decrease in Quantity	
	$	$	$
Labour	1,190,838 (Inc.)	4,645,911	3,455,073
Materials and miscellaneous	305,598	4,897,800	5,203,478
Total	885,240 (Inc.)	9,543,791	8,658,551

A summary of the decreases, by Classes of Material, follows:—

Mr. HANSON: I would like a little explanation of why there was an increase in the labour and a net increase in the total?

Mr. FAIRWEATHER: There was an actual decrease in the quantity of labour.

Mr. HANSON: Yes, I get that.

Mr. FAIRWEATHER: And there was an increase in the average rate of compensation. That reflects an increase which had been made in 1929, that I think answers your question.

Mr. MCGIBBON: I notice in looking over your report that you spent, speaking from memory, $1,000,000 odd on ballast. I notice also the Canadian Pacific spent about $6,000,000. Is the road bed of the National Railways that much superior to the C.P.R.?

Sir HENRY THORNTON: That involves an examination again, as I said a moment ago, of the speed, weight and volume of the track. Now, generally speaking, it has been, I think, revealed by the statistics that, taking the C.P.R. as a whole their density of traffic is materially greater than that of the Canadian National. I do not quite know what you want to get at, Doctor, but that is the only answer I can give you at the moment. I am anxious to answer your question but I am not so sure that I understand it.

Mr. MCGIBBON: It would look to me to be a very essential part of railroading to keep your track in proper shape. Your figures on wreckage and so on, seemed to be enormous compared with the other road, and yet there does not seem to be relatively like the same amount of money being spent to keep the roadbed in efficient condition.

Sir HENRY THORNTON: Well, without wishing to go into the detail of Canadian Pacific expenditures and offer any comment thereon my recollection last year is that the C.P.R. reduced to a greater percentage their total maintenance of way expenses in a comparative way than did the Canadian National.

Mr. FAIRWEATHER: Oh, yes, very much more.

Mr. MCGIBBON: I think the figures are about $6,000,000 that the C.P.R. was spending and the National Railways something over one. In looking over the amount of money that you paid for claims for damages and for wreckage you are paying much more, a great deal more.

Mr. FAIRWEATHER: Mr. McGibbon, are you referring to the year 1930?

Mr. MCGIBBON: Well I am referring to the last report.

Mr. FAIRWEATHER: No, but in the C.P.R. You speak of the C.P.R. Are you referring to 1930?

Mr. MCGIBBON: The last report we have got.

Mr. FAIRWEATHER: Well, is that 1930, sir?

Mr. MCGIBBON: I presume so.

Mr. FAIRWEATHER: I cannot believe that it is, because I do not know that their primary accounts have been published for 1930 yet.

Mr. MCGIBBON: I am speaking of the last report we have got. This might not just be the proper place to ask the question, but might I ask what is the cause of so many large claims for damages and property damage and wreckage on the National Railways?

The CHAIRMAN: Just let that go as a question and we can get along with something else.

Sir HENRY THORNTON: Perhaps this might be the easiest way to dispose of that: If our secretary will make a note of the whole question then by tomorrow's meeting we will probably be able to get some statistics which will illuminate the situation.

Mr. MCGIBBON: That is quite satisfactory.

Mr. FAIRWEATHER:

—	Decrease		Net
	Due to Change in Price of Material	Due to Decrease in Quantity	
	$	$	$
Ties	33,040	1,558,796	1,591,836
Rails	22,071	703,727	725,798
Other miscellaneous material	250,487	2,635,357	2,885,844
Total	305,598	4,897,880	5,203,478

Principal Increases and Decreases in Maintenance of Way and Structures Accounts were as follows:—

Principal Increases:	Maintaining joint tracks, yards, etc. Dr.	$ 189,271
Principal Decreases:	Bridges, trestles and culverts	486,386
	Ties	1,591,836
	Rails	725,798
	Other track material	573,194
	Ballast	703,006
	Tracklaying and surfacing	2,290,498
	Station and office buildings	424,453
	Shops and enginehouses	348,323
	Removing snow, ice and sand	270,922

Comparative expenditures for Maintenance of Equipment in 1930 and 1929 were as follows:—

1930	$ 43,091,330
1929	49,527,852
Decrease	$ 6,436,522 or 13·0%

The decrease in expenses is divided between labour and materials, etc., as follows:—

—	Decrease		Net
	Due to Change in rate per Man Hour or Price of Material	Due to Decrease in Quantity	
	$	$	$
Labour	610,945 (Inc.)	3,068,555	2,457,610
Materials and miscellaneous	1,038,974	2,939,938	3,978,912
Total	428,029	6,008,493	6,436,522

The condition of equipment at the end of 1930, as compared with 1929, was as follows:

—	Percentage Serviceable	
	1930 %	1929 %
Locomotives	78·2	80·1
Freight cars	92·2	93·0

These figures compare favourably with Class I United States roads, as indicated by the following:

—	Percentage Serviceable	
	1930 %	1929 %
Locomotives	81·3	83·8
Freight Cars	93·3	94·6

Principal Increases and Decreases, by Primary Accounts, were as follows:

Principal Increases	Express	$ 56,625
Principal Decreases	Shop Machinery	133,354
	Steam Locomotive Repairs	1,998,143
	Freight Train Car Repairs	2,025,494
	Freight Train Car Retirements	360,463
	Passenger Train Car Retirements	772,753
	Work Equibment	500,592
	Insurance	294,568

The comparative Traffic Expenses in 1930, as compared with 1929, were:

1930	$ 7,712,968
1929	7,552,656
Increase	$ 160,312 or 2·1%

The 1929 accounts included a non-recurring credit of $171,500 for the Detroit and Toledo Shore Line.

There was a decrease in Radio of $21,419 and in Colonization of $42,094. Rentals increased $138,135. There was a general decrease in Wages, Commissions and Supplies of $85,000.

The expenses of conducting transportation in 1930 and 1929 were as follows:

1930	$ 96,105,934
1929	108,034,012
Decrease	$ 11,928,078 or 11·0%

This decrease of 11.0 per cent compares favourably with a decrease of 11.3 per cent for all Class I United States roads.

Mr. GEARY: How long ago did you install radio, Sir Henry?

Sir HENRY THORNTON: I am speaking now from memory. I think our first radio installation took place in 1923 or 1924, probably in 1923.

Mr. GEARY: Have you increased that?

Sir HENRY THORNTON: Yes, we have increased the radio activities. That came up in this fashion: Early in 1923 it semed pretty obvious to the traffic and operating officers of the company and myself that the employment of radio represented a very interesting and important field largely, in fact almost entirely, for the purpose of advertising, and the Canadian National Railways was the first railway in the world I think to realize the importance of radio broadcasting, to install it upon its trains and to use it as an implement of advertising; so we commenced in 1923 installing radio on our trains, and that has progressively advanced. Naturally to-day, under the conditions that confront us and the necessity for economizing, that has not been pursued as progressively as it was in previous years; but briefly that represents the reasons for which we got into the radio broadcasting field and the use we attempted to make of it. Incidentally, since that time more than one railway on the North American continent has pursued the same policy.

Mr. HANSON: What other railroads have established it?

Sir HENRY THORNTON: The C.P.R. I think, three years ago.

Mr. HANSON: I mean on their trains. We are speaking of installing it on their trains.

Sir HENRY THORNTON: I think the Great Western railroad in England, but I may be wrong about that and I do not know to what extent they are using it.

Mr. HANSON: Any other big lines in America that have installed radio on their trains? The C.P.R. use it for advertising purposes, of course.

Sir HENRY THORNTON: I do not know that I can say offhand whether any railway in the United States has installed it on their trains at all.

Mr. HANSON: None of the big lines in eastern United States have.

Sir HENRY THORNTON: I think that is probably true.

Mr. GEARY: Have the C.P.R. radio on its trains?

Sir HENRY THORNTON: No.

Mr. GRAY: As a matter of fact, instead of presently increasing you are taking off.

Sir HENRY THORNTON: We are taking off. We are marking time with respect to the whole thing.

Mr. GEARY: You first began by installing radio and picking up from stations along the line, and then you went into the other branch of radio; you started as a pure matter of advertising?

Sir HENRY THORNTON: That is quite right.

Mr. GEARY: When did you start your broadcasting stations? What was the expense of that?

Sir HENRY THORNTON: This whole exploration into the field of radio was to a large extent experimental. It looked to us that the principle was a sound one and we had to feel our way, try out various things, and the situation to-day represents the result of several years of trial and experiment. I am just speaking from memory again. I think it was probably about three or four years ago that we went into broadcasting concerts and things of that kind ourselves.

Mr. GEARY: You have a station.

Sir HENRY THORNTON: We have a station in Ottawa which we erected and use for broadcasting purposes. We have another at Moncton. We have a third on Vancouver Island, and other stations that we employ which are usually owned by newspapers.

Mr. HEAPS: What has been the value of the radio broadcasting to the Canadian National system?

Sir HENRY THORNTON: That is a very difficult thing, Mr. Heaps, to say just in dollars and cents.

Mr. HEAPS: In a general way, Sir Henry?

Sir HENRY THORNTON: I should say that, generally speaking, the advantage of it from a propaganda and advertising view has justified the expense, particularly in the prosperous times which we passed through until recently.

You have got to remember, if I may say so, in connection with the Canadian National system and the whole advertising situation, that up until the last few years, or up until eight years or so ago the Canadian National system was relatively unknown. To a considerable extent it still is. We frequently have cases of people, travellers and shippers in the United States, who confuse the Canadian Pacific with the Canadian National. They just know that there is some kind of a Canadian railroad in Canada and they are not altogether sure whether it is Canadian National or something else.

Now, one of the problems which the Canadian National had to meet in securing both passenger and freight traffic was to establish its identity as a transportation machine. On the other hand the Canadian Pacific had been in existence for several decades, had been the predominant railway in Canada, was well and favourably known, and rightly so, all over the North American continent, in fact all over the world, and we were like any other manufacturer who goes into a new field manufacturing some commodity, he has got to establish himself within the knowledge and the minds of purchasers that he is in the business otherwise people do not go to him. A man, for instance, who opens a new department store in a large city initially is obliged to go into a very considerable expense to establish himself which his older competitors may

not at that time have to carry, but which they probably did have to incur at the time they started.

So that the large problem which confronted the Canadian National system was to advertise itself and establish its identity as a producer and seller of transportation, and all of those things, one of which you have referred to, and many others, were simply for that purpose.

Mr. HANSON: Sir Henry, in my humble opinion, the use of radio is perfectly legitimate, that is, the use that you make of it; but the criticism we have here, sir, is the establishing of the radio on the trains, and you are not proceeding, I understand, with that.

Sir HENRY THORNTON: No. That is a subject which is generally engaging our attention.

Mr. CANTLEY: Sir Henry, I wish you would take it out. It is a nuisance.

Sir HENRY THORNTON: The cost of equipping our trains for radio reception was $35,800. Now, opinions vary. Some people like it and some do not. I think on the whole more people like it than dislike it. It is very much like the question of whether you are going to allow people to smoke in the parlor car and on the rear end of the train. Some want to smoke and some do not and it is almost hopeless to try and satisfy them all.

Mr. GEARY: It is quite all right if you can differentiate there. You do not need to have the loud speakers.

Sir HENRY THORNTON: We have been getting away from the loud speaker as rapidly as possible, simply leaving it to the individual to use the ear telephone or not.

Mr. HANSON: What has been your capital cost for the installation of radio, both branches?

Sir HENRY THORNTON: $170,000.

Mr. FRASER: What is the annual charge?

Sir HENRY THORNTON: That is the total capital expenditure.

Mr. GEARY: For your broadcasting station?

Mr. FRASER: What did it cost last year?

Sir HENRY THORNTON: It cost us last year on operating account $420,000.

Mr. HEAPS: Is there any return?

Sir HENRY THORNTON: The only return is the value we think we get out of it in advertising. There again you have to differentiate between that which you think makes the best return—advertising in periodicals, or newspapers or the radio. This whole question of advertising is not susceptible to any precise formula. It is a matter of judgment. Now, we may make mistakes. I do not mean to say that our advertising policy has by any means been absolutely accurate. We have to try various means and see what the answer is and what the result may be, and this whole exploration of the field of radio was for the purpose of determining to what extent it might be regarded as a useful advertising implement.

Mr. HEAPS: There is another factor which I think should be borne in mind, that is the character of the entertainment and educational instruction, you might say that is put over the radio. I must say there has been a good deal of highly favourable comment on your concerts, something which cannot be measured in terms of dollars and cents. Then we have had those historical lectures coming over the radio and those symphony concerts which have been very much appreciated particularly out West.

Sir HENRY THORNTON: I am glad you referred to those historical sketches. That is something we hit upon ourselves and which, personally I think was

pretty badly needed in Canada. After all, take Eastern Canada. I think about the most outstanding and perhaps the only real history that has been written about Eastern Canada was written by Parkman, and it is a rather amazing thing that in the whole of this country we cannot produce a historian of native birth that compares with Parkman.

Mr. GEARY: Just the same as the United States cannot produce a historian to compare with Goldwin Smith.

Sir HENRY THORNTON: Probably historians are claimed by no particular flag; but the whole history of Canada is full of romance, full of heroic things, full of noble deeds which furnish an admirable incentive to the on-coming generation and, speaking for myself personally, I felt that it was essential for the welfare of the Dominion that our young people coming on year by year should be familiar with the history of our country, and that was largely the motive which prompted the introduction of these historical sketches, and I think they have served a useful purpose.

Mr. HANSON: Your programs are good, Sir Henry.

Mr. GEARY: It is not a criticism at the moment at all, I hope it never will be; but I would like to have some idea of the capital outlay. You say $170,000. Do you mean to say the installation of your broacasting station is included in that?

Sir HENRY THORNTON: Well, I have just got the figures here. This capital amount I have given you is exclusive of the rentals that we pay for the use of stations. You will find that in the $420,000.

Mr. HANSON: That is not capital.

Sir HENRY THORNTON: Mr. McLaren tells me that $170,000 represents the total capital expenditure.

Mr. GEARY: Could you tell me, roughly speaking, the cost of broadcasting from 1924 to the present date, the operating cost?

The CHAIRMAN: You had better put that in the form of a question.

Sir HENRY THORNTON: There was a decrease of about $20,000 last year, that is, comparing 1930 with 1929. Now, we could go back into past years.

Mr. GEARY: Is that a primary subdivision of some particular primary account?

Sir HENRY THORNTON: We can give you that if you desire it.

Mr. GEARY: I think I would like that.

Sir HENRY THORNTON: We will have it at the next meeting.

The CHAIRMAN: This radio business is looked upon as an advertising proposition. At the same time, Sir Henry, I think it would be just as well to give us a short memorandum of what other advertising there may be. Take for example any newspapers that you publish, or anything of that kind. Let us get it all together.

Sir HENRY THORNTON: Well, that would come up under the discussion on advertising.

Mr. KENNEDY: How much is being spent on the Colonization department?

Sir HENRY THORNTON: Might I just leave your question stand for a moment and answer a question that was asked in regard to advertising. The total advertising expenditure in 1930 was $1,452,000, an increase of $23,000 over the previous year, and I think that in total newspaper advertising, magazine advertising, there are 38 different items.

The CHAIRMAN: Can we have the details of that, Sir Henry?

Sir HENRY THORNTON: Yes. I will hand this to the official reporter.

ADVERTISING EXPENSES—1930-1929 COMPARATIVE

	1930	1929	Increase	Decrease
	$ cts.	$ cts.	$ cts.	$ cts.
1. Transportation	209,655 33	244,112 64	.....	34,457 31
2. Newspaper Advertising—Canada	102,607 47	87,913 85	14,093 62	
3. " " Washingtonian	1,686 88	2,512 77	.....	825 89
4. " " Down Easter	1,792 79	1,686 20	106 59	
5. " " Pine Tree Acad. and Gull	1,308 35	1,276 48	31 87	
6. " " United States	261,244 78	240,393 97	20,850 81	
7. Magazine Advertising—Canada	2,794 08	4,482 34	.....	1,688 26
8. " " United States	124,889 50	126,250 47	.....	1,360 97
9. " " U.S. Off Season	.....	59,964 73	.....	59,964 73
10. Printing—Miscellaneous	30,483 64	30,568 15	.....	84 51
11. " Special Publications	66,090 11	67,693 00	.....	1,602 89
12. Picture Frames	10,337 82	12,446 44	.....	2,108 62
13. Miscel. Advertising—Tour. Guides	1,954 60	4,188 58	.....	2,233 98
14. Miscel. Expenses General	22,901 05	26,678 56	.....	3,777 51
15. Express and Duty	27,121 99	22,611 17	4,510 82	
16. Engraving and Art	33,717 64	21,991 88	11,725 76	
17. Salaries	74,025 08	59,383 38	14,641 70	
18. Travelling Expenses	15,034 53	4,875 14	10,159 39	
19. Lectures—Canada and U.S.	7,789 54	8,540 54	.....	751 00
20. Mot. Picture Films and Expenses	22,715 98	21,262 53	1,453 45	
21. Photographic Dept	11,356 71	17,597 56	.....	6,240 85
22. Exhibitions—Canada	38,498 89	40,641 73	.....	2,142 84
23. Window Displays	67,578 98	55,493 56	12,085 42	
24. Transparency Frames	.....	1,113 42	.....	1,113 42
25. Freight Advertising	.....	3,813 25	.....	3,813 25
26. Special Editions, etc	7,402 61	15,060 54	.....	7,657 93
27. Australia and New Zealand	13,433 67	15,034 41	.....	1,600 74
28. Oriental	8,345 72	7,587 65	758 07	
29. European Traffic Organization	70,234 50	66,865 72	3,368 78	
30. Time Table Folders, Cards, etc	122,792 50	124,918 43	.....	2,125 93
31. Educational Publications	1,845 00	.....	1,845 00	
32. Miscellaneous Publications	834 50	.....	834 50	
33. Advertising—Far Tours U.S.A.	4,801 89	.....	4,801 89	
34. Posters	4,600 25	.....	4,600 25	
35. Chinese Advertising	595 88	.....	595 88	
36. 18¾% cost New York Office	53,497 09	.....	53,497 09	
37. Special Tour Conductors Expenses	1,863 93	.....	1,863 93	
38. Central Vermont Ry	27,255 98	32,431 95	.....	5,175 87
	1,452,489 26	1,429,390 94	161,824 82	138,726 50
Total Increase	.....	.....	23,098 32	

Mr. GEARY: I would like also to have a list of your insurance and the companies that are carried, and the amounts.

Sir HENRY THORNTON: We can give you that quite easily. I might just answer the general question by saying that most of the insurance is carried by our own insurance fund. We will make a note of that question.

The CHAIRMAN: I think it would be quite illuminating if we had Sir Henry give you a short resume of the insurance position. It is quite interesting and one that I would like the committee to hear.

Mr. HANSON: You mean at this time?

The CHAIRMAN: I do not care whether it comes now or not, but it is well worth having five minutes spent on.

Sir HENRY THORNTON: I can give that, in just a few minutes.

When this administration took charge of the combined Canadian National properties we were paying, as I recall it about $1,000,000 in premiums to various insurance companies and after 1923 the decision was reached that the railway company should establish its own insurance department and do its own insuring, on the theory that if we did two things, first, paid into our own department the same premium as we had previously paid to outside insurance companies

and at the same time organize the department and pursue a reduction in fire loss through the introduction of proper fire protection and through proper inspection, that we could eventually build up an insurance fund which would meet the annual fire losses.

Mr. HEAPS: Is this, Sir Henry, only referring to fire insurance?

Sir HENRY THORNTON: Yes. Now, this has been the result: the reserve fund of fire and marine insurance—has improved during 1930, and the total reserve as of December 31, 1930, is represented at $14,470,000. In other words, we have built up a reserve insurance fund of substantially fourteen and one-half million dollars.

Mr. HEAPS: For how many years is that, Sir Henry?

Sir HENRY THORNTON: Since 1923. It is within the last eight years. That is the result of eight years accumulation.

Mr. CANTLEY: Sir Henry, you referred to marine insurance. I take it that refers to the boats in the service of the Canadian National Railways, not the Canadian Merchant Marine. Is that correct?

Sir HENRY THORNTON: The fourteen and a half million includes the Merchant Marine Service.

Mr. CANTLEY: It includes both?

Sir HENRY THORNTON: Yes. It is allocated as follows: Ten and a half million to what is known as land services, Canadian National system; three and a half million to the Canadian National Steamships, and $353,000 to the Canadian National West Indies Service, totalling approximately fourteen and a half million dollars.

Mr. CANTLEY: You have some boats on the Pacific coast.

Sir HENRY THORNTON: Yes, those we propose to insure outside.

Mr. HEAPS: What loss, Sir Henry, have you had in that same period?

Sir HENRY THORNTON: $715,000 fire losses; marine losses $516,000, total $1,231,000. The increase in fire losses was due principally to the destruction by fire of our dock at Vancouver and the freight shed at Mission, Ontario. The dock at Vancouver at the time of the fire had not been turned over to us by the contractor. The result was that we did not have to shoulder the total loss, this being taken care of by the Underwriters. The same situation is more or less true at Mission; but that represented the fire losses for 1930. That was a fairly heavy year.

Mr. HEAPS: Is the company thinking of extending that form of insurance to other branches of the service?

Sir HENRY THORNTON: In what respect?

Mr. HEAPS: Well, compensation and so on.

Sir HENRY THORNTON: Well, that is under examination but we have not come to any conclusion with respect to what we should do with it.

I would like to say that this fourteen and one-half millions I mentioned is invested in securities; most of them are Canadian Government securities, which are kept in a separate fund for the benefit of the insurance fund itself.

Mr. GEARY: That fourteen and a half million dollars is cash practically.

Sir HENRY THORNTON: Yes.

Mr. GEARY: Has that been built up simply by allotting to that branch the ordinary underwriters' rate?

Sir HENRY THORNTON: That is right.

Mr. GEARY: No capital sum put in to start with?

Sir HENRY THORNTON: Oh, no.

Mr. GEARY: And it has increased then to that extent from the premiums themselves over and above the fire losses.

Sir HENRY THORNTON: Except, I think, that we started off with a fund of about $2,150,000 which the old Grand Trunk had. That was a fund which the former Grand Trunk had built up, and that was incorporated in the insurance fund.

Hon. Mr. MANION: Did not you tell me at one time—I just want it brought out if it is true, and I think it is—that you have really reduced your charges, your underwriting charges, so to speak, as compared with what you charged initially?

Sir HENRY THORNTON: Last year we made a reduction in our charges on account of insurance because we had this fund to build up. It represented the thrift of previous years, and we thought in view of the present condition of earnings, and so on, that we were justified in taking advantage of the prudence of previous years.

Mr. HANSON: And the result of your experience.

Hon. Mr. MANION: They felt they were safe. Could you give in round figures the insurance you carry outside your fund? I just want to have it on the record. I may say that, in my opinion, one of the most pleasing things I have run across is the way that insurance fund has been built up and established.

Sir HENRY THORNTON: Well it has been a very satisfactory experiment.

Mr. MCGIBBON: What about the amount of insurance running as compared with seven years ago?

Sir HENRY THORNTON: You mean the amount of outside insurance?

Mr. MCGIBBON: No, the amount carried on your own properties.

Sir HENRY THORNTON: I think we can get that in a minute. The total amount that we are insured for in the insurance fund is $391,500,000.

Mr. MCGIBBON: How do your premiums compare now with what they did seven years ago?

Sir HENRY THORNTON: I do not think I can give that off-hand; but my recollection is that in 1922 we paid something like $1,000,000 to outside companies as a matter of premium. Now we continue to pay that same amount into our own fund, and as a result of that—

Mr. GEARY: Not the same amount?

Sir HENRY THORNTON: Yes, the same amount, I mean at the same premium rates. That is the way we built up this fund, by paying to ourselves the money which we previously paid in premiums to outside companies.

Mr. GEARY: Well at that point, Sir Henry, in 1922 your premium payments to outside companies would be $1,000,000.

Sir HENRY THORNTON: Roughly that.

Mr. GEARY: With your increase in buildings, and that sort of thing, would you not to-day pay a greater premium than $1,000,000?

Sir HENRY THORNTON: Yes, of course our railway premium in 1929 was $1,685,000; in 1930 it was $810,000. Last year we had a couple of very unfortunate fires, but we have been pretty steadily reducing our fire losses.

Mr. GEARY: No, but your property covered has increased.

Sir HENRY THORNTON: That may be.

Mr. MCGIBBON: In other words, it is just a bulk insurance you take on the whole thing.

Sir HENRY THORNTON: That is it.

Mr. HEAPS: You had been paying out $1,000,000 a year, and then you commenced paying into your own insurance fund. Taking the interest that that $14,000,000 would bear you will probably be able to carry the insurance on your property withou paying any premiums at all.

Sir HENRY THORNTON: That is just exactly where we are getting.

Mr. GEARY: But if the earthquake zone moved from San Francisco to Vancouver.

Sir HENRY THORNTON: Of course, we may have an earthquake or a serious conflagration at any time.

Mr. HANSON: The safety of your position is the wide distribution of your risk.

Sir HENRY THORNTON: In 1929 we paid in premiums to outside companies $141,000 and in 1930 $245,000. Many railway companies have insurance funds. For instance, my recollection is that the Pennsylvania has an insurance fund which has a capital value of about $20,000,000. When they get to that point, which we are approaching now, they very often put out their large risks outside to protect their own fund. They really reinsure against their own fund and usually get extraordinarily favourable rates for a thing of that kind.

Mr. GEARY: Is your investment in outside companies like the Toronto terminals covered by your own insurance fund?

Mr. MCLAREN: That is carried in an outside company and charged against the expenses of the Toronto Terminals.

Mr. KENNEDY: I understood you to say you were paying about $1,000,000 a year in 1922 to outside companies.

Sir HENRY THORNTON: That is just my recollection, from memory.

Mr. KENNEDY: What I was wondering was, if you started with a little over $2,000,000 of reserve taken over from the Grand Trunk Railway and you are paying into your own fund $1,000,000 for about eight years, how did you get up to $14,000,000?

Sir HENRY THORNTON: That money was invested in I think, 5 per cent bonds. It has been drawing an interest rate of 5 per cent on the investment each year. It has a compounding interest.

Mr. KENNEDY: The losses must have been very small.

Sir HENRY THORNTON: Yes, they were quite small up until as I say, last year when we had some pretty heavy marine losses and some pretty bad fire losses.

Mr. GEARY: I should not think you are very strong in reserve on account of marine losses. That is a pretty heavy rate. You have increased your advertising last year.

Sir HENRY THORNTON: By $23,000. The detail of it I have handed in. Are there any further questions? If not shall we proceed.

Mr. KENNEDY: I think I asked you something about the colonization branch

Sir HENRY THORNTON: Oh, yes. Our expenses on account of colonization, agriculture and natural resources last year were $546,000, a decrease of $45,000 as compared with the previous year.

Mr. KENNEDY: Well, what are they doing? Most by advising settlers to move from one part of the country to the other?

Sir HENRY THORNTON: Most of our colonization efforts are towards bringing in families who have themselves a certain amount of capital, which has been fixed upon, and settling them on the land. Of course, everybody knows that immigration has been considerably reduced in the last year or so.

Mr. KENNEDY: A lot of the farmers in the west think that you might as well be employed putting them back in the city instead of putting them on the land under present conditions.

Sir HENRY THORNTON: Personally I do not agree with that. I do not think there is any useful purpose to be served in driving people to the cities to-day.

Mr. HANSON: Mr. Black, your director, is here and I think it would be most interesting and illuminating if we could have a short statement from him as to just what they are doing.

Sir HENRY THORNTON: Dr. Black is the director of colonization.

Dr. BLACK: On this question of colonization, of course, it is well known that Canada is not interested in getting any number of new people into the Dominion at the present time. What the gentleman has just said in regard to the opinion of the farmers in Western Canada—

Mr. KENNEDY: Some of them.

Dr. BLACK: Some of them, yes, of course is being recognized, and it is not only being recognized, but insofar as it appears to be in the public interest I believe that the policy of the railways, and of the department for that matter—although I am not here to speak for any other institution but our own—is being guided accordingly.

I think it is being recognized to-day by all of us that in view of the present conditions to which you have referred, Sir Henry, about bringing people to the cities, it would be better for a lot of people now in the cities if they were somewhere where they could contribute to the production of the kind of food which they require for themselves, and just recently a plan has been worked out whereby the federal department of immigration and the Immigration Department of the two railways are coordinating their activities to that end.

Now, I want to point this out to you in connection with the expense that has been incurred in connection with our effort, that we have been identified with the coming to Canada of quite a few people, agricultural people within recent times, people coming from other land settlements in order to increase the density of population on the land adjacent to our railroad. That has gone on very well in good times, but when times change, as they have in the last year, it does not seem justified to quite the same extent. But here is a feature of it which we are obliged to deal with at the present time, and which is responsible for a certain amount of expense. We have had a good many people coming to Canada in the last five years who have not attempted to settle on farms of their own immediately. That is to say, we have settled last year a great many families which have come here; this year we have assisted in the settlement of a great many families on land in Western Canada who were here before; and up to the 1st of June, I may say we actually had assisted 1,011 families this year in getting established on the land in Canada, and that included not only families in Western Canada who were here before, but it included some families which had come from the United States, although quite a number were those who formerly had lived in the Province of Quebec and had returned to parts of Quebec where they can settle on land and to parts of Ontario and parts of Western Canada.

No one has gone to settle on the land in Ontario for the purpose of making money, but rather for the purpose of establishing themselves where they will ultimately have a home and be able to take care of themselves.

I do not know of any responsible colonization man to-day who desires to increase immigration for the purpose of increasing the problem so far as production is concerned. We all realize that the people who came to this country came for the purpose of establishing homes for themselves.

I do not know that I have answered the question. There are many aspects of the situation, and if anyone would like them explained, I would be glad to explain them as well as I can.

Mr. HANSON: Mr. Black, what are you doing in the different provinces?

Mr. BLACK: I am glad that question has come up, because the situation is not the same really in any two districts of Canada. We have one problem in British Columbia, where they will welcome a class of settlers that the Prairies do not want. Ontario also has another and different problem; and also they are different in New Brunswick and Nova Scotia.

In New Brunswick and Nova Scotia they determined that they would assist certain colonists from the British Isles and from Scandinavian countries. None has been coming from France. There is not exactly an order, but a statement has been issued by each of these provinces that they will take 150 families from selected European countries. There is also what is known as the New Brunswick family system, by which 150 British families may come there and be settled under a scheme which is very much the same as what is known as the Three Thousand British Family Scheme, which applied to all Canada three years ago.

New Brunswick and Nova Scotia, and also Prince Edward Island, are three of the provinces of Canada which have not been entirely in accord with the sentiment of the West, and for their own reasons; and in fact the immigration problem is about the same in the Maritime Provinces to-day as it was in other parts of Canada say five years ago; and these provinces are co-operating with the Federal Department of Immigration to promote immigration to the Maritime Provinces, so long as they can be sure it means more settlers on farms; and thus is confined to settlers on the land.

The CHAIRMAN: Now we go on with the analysis, Mr. Fairweather.

Mr. FAIRWEATHER: Labour, Materials and Miscellaneous—

Mr. HANSON: Before you proceed, Mr. Fairweather, on the preceding page, page 10, "Transportation Expenses. The expenses of conducting transportation in 1930 and 1929 were as follows." Just what is meant by conducting transportation?

Mr. FAIRWEATHER: The details will be found on page 21 of the Annual Report.

Sir HENRY THORNTON: That represents briefly such items as are incurred through the actual movement of the traffic.

Mr. HANSON: Outside of the running of the trains themselves?

Sir HENRY THORNTON: Oh, all that is in it, trainmen and train supplies, all outside of maintenance.

Mr. FAIRWEATHER (Reading):

—	Decrease		Net
	Due to Change in rate per Man Hour or Price of Material	Due to increase in Quantity	
	$	$	$
Labour	60,338 (Inc.)	7,238,383	7,178,045
Materials and Miscellaneous	1,258,542	3,491,491	4,750,033
Total	1,198,204	10,729,874	11,928,078

As indicative of the economies resulting from new equipment, the coal used in freight service per thousand gross ton miles was 118 pounds in 1930, as compared with 143 pounds in 1923. At the present price of coal, this economy represents a saving of approximately $2,200,000 per annum in the fuel bill of the Railway. The 1930 ration of 118 pounds per thousand gross ton miles compares with 121 pounds for all Class 1, U.S. Roads. Additional savings in Passenger and switching services, etc., would approximate $500,000, or a total of approximately $2,700,000.

Mr. McGIBBON: How do you account for the decrease in coal consumption?

Mr. FAIRWEATHER: By the increased efficiency of our locomotives, burning less coal. That results from the application of economy devices to our locomotives, and from the very close scrutiny of the supervising officers of the way the coal is handled, from the time it is obtained until it is consumed. Our efficiency in the consumption of fuel is increasing steadily.

Mr. HANSON: At the same rate?

Mr. FAIRWEATHER: I can give it to you.

Mr. KENNEDY: How do you account for the fact that you beat the work of the United States railways?

Mr. FAIRWEATHER: I think it is the result largely of more capable supervision.

Sir HENRY THORNTON: Our locomotives have been built, I think, largely by the Kingston Locomotive Works, some by the Montreal Locomotive Works, and some in our own shops.

Mr. GEARY: Is it your own school of engineering which devised these improvements?

Sir HENRY THORNTON: They are the result of the intelligence of the supervising officers of the Engineering Department. That is a part of the ordinary day by day work of the mechanical department. I think in connection with that I might say that I think we have the best Chief Mechanical Engineer on the North American Continent.

Mr. GEARY: You specify what you want in a locomotive, then, if you get it built by the Kingston Locomotive Company?

Sir HENRY THORNTON: Yes.

Mr. GEARY: It is your design?

Sir HENRY THORNTON: Not mine personally, but that of the supervising officers.

Mr. McGIBBON: Does that include the short hauls? Anyone who drives a motor knows that he will get more miles on a long run than he can on a short one.

Mr. FAIRWEATHER: That is true, and that is one of the things which has aided us. We were one of the first companies on this continent to establish long engine runs. We have engine runs up to 800 miles.

Years ago an engine was run only about 125 miles. We early realized the economy from extended runs that when the condition of the roadbed and of the equipment would permit of it we put in longer engine runs, and we now have engine runs up to 800 miles in length.

Mr. McGIBBON: Due to the fact that the wheat crop, for example, is a long haul, increased a little from the year before, but the dropping off of the traffic was in your in transit and local stuff.

Mr. FAIRWEATHER: We are really talking about a highly technical thing. This unit of consumption of coal per thousand gross ton miles is a measure which takes into account these variations which have been spoken of, as well as it can be taken in by technicians.

To show that there has been steady improvement, if you will take the index of fuel consumption, starting in 1923 as 100; in 1924 it was 104·3; in 1925 it was 111·4; in 1926 it was 113·2; in 1927, 114·0; in 1928 it was 118·7; in 1929 it was 116·8 and in 1930 it was 118·7.

Sir HENRY THORNTON: Showing progressive improvement in this one particular item.

Mr. McGIBBON: This may not be directly on the point, but how does the efficiency of a railway engine now compare with what it was?

Sir HENRY THORNTON: Speaking of the state of the art, the steam locomotive of ten or fifteen years ago had a fairly bad reputation; and electrification was travelling on its heels; but like many other things, that excited in the minds of railway executive and mechanical officers a desire to see if something could not be done with the good old steam locomotive; and progressively, in the last ten years, there has been concentrated effort to improve the efficiency of the steam locomotive, and that has reflected itself upon the position which we find to-day, with the result that the steam locomotive is as a machine much more efficient than it was several years ago.

Mr. GEARY: Are you burning oil much now?

Sir HENRY THORNTON: The burning of oil is pretty much confined to British Columbia.

Mr. FRASER: You think your system is pretty well up in the forefront?

Sir HENRY THORNTON: We know it is.

Mr. FAIRWEATHER: (Reading):

The principal Increases and Decreases, by Primary Accounts, follows:—

Principal Increases.....	Oper. Joint Yds. and Termls. Dr.....	$ 203,990
	Injuries to Persons.....	57,758
Principal Decreases.....	Station Employees.....	1,263,316
	Yard Conductors and Brakemen.....	989,410
	Yard Enginemen.....	744,260
	Fuel for Locos.....	3,459,683
	Train Enginemen.....	1,397,610
	Trainmen.....	1,399,806
	Train Supplies and Expenses.....	385,548
	Loss and Damage Freight.....	288,861
	Express Service.....	554,669

Mr. HANSON: This question of station employees, I suppose, includes doing away with unprofitable stations?

Sir HENRY THORNTON: And reduction in forces in other operations.

Mr. HANSON: Could you tell me how many places have been closed? That is quite a burning question down in Nova Scotia and New Brunswick and creates a decided feeling in the communities. I do not question your right to do it.

Sir HENRY THORNTON: We have explored that field, and where we felt that stations could be closed without undue inconvience to the public they have been closed. Of course, every time you close a station, that particular community does not welcome that idea.

Mr. HANSON: You have a status of earnings, however, upon which you base the decision, either to close or to keep it open?

Sir HENRY THORNTON: We have to take into consideration the general requirements of the community itself.

Mr. FRASER: I see your "Loss and Damage"— What was the amount of the loss in that respect?

Sir HENRY THORNTON: $872,000.

Mr. FRASER: That was a lot of money.

Sir HENRY THORNTON: That is a lot of money in itself, but you have to consider it in relation to the total. The total freight revenue was $163,000,000.

Mr. FRASER: What was the principal reason of those losses? What was the main reason?

Sir HENRY THORNTON: Perhaps Mr. MacLaren can answer that question.

Mr. MacLaren: I believe a large percentage of it is due to concealed loss; that is shipments made by shippers arriving at the consignees' premises, and found to be short.

Mr. Fraser: Pilfering?

Mr. MacLaren: Yes.

Mr. Hanson: I have in mind a wreck within the last few months which must have cost the railway $100,000 in freight damage alone, and the equipment I could not begin to estimate. Those are big losses.

Sir Henry Thornton: I think possibly the larger amount is not found in one individual wreck, but through a small amount of claims originating on a number of shipments.

Reference was made to the size of the freight claim, which was about $800,000, and that you have to compare with the revenue from freight of $160,000,000 odd. A percentage of loss for freight claims on the Canadian National runs about what it is on other railways.

Mr. Hanson: It is a fortuitous circumstance.

Sir Henry Thornton: Sometimes you may have to pay a claim which it would not be good strategy to resist. You have to have some regard for business principles and policy. On the point here, the class 1 railways in the United States paid out, in relationship to their freight earnings, in 1929 $^{75}/_{100}$ of 1 per cent of their earnings. The Canadian National railways paid out $^{58}/_{100}$ of 1 per cent. Our figure for 1930 was $^{53}/_{100}$ of 1 per cent. So that our record is better than that of the Class 1 railways in the United States.

Mr. Heaps: I would like to raise a certain question at another meeting, out of a question raised here to-day, as to the comparative quantity of grain shipped from Canadian and United States ports. From Canada it was much greater than I thought it was. I am wondering whether the management of the Canadian National Railways or the Committee here could find a little time for considering ways and means of equalizing the shipments between Canadian and American ports.

Sir Henry Thornton: I can say that if anyone can show us any way, by any co-operative movement, to retain a larger quantity of this traffic on our lines we will do so. It is a desirable thing to do, as it means more money; but we have found that the routing of grain and the ports through which it moves is entirely determined by the shippers themselves.

If we can find any way to improve our position in that respect and increase the amount of Canadian grain passing through Canadian ports and over Canadian railways, whether it be by the Canadian Pacific Railway or ourselves does not matter, we will be glad to do anything we can to assist in that.

Mr. McGibbon: Does it not generally go, like water, by the easiest course?

Sir Henry Thornton: The availability of ocean tonnage and the ocean rate usually determine the port to which the grain goes.

Mr. Cantley: Is it not a fact that ocean liners out of New York have actually carried grain for nothing, or on occasions have paid a premium to get it?

Mr. Burnap: They have sometimes taken it for ballast purposes.

Mr. Cantley: I have known cases where they have actually paid a premium for the purpose of getting it.

Mr. Geary: They have come over loaded and have to go back empty, and want ballast.

The Committee adjourned to Thursday, June 18, at 11 o'clock a.m.

THURSDAY, June 18, 1931.

The Select Standing Committee on Railways and Shipping met at 11 o'clock a.m. Hon. J. D. Chaplin, Chairman, presiding.

The CHAIRMAN: Gentlemen, I have been delayed for a few minutes hoping that the Minister might come in, but we will proceed and clean up page 11 on the analysis.

SIR HENRY THORNTON: I think first, Mr. Chairman, I had better give the answers to the questions that were asked yesterday.

Col. Cantley asked were all the steel rails, ordered and delivered in 1930, put in the track. The answer is:

Gross Tons Purchased	145,243
Gross Tons Laid in Main Lines	117,691
Carried in Stock, Dec. 31, 1930	27,552

Mr. Hanson asked, how many stations did the Canadian National close during the year 1930. There were eight stations closed, as follows:—

Powel, Man, May 5, 1930.
Henrysburg, Que., April 2, 1930.
Noyan Junction, Que., Feb. 15, 1930.
Maitland, Ont., March 21, 1930.
Carlsbad Springs, Ont., March 11, 1930.
Stackpool, Ont., Nov. 5, 1930.
Seagrave, Ont., June 20, 1930.
Iberville Junction, Que., Dec. 3, 1930.

And the date is given of the closing of the stations.

Mr. CANTLEY: I thought that his enquiry referred not only to 1930 but also up until the present time, 1931.

SIR HENRY THORNTON: Well, that is the way we understood the question.

Mr. CANTLEY: That is my understanding of it.

SIR HENRY THORNTON: We were dealing with 1930 figures, and I assumed the question related to that.

Mr. CANTLEY: Well, that was my understanding of it.

The CHAIRMAN: Just enlarge the question so that the information is brought up to the present time.

Mr. CANTLEY: There were more stations closed in 1931 than there were in 1930.

SIR HENRY THORNTON: They were all closed by the action of the Board of Railway Commissioners. However, that will be answered to-morrow, Col. Cantley. I cannot tell you just offhand.

Mr. Fraser asked the comparative price of ties in British Columbia for delivery in 1930 and 1931. I will give that information if the committee wishes it, and Mr. Fraser wishes it.

The CHAIRMAN: There is just one thing that I want to call the committee's attention to, that the rule laid down by the committees in the past has been this, that present contracts have not any right to be enquired into. It

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may be detrimental to the interests of the road. Now, if the President of the road feels that giving out that information is a detriment then it should not be given.

Sir HENRY THORNTON: Well, I think it is objectionable in this case although I would not have the slightest objection to giving it to Mr. Fraser privately if it would satisfy him. It would result in a comparison between the price paid for ties in one part of the country as compared with others, and there will be an immediate effort made to increase the price of ties unduly, and all that sort of thing. I think it is detrimental to the interests of the country to give out that information publicly, but I should have no hesitation in giving it to Mr. Fraser privately if he would like to have it, and if that would satisfy him.

Mr. FRASER: I cannot object to your opinion, Sir Henry. I would have to defer to what your opinion is and accept any information you would give me. As a matter of fact, it is not of any interest to me to give it to me privately. I would rather not have it privately because I would get into trouble some day by letting out something that you would not want me to let out.

SIR HENRY THORNTON: Well, I am willing to take a chance on you.

Mr. FRASER: Give us what information you care to file.

The CHAIRMAN: I think the principle is pretty sound in not giving out an information regarding current contracts.

Mr. HEAPS: Is that your ruling, Mr. Chairman?

The CHAIRMAN: Absolutely.

SIR HENRY THORNTON: Mr. Hanson asked the same question, or substantially the same question, the comparative prices of ties bought in New Brunswick for 1930-31, and what I have said with respect to the previous question applies to that.

Mr. Hanbury asked the average price for coal in the different districts for the last two years, and that again is in precisely the same category, and I would rather not give that information.

Mr. Hanson asked for a statement showing the ties purchased and delivered in New Brunswick for each of the three years 1928, 1939 and 1930, and the answer is: 1928, 1,320,972; 1929, 1,514,900; 1930, 609,766. I will pass that over to the official reporter.

Mr. Hanson asked for a statement of ties on hand at December 31, 1928, 1929 and 1930. The answer is: 1928, 7,332,036; 1929, 11,121,995; 1930, 11,729,917. I will hand that to the official reporter.

Colonel Geary asked for a comparison of operating costs radio, 1924 to date. The answer is:—

1923	$ 10,146 06
1924	122,466 01
1925	240,686 49
1926	253,062 51
1927	285,604 30
1928	317,278 88
1929	441,082 00
1930	420,028 17

And I will hand that to the official reporter.

Mr. MCGIBBON: Just on that point, Sir Henry, could you tell us where you buy your radio equipment?

Sir HENRY THORNTON: Is there anyone here who can answer that question? Do you know, Mr. Vaughan?

Mr. VAUGHAN: From different sources. We use different types of radios. They are all bought in the open market with the best possible discounts.

Mr. McGIBBON: Do you buy them wholesale or retail?

Mr. VAUGHAN: Wholesale.

Mr. McGIBBON: From the manufacturers?

Mr. VAUGHAN: Largely, yes.

Mr. McGIBBON: Probably you can give us their names?

Mr. VAUGHAN: There is the Northern Electric, the Majestic—

Mr. McGIBBON: You need not do it to-day.

Sir HENRY THORNTON: Is that a question you want answered, Dr. McGibbon?

Mr. McGIBBON: Yes.

Sir HENRY THORNTON: Will you make a note of that, Mr. Vaughan?

Mr. VAUGHAN: Yes.

Sir HENRY THORNTON: Shall we proceed now?

The CHAIRMAN: Yes.

Mr. McGIBBON: There is a question I asked yesterday with regard to the enormous amount spent on wreckage and injuries to persons in 1929, as compared with the Canadian Pacific Railway. In looking over the comparative statement I find that there is an increase in the National Railways of over $200,000, the figures for clearing wreckage being $399,000 against $159,000, and to injured persons $860,000 against $527,000. It struck me that possibly there might be some explanation.

Sir HENRY THORNTON: Well, I think Mr. Fairweather has some figures that will answer that question.

Mr. FAIRWEATHER: I have a comparison here of the expenses clearing wrecks, and damage to freight, injuries to persons on the C.P.R. and Canadian National from 1925 to 1929.

In making a comparison of those figures it must be understood that in the Canadian National you are dealing with a system about some 21,000 route miles in extent, and on the C.P.R. about 14,500 route miles and, of course, that has a distinct bearing upon the comparison.

Under the item of clearing wrecks, we appear in the Canadian National to be consistently higher than the Canadian Pacific. That is quite true. The figures are:—

	Canadian National	*Canadian Pacific*
1925	$399,000	$135,000
1926	403,000	136,000
1927	469,000	164,000
1928	531,000	147,000
1929	399,000	159,000

which latter figures are those which Mr. McGibbon quoted.

The explanation of that, to a certain extent, lies in the increased mileage of the Canadian National. But these amounts must really all be viewed in total, and when you come to loss and damage freight you find that on loss and damage freight the Canadian National has a somewhat better performance than the Canadian Pacific. I will not quote the gross figures, although I have them here; but I will express them as percentages of the freight revenue, because that is what they are best comparable with, and I find this, that in 1925 the percentage of Canadian National loss and damage freight is ·535 of 1 per cent. The Canadian Pacific was ·632 of 1 per cent. That is, they were considerably higher than the Canadian National.

The next year, 1926, the loss and damage freight on the Canadian National was ·479 of 1 per cent. On the Canadian Pacific it was ·551 of 1 per cent.

In 1927 the Canadian Pacific practically equalled us. Ours was ·538 and theirs ·526.

In 1928 the figures were identical, ·516.

In 1929 the Canadian National stood at ·531 and the Canadian Pacific at ·605.

A similar comparison shows that both Canadian roads are better than the average class I United States roads. The figures for the United States roads in 1929 were ·75 per cent.

Sir HENRY THORNTON: The point there is that both Canadian roads were better than the best American railways with respect to their particular item.

Mr. FAIRWEATHER: Now, when you come to injuries to persons you find there a close parallel between the two systems. If you adjust for the difference in mileage in the Canadian National you find that the Canadian National is on a very comparable basis to the Canadian Pacific.

Mr. CANTLEY: Train mileage would be the basis there not railway mileage.

Mr. FAIRWEATHER: Train mileage would be the proper basis.

Mr. MCGIBBON: Do I understand you to say the two roads were equal?

Mr. FAIRWEATHER: I would say that would be a fair statement. And, further, that taking all the accounts together, as nearly as I can see the situation is this: The Canadian National has an advantage on one count and the Canadian Pacific on another count; but taking them by and large they are of equal efficiency in this regard and are better than the Class I roads in the United States. I have figures of comparison here in connection with the Class I roads in the United States, but I will not burden the committee with them.

Sir HENRY THORNTON: Shall we proceed.

The CHAIRMAN: Yes.

Mr. FAIRWEATHER: Commencing at page 11, Miscellaneous Expenses.

A comparison of Expenses for Miscellaneous Operations for 1930 with 1929 follows:—

1930	$	2,235,525
1929		2,403,141
Decrease	$	167,616 or 7·0%

This decrease was principally on account of a reduction in Expenses of Dining and Buffet Service of $148,879, due to decreased service.

General Expenses in 1930 and 1929 compared as follows:—

1930	$	7,696,385
1929		7,184,738
Increase	$	511,647 or 7·1%

The chief increase was Pensions $440,299. There were 2,276 ex-employees on the Pension roll at the end of 1930.

Mr. FRASER: Could we have some information with regard to pensions? What is the general scheme of pensions? What is the general layout with regard to pensions?

Sir HENRY THORNTON: There is a complete and somewhat exhaustive statement of the Pension and Relief Department.

Mr. FRASER: Well, might I ask, is it a contributing system?

Mr. FAIRWEATHER: Well, there are a number of pension systems on the Canadian National. There is, in the first case with regard to employees of the Canadian Government railways a contributory system.

An Hon. MEMBER: I understand these are inherited systems.

Mr. FAIRWEATHER: That was initiated at the time when the Intercolonial railway was directly operated by the government. Then there is on the Grand Trunk a contributory scheme.

Sir EUGENE FISET: Has that fund of the Intercolonial been transferred to the Canadian National, or is it still handled by the Department?

Mr. MCLAREN: The Grand Trunk superannuation fund is still continued by the Canadian National.

Mr. FAIRWEATHER: Then with regard to the Grand Trunk there was a superannuation scheme which was contributory. That scheme has been closed out in the sense that no new members are admitted to it. Existing members continue to pay and their pensions are fixed by that scheme.

Hon. Mr. EULER: All new employees come under the general scheme of the Canadian National.

Mr. FAIRWEATHER: Yes, sir.

Sir EUGENE FISET: I understood that they had the right to elect to join the new pension scheme or remain under the old one.

Mr. FAIRWEATHER: They had that privilege. Then there is the general non-contributory scheme of the Canadian National. That was modernized, I believe, last year was it not, Sir Henry?

Sir HENRY THORNTON: I believe so.

Mr. FAIRWEATHER: And applies to all employees of the Canadian National who are not either under the Canadian Government railway pension or under the Grand Trunk superannuation.

Hon. Mr. EULER: Is that the system now on the Canadian National under which all new employees come?

Sir HENRY THORNTON: Yes.

Mr. FAIRWEATHER: We have a little pamphlet here, Rules and Regulations for Pension Fund.

Sir HENRY THORNTON: Would it be of interest to you to have copies of that distributed amongst members of the committee?

The CHAIRMAN: I think it would be well to have a copy of that delivered to each member of the committee.

Sir HENRY THORNTON: I believe that an examination of the pamphlet will pretty well answer the question.

Mr. FRASER: Let me ask this, Sir Henry: Are the pensioners on the American lines under this system you have outlined here, or have you an entirely different system, or separate system for your American lines and your Canadian lines?

Sir HENRY THORNTON: It is all one.

Mr. FRASER: Well, now, could you tell me how many of your pensioners according to this you have given here who have been Canadian employees, are living at the present time and drawing their pension in the United States? The reason I am asking that, Sir Henry, is this: I have heard not only at one divisional point but at two divisional points in my district that what is happening is this, that some of the people who are working on the Canadian railways, on your Canadian system, have never become naturalized subjects of Canada, and as soon as they get their pension they depart to the United States and get the benefit of the pension over there.

Sir HENRY THORNTON: I think the best way to answer that question—and I am speaking from memory, but I think the figures are accurate within a negligible percentage of error, we, of course do not know; take the whole of our personnel, we do not know exactly how many are Canadians, and how many are foreign citizens. To secure that information—in fact, I do not know whether it could be really accurately secured; but the only way you could start to secure it would be to question each individual as to his citizenship, and about the time you asked the first question from the first man I think you will probably

find that all the rest of them will be Canadians. However, with respect to officers receiving $5,000 a year salary or more, there are about, as I recall it, fourteen or fifteen Canadians working on our lines in the United States, and there is something like eleven or twelve of United States citizenship working in Canada.

Now, what the nationality of the brakemen and the conductors, or the enginemen, or the machinists or the track labourers may be, I haven't any idea; but my guess would be—and I think I am right—that only a negligible proportion of the total staff of the Canadian National are of foreign citizenry.

Mr. HANBURY: In Canada?

Sir HENRY THORNTON: In Canada. Of course, that is just my estimate, and you can easily see how difficult it would be to take a census of the whole railway and attempt to get accurate information.

Mr. FRASER: My object in asking the question was simply because of that criticism, that a lot of your pensioners immediately depart to the United States and get their pension there, and it is only fair to the Canadian National that the fact should be disclosed. That is the reason I asked the question.

Sir HENRY THORNTON: Well, I do not think it is a fact.

Mr. HEAPS: I was going to ask, Sir Henry, at what age the employees of the company are eligible for pension, and, secondly, how long a person had to be employed by the company before he is entitled to a pension?

Sir HENRY THORNTON: That will all be found in this pamphlet, which will be distributed, Mr. Heaps. The whole thing is there. Will that satisfy you, an examination of that pamphlet?

Hon. Mr. EULER: I would suggest that you just hit the high spots in connection with this question. I doubt very much whether the members of the committee will take the time to read that pamphlet.

Sir EUGENE FISET: I would like to have the questions answered by the president, because we have hundreds of questions come to us from different employees.

Mr. MACMILLAN: On numerous occasions I have men come to me in Saskatoon complaining about the American citizens who are employed on the National Railways. I do not know anything about it. I have never bothered about it; but I have just received two letters to-day about the same thing. One of them reads, in part, as follows:—

> "If you wish to delve into this matter you will find that our Canadian National Railways, especially in the Rolling Stock Department, is very much Americanized. In fact, you will find that a number of the American trainmen have been working for the system for a number of years and have not even taken out naturalization papers."

I think it would be important if some information can be obtained.

Sir HENRY THORNTON: As a matter of fact, that was a question which the Minister and I discussed, oh, it must have been two or three weeks ago, I think, and he had had similar complaints. We discussed it and I said I did not know how we were going to get definite information on the subject. I can get it as far as the principal officers are concerned. That is simple, and I have just given you the answer in that respect.

The CHAIRMAN: Let me make a suggestion here. We are getting employees and pensions mixed up. It seems to me the question of pensions and who gets the pension can be very easily and readily determined because those pension cheques are sent to a certain place. It seems to me that if we get that information by itself that will clean up one side of it and you will have to take some other method to clean up the other. Let us get one thing at a time.

Sir HENRY THORNTON: Mr. McLaren, is there any way that you could arrive at any information which would throw light upon that, from the residence of the individual who gets his pension?

Mr. CANTLEY: Where you mail the pension cheque to?

Sir HENRY THORNTON: That is what I mean. For instance, if he lives at Rochester, New York, if his pension cheque is sent there, the assumption is that he is an American citizen, although he might not be.

Mr. HEAPS: I know of many such cases. For example, in the city from which I come people born in this country, Canadian citizens, become eligible for pension, and they leave the city and go to either Victoria or Vancouver. To my mind, that will not determine the citizenship of the individual.

The CHAIRMAN: That is perfectly true. I think you will find that the number that are over there is very small. On the other hand, this will be quite satisfactory to the committee to know that is the worst it can be.

Sir HENRY THORNTON: Following up what Mr. Heaps has just said, we know quite a number of our pensioned employees have gone to California to live. We know they are Canadian citizens but they have elected to take their pension and go to live perhaps at Hollywood.

Mr. HANBURY: They have reached that age?

Sir HENRY THORNTON: Possibly a tribute to their virility.

Mr. MACMILLAN: I do not think it makes a particle of difference where he goes; but I do think, to settle this question of the number of American people who are employed on the Canadian National, that some information might be obtained in that connection. I am not speaking from a critical point of view at all, but there are a number of people running about who are talking about the Canadian National Railways just in that connection, and it would be a good thing, I think, to have some information on that very point.

Sir HENRY THORNTON: Mr. Hungerford's department probably employs more men than any other department, and I am just wondering whether he, from his general knowledge and experience, could throw any light upon the question that has been asked, just showing roughly what percentage of the employees of the Canadian National are of American citizenship.

Mr. HUNGERFORD: I cannot possibly answer that. I have no knowledge on which to base a statement. I do not think that there is any large number of American citizens employed in the Eastern provinces; but out West during the period when construction was very active it is a fact that a considerable number of American railwaymen came up there and got jobs, and I think that is really the explanation of what Mr. MacMillan speaks of.

Sir HENRY THORNTON: What happened was this, and it was quite obvious: When railway construction commenced in Canada—it really had its inception on a large scale with the construction of the Canadian Pacific—the railway industry of Canada did not embrace a very large number of experienced men, experienced in the profession, and quite naturally the Canadian railway authorities had to draw on the United States. As a matter of fact, Mr. Beattie is today the first President of the Canadian Pacific of native birth. Now, that was just a natural conclusion. None of the Grand Trunk officers, or certainly at least very few of them in that day went to work for the Canadian Pacific, and it is perfectly natural that when this large amount of railway construction started that there should have been an almost necessitous inflow of American citizens for the purpose of assisting in the construction and operation of Canadian railways.

Hon. Mr. EULER: I do not think there is very much to be gained by tracing up pensioners who are living in the United States. Even though you do find that some of them are American citizens, you cannot do anything about it. Even

a Canadian can go where he likes and spend his pension. But with regard to those who are now employed on the Canadian National in Canada it might possibly be well for the management to just let it be known that if any of them are foreigners they had better become Canadian citizens. And what is perhaps more practical still, would it not be possible for the management to ascertain before they engage a new employee, from now on, whether or not he is a Canadian citizen?

Sir HENRY THORNTON: That would be easy, I should think.

Hon. Mr. EULER: Yes, that would be quite easy.

Sir HENRY THORNTON: I will say very frankly that I think that is right. I believe that any individual who is in receipt of substantial emoluments from an enterprise in Canada, and particularly with respect to a state-owned railway, ought to become a citizen of that country. Now, if I may go so far, that is exactly the position which confronted me in England. I expected to spend the rest of my life in England. I had, incidentally, forfeited my American citizenship by going into the British army before the United States entered the war, and for three years I had no country, because I had not lived in England long enough, five years, to take out my citizenship papers. But I intended to live in England; I intended and expected to make my living in England, and I wanted to become a British subject, and as soon as my five years were up—and three days did not elapse after that five years were up—I took out my papers. The same thing applies to any other individual who gains his livelihood in a foreign country. He ought to join up and stop presenting a visitor's card to the club. With that we are all of us, every officer of the company and certainly the executive administration of the company, thoroughly in accord with that principle.

Hon. Mr. EULER: And then in future when new employees come on would it not be possible just to have them submit proof that they are Canadian citizens?

Sir HENRY THORNTON: No objection to that at all as far as we can carry it out practically.

Mr. FRASER: Primarily my question was not directed to the nationality of the pensioner at all. It was directed to the question of how many pensioners were living in the United States.

Sir HENRY THORNTON: I understand. Now, just after this discussion, briefly, gentlemen, what information do you want? What would you like us to try to get?

Mr. FRASER: Well, now, my question in the first place was simply how many of your pension cheques go to the United States irrespective of the nationality of the pensioner?

Sir HENRY THORNTON: We can get that.

Mr. HEAPS: I was just wondering, Mr. Chairman, if that rule was carried cut, how it would affect Canadian workers on the lines in the United States?

Sir HENRY THORNTON: Well, of course, there again you get into a reciprocity situation. I suppose if you took a census of all of the Canadians who were working in the United States in responsible positions, and took a similar census here with respect to Americans, you would find that there was a very considerable number of Canadians who were in very responsible and profitable positions in the States and the balance would be really against us.

Mr. HEAPS: You are referring particularly to the lines operated by the system in the United States?

Sir HENRY THORNTON: In the United States. Of course, on the lines that we operate there the great bulk, necessarily, of the employees and officers are American citizens. It could not be otherwise. Just as I say in Canada the great bulk of our officers and employees are Canadian citizens.

Mr. HEAPS: What I am thinking of is this, Sir Henry: Say that we insist on this, that they become naturalized Canadians. We have probably in the United States on the lines owned and operated by the company a large number who are Canadian citizens and who might prefer to retain their Canadian citizenship, for which I would not blame them. If we insist on an American changing his nationality here we may be faced with a similar situation on our lines in the United States which might create a hardship.

SIR HENRY THORNTON: You might easily start up an international question and you might incite reprisals. There is no question about that.

Hon. Mr. EULER: A bit of moral persuasion would be enough.

Hon Mr. MANION: Is not that practically the law in the United States now. I think it is perfectly fair. An awful lot of people came back to Canada when conditions got bad in the United States, because a great number of concerns over there were dropping Canadian citizens.

Mr. HANBURY: That was not government policy, that was propaganda.

SIR HENRY THORNTON: Well, it worked out that way, I rather think. Just tell us what questions you would like answered. We have got one and if there are any others, we will try and get the information.

Mr. FRASER: When you are on that question, what percentage of your total employees are employed on American roads properly in your American system?

SIR HENRY THORNTON: We can get that, but we have not got it here. You would like the number of employees on the payrolls, the number not only on the payrolls of the Canadian National in Canada but the number that are on the payrolls of our American lines.

Mr. FRASER: That is the question.

SIR HENRY THORNTON: We can get that.

Mr. CANTLEY: Sir Henry, there were 2,276 pensioners, the average pension working out at less than $200 per year.

SIR HENRY THORNTON: I think we can get that for you.

Mr. MCLAREN: The average pension is $641.06.

Mr. CANTLEY: Well, the average increase this last year was about $193.

Hon. Mr. EULER: Does that include all the executives and others?

Mr. FAIRWEATHER: That 2,276 was the total number of employees on the pension rolls at the end of 1930.

Mr. FRASER: And the $440,000 is the increase, not the total?

Mr. FAIRWEATHER: Not the total.

Mr. MCLAREN: The total of the pensions including Eastern lines is $2,158,117.16.

Hon Mr. EULER: What is the number of pensioners?

Mr. MCLAREN: The number of pensioners at December 31, 1930 was 3,380.

Hon. Mr. EULER: What is the retiring age?

Mr. FRASER: How is it that figure does not correspond with what you have here?

Mr. MCLAREN: That includes Eastern Lines and Central Vermont railways. I will give you the breakdown. The Canadian National including the Grand Trunk Western is 2,035; Canadian Government Railways 1,296; Central Vermont 49; total 3,380.

Mr. BOTHWELL: What proportion of them would be contributory?

Mr. MCLAREN: The total number under the contributory arrangement is 1,296.

Hon. Mr. EULER: What is the retiring age, and is it the same in all the pension systems?

SIR HENRY THORNTON: I do not think it is the same.

Mr. MCLAREN: I believe it is 60 on the C.G.R. and 65 on the balance of the Canadian National system.

Hon. Mr. EULER: Is that under your standard system, 60 years?

Mr. MCLAREN: 65.

Hon. Mr. EULER: Under the system you are working under now?

Mr. MCLAREN: Under the Grand Trunk superannuation, they may, if they so desires, take superannuation at the age of 55.

Mr. HEAPS: Could you tell us, Sir Henry, out of the total amount what the cost is to the system for pensions each year?

Sir HENRY THORNTON: What is that again?

Mr. HEAPS: Out of the total amount paid out each year, you are receiving certain contributions, what is the net amount of the cost of pensions to the system?

Mr. MCLAREN: The net amount is the figure I have just given, $2,158.-117.16.

Mr. HEAPS: Well, that is the net amount; in addition to that, the actual amount of pensions being paid, to be added to the amount that is contributed.

Mr. MCLAREN: Right. That is the amount that is charged to the railway.

SIR HENRY THORNTON: The figure Mr. McLaren has given represents the figure charged to the railway expenses.

Mr. MCLAREN: Perhaps I can answer Mr. Heaps's question this way: The average pension is $641, and of that there is charged to the railway $557. The balance of it is contributed by the employees.

Mr. FRASER: I may have missed something, or it might be very hard to get it into my head, but I cannot yet understand that total of 2,276 employees under your pension scheme, and still this gentleman reads out the number as 3,300.

Sir HENRY THORNTON: Mr. Fairweather will answer that question.

Mr. FAIRWEATHER: In the first part of this pamphlet it is explained that the analysis is the analysis of the annual report of the Canadian National exclusive of the Eastern lines. The Eastern Lines are shown at the back. This figure of 2,276 relates to the Canadian National.

Mr. FRASER: Not to the American lines?

Mr. FAIRWEATHER: Oh, yes, it includes the American lines but it does not include the Eastern lines.

Mr. FRASER: Well, what are the Eastern lines?

Mr. FAIRWEATHER: That is the difference between the figure here and the figure that Mr. McLaren gave.

Mr. FRASER: But what are the Eastern lines?

Mr. MCLAREN: The Canadian National, apart from the Eastern lines, expense for pensions for the year 1930 was $1,507,377.20. For the Eastern lines it was $650,739.96.

Sir HENRY THORNTON: You want to find out the division lines between the East and the West?

Mr. FAIRWEATHER: The division line is at Levis. Technically it is called Diamond Junction, but it is at Levis.

Sir EUGENE FISET: But the Eastern division begins at Riviere du Loup.

Mr. FAIRWEATHER: That is the Atlantic Region. The Eastern lines start at Levis.

Sir EUGENE FISET: There is a difference between the Eastern division and the Eastern lines. The Eastern division begins at Riviere du Loup and the Eastern lines begin at Diamond Junction.

Sir HENRY THORNTON: That is right.

Mr. FRASER: Practically it is the Maritime lines then.

Sir HENRY THORNTON: Yes. Now, have we got you cleared up, Mr. Fraser?

Mr. FRASER: Yes, thank you. I have got some information anyway.

Sir HENRY THORNTON: Well, if you have not got all you want we will try to get it.

Mr. FAIRWEATHER: Transportation for Investment—(Credit) represents the cost of transportation service incurred in moving men and materials required for railway construction on capital account, which expense is credited to Operating Expenses and charged to Capital.

A comparison of 1930 and 1929 follows:—

1930—Credit	$1,360,199
1929—Credit	1,963,044
Decrease—Credit	$ 602,845 or 30·7%

This decrease is due to the decrease in Branch Line construction and decreased relaying rail and ballasting.

TAXES, MISCELLANEOUS OPERATIONS, NON-OPERATING INCOME AND DEDUCTIONS FROM GROSS INCOME

The remaining items of Income and Expense, as shown on page 17 of the Annual Report may be classified into four groups. The first of these groups is composed of railway taxes and uncollectible railway revenue; the second, under the name of Miscellaneous Operations, has to do with the Hotels; the third shows rents receivable, profit on separately operated properties, dividend income and such like items; the fourth shows rents payable, losses on separately operated properties, miscellaneous charges and interest. These groups lead progressively to totals showing railway operating income, total operating income, gross income and net income.

The main item of the first group is Railway Tax Accruals. Railway taxes show an increase in 1930 over 1929 of $361,934. Taxes have shown a decided tendency to increase from year to year. The increase of 1930 taxes over 1923 amounts to $1,494,000. It might be well to point out too that this item does not include all taxes paid by the Railway, such as Hotels, Subsidiary Companies etc., thus, the total taxes accrued by the Canadian National Railways in 1930 amounted to $6,519,708, whereas Railway Tax Accruals amounted to $5,694,012.

Hon. Mr. EULER: May I ask there, is it not a fact that the Canadian Pacific is exempt from taxation in some of the Prairie Provinces?

Sir HENRY THORNTON: My recollection is—and I would like any officer who happens to know about it to correct me—that the main line of the Canadian Pacific in the prairie provinces from the time of its construction was exempted from taxation by law or by some statute that was passed at that time. Is that your understanding of it Mr. McLaren?

Mr. MCLAREN: I cannot say, Sir Henry.

Sir HENRY THORNTON: Is the tax commissioner here?

Mr. CANTLEY: That was incorporated in the Charter of the company.

Sir HENRY THORNTON: Yes, I think that is substantially correct, but I am only speaking from memory. Do any of our officers who are present happen to have any knowledge of that? I could get our tax commissioner up. He does not happen to be here. However, I think you will find that is a fact.

Sir EUGENE FISET: So are certain lines of the Canadian National.

Sir HENRY THORNTON: Certainly, I do not deny that. I just simply answered the question that Mr. Euler asked.

Mr. EULER: I was just trying to get what difference that made relatively between the two systems.

Sir HENRY THORNTON: I am not sure that I have answered the questions that have been asked. If I have not, please ask some more. There are certain portions of I think both railways that are exempt from taxation, and I suppose that when the railways were originally constructed that was one of the contributions of the state to secure transportation facilities.

Hon. Mr. EULER: It is hardly fair to the municipalities though.

Sir HENRY THORNTON: Well, in those days I dare say the municipalities welcomed the advent of the railway, and in other cases I think there would have been no municipality had there been no railway.

The CHAIRMAN: In many cases the municipality bonused railways to get them.

Sir HENRY THORNTON: Oh, yes.

Mr. FRASER: I understand the total taxes paid by the railway are $6,500,000.

Sir HENRY THORNTON: That is right.

Mr. FRASER: Is that in Canada only, or does that include your American taxes as well?

Sir HENRY THORNTON: That includes the American tax. It is the tax bill of the railway on the whole property.

Mr. FRASER: $6,500,000.

Sir HENRY THORNTON: Yes.

Mr. HANBURY: Would you make a general statement as to your insurance?

The CHAIRMAN: That was all gone into yesterday. It is on the record and we do not want to repeat it.

Mr. FAIRWEATHER: The hotel operations of the Canadian National are shown under the headings of revenues from, expenses of and taxes on Miscellaneous Operations. The hotels in 1929 incurred a loss of $1,091,053; in 1930 the loss was reduced to $126,841, an improvement in the year of $964,212. This improvement is almost wholly due to the fact that 1929 expenses included non-recurring charges in connection with the renovation of the Chateau Laurier, and extraordinary maintenance incurred in the same year at the Fort Garry and MacDonald Hotels. It is satisfactory to note that hotel revenues in 1930 decreased less than 1 per cent from the 1929 figures.

Hon. Mr. EULER: Would I be in order to reverting back to the matter of taxes? I have a question here in connection with taxes. I am referring to the Canadian Pacific: —

> "The terms were princely, for constructing some 1,900 miles of railway the syndicate were to be given free and complete the 710 miles under construction by the government, $25,000,000 in cash and $25,000,000 acres of selected land in the fertile belt. They were promised exemption of taxes on land for 20 years after the patents were issued and on stock and other property forever, and exemption from regula-

tion of rates until 10 per cent had been earned per annum on the capital. Assurance was also given that no competitive road would be chartered for 20 years."

Mr. KENNEDY: What taxes are the railways subject to, municipalities and provincial governments?

Sir HENRY THORNTON: Oh, most everybody, I suppose you might say the bulk of it is the municipalities and the provinces, and of course, there is the gentle little sales tax that comes along.

Mr. KENNEDY: Does this include the added cost of material due to the tariff?

Sir HENRY THORNTON: No.

Mr. KENNEDY: I heard someone say in parliament the other day that the tariff was a tax.

Sir HENRY THORNTON: I suppose most everything is a tax.

Mr. FAIRWEATHER:

Non-operating Income in total showed an increase of $1,062,529. The principal items of increase are:—

Dividend Income	$ 495,022
Income from Funded Securities	281,040
Income from Unfunded Securities and Accounts	251,470
Joint Facility Rent Income	109,277
Income from Sinking and other Reserve Funds	106,667
Contributions from others	100,000

Dividend Income was swelled by special dividends from the Detroit Terminal Railroad of $400,000 and special dividends from the C. & W.I. Railway of $100,000. Income from Funded Securities increased as the result of the holdings of Northern Alberta Railways Bonds and Toronto Terminal Railway Bonds by the System. The increased income from Unfunded Securities and Accounts reflects the Unemployment Relief Act of 1931, under which interest payments accrued to the railway. The increased income from Sinking and other Reserve Funds reflects the growth of these funds. Contribution from others represents the amount due by the province of Manitoba in connection with the Flin Flon Branch in Manitoba.

The principal items of decrease are:—

Separately operated properties (profit)	$ 198,596
Rent from work equipment	83,508

The latter item reflects the restricted volume of construction work. Separately operated properties (profit) should properly be viewed with separately operated properties (loss), which will be found in the next group.

These two accounts record the operation of a number of enterprises carried on by the Canadian National Railways, but which are distinct from the steam railway operations. A complete schedule of them may be found in the Annual Report on pages 34 and 35, where each is marked with an asterisk. Included in these accounts there are 24 properties, of which number 12 are included in the item of separately operated properties (profit) and 12 in separately operated properties (loss).

The results of operations of all these properties, as reported in 1930, indicate a loss of $793,733, as contrasted with a profit of $273,707 in 1929. There is, therefore, a worse showing in separately operated properties to the extent of $1,087,440. Practically all of these enterprises suffered a severe reduction in revenues due to the general business depression. The principal decreases which go to make up the $1,067,440 are as follows:—

Company	*Decrease 1930-1929*
Northern Alberta Railways	$ 406,131
Can. Nat. Steamship Co. Ltd.	472,105
Oshawa Rly. Co.	92,934
Other Increases and Decreases—Net Decrease	96,270
	$ 1,067,440

The poorer showing of the Northern Alberta Railways resulted from the extensive program of rehabilitation of the property.

The Canadian National Steamships covers the coastal operations on the Pacific Coast. Two new steamers were put in operation in the year, but too late to take full advantage of summer tourist traffic. Revenues increased $154,803. Expenses increased $633,163 on account of heavy maintenance to vessels and docks and the operation of the additional boats.

Mr. KENNEDY: How much was spent on the rehabilitation of the Northern Alberta roads?

The CHAIRMAN: Let that stand as a question.

Sir HENRY THORNTON: I think we have got that right here, Mr. Chairman.

Mr. FAIRWEATHER: The expenditures less retirements in the year applicable to capital account on the Northern Alberta railway totalled $2,500,000; $1,700,000 was new construction and Additions and Betterment totalled $795,000. That was distributed to right-of-way expenses, crossings, etc., $400,000, office, station and grounds $86,000; water-stations $4,000; bridges $10,000, and rolling stock $284,000.

Sir HENRY THORNTON: Does that answer your question, Mr. Kennedy?

Mr. KENNEDY: Yes.

Mr. FRASER: Would this be the place to ask, Sir Henry, what the program is in that connection this year, expenses on the Northern Alberta Railway?

Sir HENRY THORNTON: That will be in the budget.

The CHAIRMAN: We will come to that in another place.

Mr. FRASER: Very well.

Sir HENRY THORNTON: Shall we proceed, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. FAIRWEATHER: The Oshawa Railway Company suffered particularly as a result of the slump in the automobile industry.

Deductions from Gross Income show an increase of $3,002,324. The principal items of increase are:—

Interest on Funded Debt	$5,628,053
Separately Operated Properties (Loss)	868,844
Joint Facility Rents	501,189

The increase in interest on Funded Debt reflects the increase in capital issues, the principal items being:—

$18,000,000—5 per cent Equipment Notes "K"—dated June 1, 1929	$ 343,264
60,000,000—5 per cent Bonds—Dated July 1, 1929	1,556,164
60,000,000—5 per cent Bonds—Dated October 1, 1929	2,488,510
18,000,000—5 per cent Bonds—Dated February 1, 1930	792,500
15,750,000—4½ per cent Equipment Notes "L"—Dated June 1, 1930	391,781
50,000,000—4¾ per cent Bonds—Dated June 15, 1930	1,195,975
	$6,768,194

Hon. Mr. EULER: Was there any loss in the sale of these bonds? Did you sell at less than par, or was there a premium?

Sir HENRY THORNTON: We can give you that in just a second.

An Hon. MEMBER: I suppose these are all guaranteed by the government?

Sir HENRY THORNTON: The equipment bonds are not guaranteed.

Mr. FAIRWEATHER: The issue made in June, 1930, of $50,000,000 was sold at a cost to the company of 4.93 per cent. I think that answers your question.

Hon. Mr. EULER: That was the discount.

Mr. FAIRWEATHER: It was the equivalent of 4.93 per cent.

Sir HENRY THORNTON: That is the yield. They sold at 97.31. I may say that, of course, those sales were made as the result of competitive bids.

Hon. Mr. EULER: Well, that is, they bore 5 per cent. They did not sell at a discount.

Mr. FAIRWEATHER: No, sir. The issue of February 1st 1930, we received 5.12.

Hon. Mr. EULER: That was a premium.

Mr. FAIRWEATHER: I am sorry. There was a discount.

Hon. Mr. EULER: Your are paying 5 per cent.

Mr. FAIRWEATHER: Yes.

Mr. MCLAREN: $18,000,000 were sold, fifteen and a half million at 98.086, and two and a half million at 99.10.

Mr. HANBURY: Are those bonds callable?

Mr. GRANT: The $60,000,000 bonds are callable, in twenty years.

Sir HENRY THORNTON: I think they all have a callable feature.

Mr. GRANT: All the longer term bonds issued recently are callable.

Mr. HANBURY: Are they all payable in New York?

Mr. GRANT: They are payable in Canada, New York, and London, England.

Mr. KENNEDY: Does that mean that the holders elect where they will accept payment?

Mr. GRANT: Yes. They are payable in Canada, New York and London, England.

Mr. KENNEDY: According to the choice of the holder?

Mr. GRANT: The holder of the bond has that option.

Mr. FAIRWEATHER: The balance of the change in this account, $1,140,141, is due principally to certain funded securities being retired during the year.

Separately operated properties (loss) has already been dealt with.

The principal items showing decreases are:—

Hire on Freight cars—Debit Balance	$3,160,137
Interest on Unfunded Debt	652,576

The decrease in hire of freight cars was due to the greately decreased number of foreign cars received from connections on account of the business depression, also to the increased despatch given foreign equipment and to an increase in System owned equipment. The progressive improvement which has taken place in the Company's Freight car equipment, through the replacement of obsolete cars with modern cars, has resulted in a substantial economy. The extent of this program may be seen from the following figures:—

	Cars Scrapped	New Cars Purchased or Built
1923	1,875	6,964
1924	1,649	2,492
1925	2,506	787
1926	2,540	127
1927	2,165	3,072
1928	4,119	360
1929	3,576	6,758
1930	3,156	4,934

The decrease of $652,576 in Interest on Unfunded Debt is due to less temporary financing in 1930 than in 1929.

Sir EUGENE FISET: Mr. Chairman, I wonder with regard to the floating of these bonds if the Government has ever taken into consideration the fact that they might float them themselves and advance the money direct from the treasury to the Canadian National in the form of a loan?

Hon. Mr. MANION: Well, as a matter of fact, the Canadian National when they do float their loans they are guaranteed by the government.

Sir EUGENE FISET: Not all.

Hon. Mr. MANION: Well, all those loans at the present time are guaranteed by the government with the exception of the equipment loans, and before anything is done the matter is submitted to the government, so that the government has full control of the matter.

Sir HENRY THORNTON: The government has complete control.

Sir EUGENE FISET: I notice in the Bill before the House at the present time that you go to an extreme in the way of security as far as the government is concerned. You have attached the form of loans which the Canadian National are bound to float and you have specified the time and so on, and so on of all these loans, and before they can be floated by the Canadian National they have to be approved by Order in Council. What is the difference between the government taking the full responsibility of floating these bonds themselves and making an advance direct from the treasury to the Canadian National in the form of a loan?

Hon. Mr. MANION: I presume, as my friend, General Fiset suggests, that could be done. But, as a matter of fact, since the government guarantees the loan I do not think they would get any lower price for them, that is, I do not think the Canadian National would get any lower price for them than if the government sold them themselves. And, in addition to that, it is the desire of the Department of Finance—and of course, this is really the business of the Minister of Finance and not the Minister of Railways—that the Canadian National Railways should act largely as if it were a private company. In other words, do its own financing with the guarantee and the backing of the government. That is the purpose at the present time of this Bill, or Bills. I do not think the price would be any lower. Mr. Grant, who is the financial Vice President is here, and I would like to ask him what he thinks of the proposal of General Fiset?

Mr. GRANT: Well, a Dominion of Canada Bond would command a better price than a Canadian National Ry. Guarantee Bond.

Hon. Mr. MANION: How much better?

Mr. GRANT: About one-tenth of 1 per cent.

Mr. HEAPS: Mr. Chairman, could we not have the figures for these fixed loans which are mentioned here on this page, to show if there was any difference in the price obtained by the railways and in the prices that were obtained by the government?

Sir HENRY THORNTON: Of course, you have got to remember this that the government and the Canadian National are both going into the money market for loans anad necessarily they have, to some extent, to keep out of each other's way, that is to say, we have got to have some regard as to what is going to happen, as to what the condition of the market is, and what time the loan is coming out, and that is determined by the Minister of Finance in the government. There is a general consultation. We act under the instructions of the government endeavouring, so far as possible, to handle our respective loans in that fashion which will be to the best advantage to each.

The CHAIRMAN: If, for example, there is any doubt about the National Railways and the government getting into conflict, then the argument of the General is bound to be correct, that it is better for the government to handle the whole thing.

Hon. Mr. MANION: May I interject there, that the government advances money, or authorizes the railway to borrow at the bank until a suitable time arrives for the railway to borrow it.

Sir EUGENE FISET: These loans are made subject to the approval of the Privy Council. The reason why I am asking this question, sir, is this, that I noticed in your estimates this year that you have provided simply for the necessary authorization for the Canadian National to float their own loans fully guaranteed by the Dominion Government subject to the authority of the Privy Council, and nowhere in that Act is there any provision for any direct advance from the Treasury to the company.

Hon. Mr. MANION: Yes, but it is being done all the time. I venture to say that at this moment the Canadian National owes the government quite a bit of money. Is that not so, Mr. Grant?

Mr. GRANT: Yes.

Sir EUGENE FISET: The reason I am asking that is this, that in the form of your estimates last year the first vote provided in the estimates was advances from the Treasury. The second vote was loans from the public which the government guaranteed, and the third loans from the public without the guarantee, and then temporary borrowings.

Hon. Mr. MANION: May I interject this also, that there is absolutely no change whatever from the usual practice. Is that not true, Mr. Grant? There is absolutely no change whatever, even with these two Bills that we have passed. It is simply doing it in a different form, but exactly the same thing will be done as has been done in the past.

Mr. GRANT: The new Bill provides for temporary borrowings.

Hon. Mr. MANION: Is that not so, Mr. Grant, there will be no change whatever in the vote at all?

Mr. GRANT: No change whatever.

Sir EUGENE FISET: I am sorry, sir, but we have not seen the Bill which evidently Mr. Grant is discussing. The Bill which Mr. Grant is discussing at the present time is a different Bill, but in your Bill as far as it affects the Canadian National there is no provision whatever for direct borrowings from the Treasury.

Hon. Mr. MANION: There does not have to be, because they borrow from the Minister of Finance.

Mr. GRANT: May I read the last paragraph of this Bill:—

> "Pending the issue and disposal of such guaranteed securities, the Governor in Council may from time to time authorize advances to be made to the Company from the Consolidated Revenue Fund, or to be obtained by the Company from persons other than His Majesty, on such terms and conditions as the Governor in Council may approve, such advances to be reimbursed by the Company from the proceeds of the sale, pledge or other disposition of such guaranteed securities."

Sir EUGENE FISET: That was one of the main points. I suppose we can discuss this matter. You say that these temporary loans can be paid out of the Consolidated Revenue?

Mr. GRANT: We say we can borrow.

Sir EUGENE FISET: The moment the advance is made from Consolidated Revenue is it not a fact that these various expenditures become subject to the Auditor General?

Mr. GRANT: That is a government matter.

Hon. Mr. MANION: I think on the 1st of January, 1931, there was somethink like $45,000,000 or $46,000,000 loaned by the government to the National Railways, and at various times throughout the year whenever they are thinking of putting out a bond issue, if it does not happen to be a good time, Mr. Grant, the Vice-President in charge of finance, discusses it with the Minister of Finance and myself, because it is really a matter for the Minister of Finance, and if it is not considered a good time to put out the loan, then the government advances the money, or they authorize some bank to advance the money to carry the railway along until such time as the loan is sold.

Sir EUGENE FISET: But you see, sir, in that resolution brought down by the Prime Minister providing for $68,000,000 there is provision for meeting certain expenditures. That is in the first paragraph. Then in the second paragraph he provides for those same expenses in two or three different ways. The object of this, I understand, is to prevent switching from one vote to the other. I mean that you provide also that part of the $27,000,000 can be attached, or allotted if you like, or used, or switched, to fill in the gap, and that the money raised by those loans is to be deposited by the Consolidated Revenue. Now, it becomes a statutory expenditure by the very fact that you are providing for that expenditure in such a way, and if it is a special expenditure it becomes subject to audit by the Auditor General. The deficit on the Eastern lines, the deficit on account of the Maritime Freight Rates Act, also the Canadian Merchant Marine are all statutory expenses and they are all subject to audit by the Auditor General under a special ruling of the Treasury Board, and I would ask if the Minister would be kind enough to bring down before this Committee the ruling of the Treasury Board that directs the Auditor General as to the mode. What I am not clear about is this, sir, if that $68,000,000, even temporarily, is going to be embodied in the Consolidated Revenue of Canada. If it is, then it becomes subject to audit, in my opinion.

Hon. Mr. MANION: I can be corrected if I am wrong, but it is in exactly the same position as it has always been. If it is put in the Consolidated Revenue it stands as it did in the past, so that the government will have some check upon the expenditures of the railway.

Mr. GRANT: I would like to clear up a little matter. The proceeds of the Canadian National loans are not deposited to Consolidated Revenue. They are deposited in trust for the Canadian National.

The CHAIRMAN: Gentlemen, Mr. Heaps asked a question, if it would be possible for Mr. Grant to give us a comparison as between those loans made by the railway and similar loans made recently by the government itself. I do not think it will be vary hard to make a short statement on that showing any disparity made between the value of the loan made by the Canadian National and the government itself on some of their own borrowings.

Sir EUGENE FISET: Is a sinking fund provided for every one of those loans?

Mr. GRANT: A sinking fund is not provided in these recent loans.

Sir HENRY THORNTON: I think we had better clear up Mr. Heaps' question. I think what Mr. Heaps wants to know is how successfully does the railway finance its loan as compared with the government. That is really what he wants to know.

Mr. HEAPS: Yes.

Mr. GRANTS I may just say that at different times of the year different market conditions prevail, and that would vary these comparisons. For instance, the government's last loan was made at a different period of the year from ours. You cannot compare unless you take practically the same date.

Sir HENRY THORNTON: As a matter of fact, the government and ourselves do not go into the money market simultaneously. That is subject to the decision of the Minister of Finance. The government and ourselves keep out of each other's way.

The CHAIRMAN: The object of Mr. Heaps' question is to determine in his own mind whether the method of financing by the railways is effective and whether it is profitable. That is what he wants to get at.

Mr. HEAPS: I know it is difficult to obtain an answer to that question at a moment's notice, but possibly Mr. Grant might bring down a statement at some other time?

Mr. GRANT: Yes, I will do that.

Mr. FAIRWEATHER: We now pass to the Eastern lines, having completed the income account of the Canadian National Railways.

EASTERN LINES

ANALYSIS OF 1930 RESULTS OF OPERATIONS AS COMPARED WITH 1929

Under the provisions of the Maritime Freight Rates Act of 1927, separate accounts are shown for the lines east of Levis and Diamond Junction (Eastern Lines).

The Income Statement for the Eastern Lines is shown on page 43 of the Annual Report, with supplementary details of revenue and expenses on pages 44-48.

RAILWAY OPERATING REVENUES—RAILWAY OPERATING EXPENSES—NET DEFICIT FROM RAILWAY OPERATIONS

A comparison of the Monthly Revenues, Expenses and Net Deficit from Railway Operations follows:—

Railway Operating Revenues

	1930	*1929*	*Increase*	*Decrease*
January	$2,184,108	$2,195,862		$ 11,754
February	2,363,318	2,222,862	$140,456	
March	2,883,287	2,666,562	216,725	
April	2,809,595	2,660,642	148,953	
May	2,560,727	2,586,512		25,785
June	2,300,917	2,426,633		125,716
July	2,263,478	2,725,951		462,473
August	2,344,058	2,747,002		402,944
September	2,176,841	2,613,688		437,647
October	2,289,204	2,634,656		345,452
November	2,082,352	2,424,169		341,817
December	2,341,468	2,713,468		372,000
Total	$28,598,553	$30,618,007		$2,019,454

Railway Operating Expenses

	1930	*1929*	*Increase*	*Decrease*
January	$2,761,321	$2,525,341	$235,980	$
February	2,716,828	2,624,743	92,085	
March	2,780,080	2,624,428	155,652	
April	2,693,334	2,636,804	56,530	
May	2,890,469	3,078,857		188,388
June	2,882,648	3,356,598		473,950
July	3,111,047	3,326,656		215,609
August	3,073,671	2,943,627	130,044	
September	2,692,591	2,652,499	40,092	
October	2,517,984	2,558,817		40,833
November	2,433,121	2,604,303		171,182
December	2,475,421	2,862,709		407,288
Total	$33,028,515	$33,815,382		$786,867

	Net Revenue from Railway Operations			
	1930	*1929*	*Increase*	*Decrease*
January	$577,213 (D)	$329,479 (D)		$247,734
February	353,510 (D)	401,881 (D)	$ 48,371	
March	103,207	42,134	61,073	
April	116,261	23,838	92,423	
May	329,742 (D)	492,345 (D)	162,603	
June	581,731 (D)	929,965 (D)	348,234	
July	847,569 (D)	600,705 (D)		246,864
August	729,613 (D)	196,625 (D)		532,988
September	516,550 (D)	38,811 (D)		477,739
October	228,780 (D)	75,839		304,619
November	350,769 (D)	180,134 (D)		170,635
December	133,953 (D)	169,241 (D)	35,288	
Total	$4,429,962 (D)	$3,197,375 (D)		$1,232,587

(D) indicates Deficit.

Freight revenue in 1930 was $19,263,792, compared with $20,982,595 in 1929, a decrease of $1,718,803 or 8·2 per cent. The Government contribution for freight rate reduction under the Maritime Freight Rates Act, amounting in 1930 to $2,362,205, is included in freight revenue. With the exception of mine products, all commodity groups show a decrease in tonnage carried, as indicated by the following:—

	Tons Carried 1930	*Per cent of Total*	*Decrease over 1929*	*Per cent Decrease*
Products of Agriculture	932,639	14·10	170,843	15·5
Products of Animals	83,897	1·27	3,305	3·8
Products of Mines	1,766,506	26·71	47,668 (Inc)	2·8 (Inc)
Products of Forests	1,995,014	30·16	279,483	12·3
Products of Manufactures and Miscellaneous	1,835,719	27·76	204,937	10·0
Total	6,613,775	100·00	610,900	8·5

Details by commodities are shown on pages 52 and 53 of the Annual Report.

Passenger revenue declined from $5,119,462 to $4,702,573, a decrease of $416,889 or 8·1 per cent. Passengers carried decreased 9·3 per cent, passenger miles decreased 10·3 per cent and revenue per passenger increased 1·2 per cent.

Telegraph revenue increased from $399,428 to $632,796, an increase of $233,368 or 58·4 per cent. This was due to the operating of the Maritime Lines of the Western Union Telegraph Company for a full year in 1930, as against six months' operation in 1929. These lines were purchased July 1, 1929.

RAILWAY OPERATING EXPENSES

During 1930 the operated road mileage of the Eastern Lines was increased 9·95 miles by the completion of the Lake Verde-Pisquid Branch; mileage of all tracks increased by 11·10 miles as follows:—

	1930	1929	Increase
Operated road mileage	3,342.39	3,332.54	9.95
Miles of all tracks	4,253.54	4,242.44	11.10

The comparative Railway Operating Expenses of the Eastern Lines for 1930 and 1929, by General Accounts, were as follows:—

General Account	1930	1929	Decrease Amount	Decrease Per cent
Maintenance of Way and Structures	$ 8,100,091	$ 8,208,335	$ 108,244	1.3
Maintenance of Equipment	6,170,984	6,576,682	404,698	6.2
Traffic	952,686	897,769	54,917 (Inc.)	6.1 (Inc.)
Transportation	15,876,353	16,390,607	514,254	3.1
Miscellaneous	400,065	431,478	31,413	7.3
General	1,600,936	1,384,175	216,763 (Inc.)	5.7 (Inc.)
Transportation for Investment—Credit	72,602	72,664	62	0.1
Total Oper. Expenses	$33,028,515	$33,815,382	$ 786,867	2.3

Mr. FRASER: May I ask just one general question? Take the item of traffic. It shows an increase of $54,917. Why is it that that item consistently shows an increase?

Sir HENRY THORNTON: You mean, generally speaking?

Mr. FRASER: Yes, an increase, as I understand it, in expenditure.

Sir HENRY THORNTON: Yes.

Mr. FRASER: Increased expenditure. Why is it that that one item has an increase in expenditures throughout the year in comparison with other items which are decreased? What does it mean? Generally speaking, I would like to know this—it may seem a silly question to you—what does the item mean?

Sir HENRY THORNTON: I will ask Mr. Fairweather. The question is asked what character of expenses is included in traffic expenditures. Can you answer that question?

Mr. MCLAREN: The classification of expenditures quoted under the caption of traffic is superintendence, outside agencies, advertising, radio, traffic associations, industrial bureaus, agriculture and natural resources, insurance, stationery and printing, and other expenses.

Sir HENRY THORNTON: That is the kind of thing that is included under what is generally known as traffic expenses.

Mr. FRASER: Let me ask you this, if I can clarify my question for you. Is the reason for the increase in that item because when a period of depression comes along you are unable to reduce your expenses in that connection?

Sir HENRY THORNTON: Partly that, and partly due to the fact that in a period of depression your solicitation—in other words, the effort to secure traffic becomes accentuated.

Mr. FRASER: You are working harder to try to get traffic?

Sir HENRY THORNTON: Trying to get more business, spending more money to try to get business.

Hon. Mr. EULER: By more advertising, that is what you mean?

Sir HENRY THORNTON: I have known, in years gone by, on American railways where traffic solicitation was very largely reduced, because the railways were unable to handle the business that was presented to them and there was therefore no incentive to go after it. They were suffering from car shortages and congestion of traffic; but the usual expression of depression in times of depression in so far as traffic expenses are concerned, is to increase expenses to try to get more traffic in order to make up for the loss.

Mr. HACKETT: Is it not a fact, Sir Henry, in each succeeding year from 1923 on this amount has grown?

Sir HENRY THORNTON: Yes, I think probably that is true, but I would just ask—

Mr. HACKETT: So, this increase is not entirely due to depression because they grew in the years of abundant prosperity.

Sir HENRY THORNTON: Well, now, Mr. Fairweather has some figures that will interest you in comparing our figures with other railways.

Hon. Mr. EULER: Is it not right here?

Sir HENRY THORNTON: Some of it is in there.

Mr. FAIRWEATHER: I have made an analysis of these items, traffic expenditures, in relation to what those traffic expenditures are supposed to be incurred for; that is, the obtaining of traffic, and I have expressed them in traffic units, the expenditures per thousand traffic units which would represent the measure of the freight and passenger business quoted.

Sir HENRY THORNTON: What do you mean by a "traffic unit"?

Mr. FAIRWEATHER: A traffic unit in this analysis consists of a revenue ton mile, and a passenger mile; that is, the combination of the two.

Sir HENRY THORNTON: A passenger mile and a revenue ton mile.

Mr. FAIRWEATHER: That is the traffic the railway handles. Now, I find that in the year 1929 the expenditures of the Canadian National per thousand traffic units was 35 cents on traffic account; the expenditures of the Canadian Pacific Railway was 55 cents; the Atchison, Topeka and Santa Fe was 31 cents; the Northern Pacific was 36 cents, and all class 1 roads of the United States 24 cents.

Hon. Mr. EULER: Is it not a fair statement to make that it is due to the fact that you are in a competitive business?

Sir HENRY THORNTON: Yes, that is true. It has to be remembered that the success of every railway enterprise as well as any other enterprise which has for its object the sale of a commodity to the public, depends upon how much of that commodity one can sell. If you happen to be a doctor or lawyer or manufacturing soap, or if you are running a railway, the success of the individual and the success of the enterprise depends upon how much business can be obtained. The officers of a railway company, for instance, are entitled to no particular credit for skill in moving a ton of freight from A to B; that is what they are supposed to do; but the real skill, the real genius of the whole operation, and the profit to the enterprise depends upon how much of your product you can sell, and the success and profit to the industry will follow that degree of successful salesmanship that the enterprise is able to exercise.

Mr. HACKETT: How much was spent in this connection in 1922, or in 1923, if you cannot get 1922?

Sir HENRY THORNTON: It will unquestionably be less than we are spending now.

Mr. HACKETT: I want to know how much?

Mr. MCLAREN: May I make this statement, which I think possibly will assist the situation. Our 1929 expenses include a credit of $188,000 that we have received for services performed by our traffic department for the Detroit & Toledo Shore Line Railway.

Mr. HANBURY: In connection with the eastern lines only?

Mr. MCLAREN: A portion of it, and that $188,000, of course, naturally, does not reflect itself again in 1930. The increase in the account is $215,000, and a return of $188,000 would practically leave an increase of $27,000, this is made up of an increase in cost of tariffs of $34,000.

Mr. HACKETT: My recollection is the expenditures for this item since 1923 —I am now speaking of the Canadian National system—has increased each succeeding year.

Sir HENRY THORNTON: There is no question about it.

Mr. HACKETT: Have you more advertising, or what makes the increase?

Sir HENRY THORNTON: I would not say what it would be, without examining the figures. It is undoubtedly somewhat higher, and it was done deliberately. It was done for the purpose of—

Hon. Mr. EULER: You wanted to get more business?

Sir HENRY THORNTON: It was done for the purpose of establishing the railway in the minds of the people of the North American Continent who would use that railway and for the purpose of pursuing a much more aggressive policy than existed in years gone by. It all comes down to one thing; that the success of the railway depends upon its salesmanship and salesmanship involves not only good service, but involves all of the operations of the railway.

Mr. HANBURY: Good will.

Sir HENRY THORNTON: Certainly. People go to the store where they are treated the best, if they are going to buy goods, and our whole effort has been to advertise the Canadian National Railway; to create in the minds of our clientele on the North American continent the idea that the Canadian National can give them the very best service. As a matter of fact all of the operations of the railway are a factor in that particular, and are a function of it.

Mr. HANBURY: Would not that item of expense be a very small percentage of your total business?

Sir HENRY THORNTON: I think Mr. Fairweather can give you that percentage.

Mr. FAIRWEATHER: It amounted to only 35 cents per thousand traffic units, and the percentage on the total expenditure is very small, it amounts to 3·5 per cent on the total expenditure.

Sir HENRY THORNTON: In other words, 3·5 per cent was allocated to the securing of business. It is probably lower than it ought to be.

Mr. HANBURY: I quite agree with that. How would that compare, Sir Henry, with competing railways? Have you that information?

Mr. FAIRWEATHER: They are very comparable, as a matter of fact we are lower than a good many and we are somewhat higher than others; but on the average I think we are rather a little lower than the railways whose traffic problems are similar to ours.

Mr. HANBURY: I would suggest that the item should be further increased.

Mr. HACKETT: Last year it amounted to over eight and a half million dollars?

Mr. FAIRWEATHER: What system are you speaking of?

Mr. HACKETT: I am speaking of the Canadian National, that item of $7,712,000, and The Eastern Line item of $952,686.

Mr. FAIRWEATHER: That I think is correct. I have the figures.

Mr. HACKETT: Now, if you can give it I would like the figure for 1923?

Mr. FAIRWEATHER: I have that figure.

Mr. HACKETT: How much was that?

Mr. FAIRWEATHER: On a comparable basis, $5,953,000 for 1923. That is a comparable figure to the one you quoted, namely all inclusive system of the Canadian National Railways.

Hon Mr. EULER: Did your business relatively increase that much?

Mr. FAIRWEATHER: The total operating revenues were $265,000,000 in 1923 on the all inclusive system. However, they reached a volume of $312,000,000 in 1928. Now, it has receded, but naturally we would be foolish to reduce our traffic expenses in the face of a situation that demanded the very closest attention to traffic matters.

Mr. HANBURY: Increased competition?

Mr. FAIRWEATHER: The increase of revenue was from $265,000,000 to $312,000,000.

Mr. FRASER: How does it compare with 1930?

Mr. FAIRWEATHER: In 1930 the revenue figure was $251,000,000.

Mr. HACKETT: Less than 1923.

Mr. FAIRWEATHER: It was somewhat less than 1923.

Sir HENRY THORNTON: What happens, of course, is in a time of depression business is sparse and competition grows hotter; that is, the process of

competition always increases as business decreases. There are always renewed efforts put forth by our competitors to get more and more business.

Hon. Mr. EULER: You can hardly slacken your efforts in the face of that?

Sir HENRY THORNTON: You cannot slacken effort. The only comparable rule is how does traffic expenses of this railway compare with other railways which are presumably operated with intelligence.

Mr. MACMILLAN: How do they compare on a unit basis?

Mr. FAIRWEATHER: Well, sir, I gave the comparison on a unit basis.

The CHAIRMAN: Mr. MacMillan, your question was not heard very well; I would like you to repeat it.

Mr. MACMILLAN: I was asking for the comparison on the unit basis that Mr. Fairweather was speaking of, for the years 1923 and now.

Mr. FAIRWEATHER: Oh, I could give you that. In 1923 the per cent on our traffic was, of all expenditures, 2·4 per cent. In 1928, the year of our peak business the per cent was—I put this as the percentage of revenue, do you mind? it is really what it should be comparable to—it was 2·5 per cent again. Then, our traffic expenditures marched up with our revenue, proportionately, but, of course, in the period about which we are speaking, we increased our revenue by nearly 60 millions while we were increasing our traffic expenditures by about two millions.

Mr. CANTLEY: About the same ratio.

Mr. FAIRWEATHER: Yes. Now, in 1930 on the all inclusive system the per cent of revenue has gone up to 3·4 per cent.

Mr. HACKETT: The observation I wish to make and to put in the form of a question is this, the advisability of increasing expenditures in this item will depend, naturally, upon the character of the sum total of items which go to make it up. There are some of these expenditures which—are all these expenditures susceptible to increasing the business of the road?

Sir HENRY THORNTON: That is not an easy question to answer, but I shall endeavour to do so, as well as I can. Broadly speaking, if the railway traffic department is operated with any intelligence the increased expenditure is supposed to be reflected in some improvement in revenues, or if not an improvement in revenue, at least in an effort to retain what revenues the railway already has. Now, that is exactly like the operation of any other industry. The individuals who are charged with the responsibility and with the policy of an institution or enterprise, particularly its sales policy, have to make up their minds from their knowledge and experience of the business what they ought to spend, having regard to the conditions that surround them. That is what officers are hired for. You hire an individual in an enterprise because of his knowledge and experience in the business; and he exercises that knowledge and experience in the determination of a policy which he thinks is essential to the welfare of the business. We have felt on the Canadian National Railway that we have probably not spent enough, and, in fact, if you take railways as a whole and compare them to other enterprises, other manufacturing institutions, they spend less on advertising, less on salesmanship than most large manufacturing enterprises, and speaking professionally, from the point of view of a railway office, I think the criticism that might be justly levelled against the railway industry of the North American continent is that their salesmanship has been insufficiently aggressive.

Mr. HANBURY: Hear, hear.

Sir HENRY THORNTON: As I tried to show at previous meetings of this committee, the Canadian National Railway, when I became connected with it, was generally unknown on the North American continent. I have had many

people, travellers, people who control freight, ask me whether we controlled the Canadian Pacific or the Canadian Pacific controlled us. They could not discriminate between the two. We sometimes had people come into the office to buy tickets and make reservations for Banff and places of that sort. In other words, the Canadian National Railway eight or nine years ago was confronted with the problem of making the people of the North American continent, and I say the North American continent because a large amount of our passenger business as well as our freight business comes from the United States, our problem was the making known to the people, the clientele, that there was such a thing as the Canadian National Railways; that they had such and such to offer; that they had this and that kind of service to offer and we have not by any means completed that task.

Hon. Mr. EULER: Would not this meet it, Sir Henry, that if there was not competition of a very specific nature that that sum need not be expended?

Sir HENRY THORNTON: Well, there is a very severe competition, Mr. Euler, not only as between the two principal Canadian systems, but there is a competition between the railways of the United States and Canada.

Hon. Mr. EULER: It is a real thing?

Sir HENRY THORNTON: Undoubtedly. So your policy in respect to salesmanship has to be a matter of judgment, and our judgment has been—I say "ours" because the officers and myself are unanimous with respect to that—our policy has been a policy that is aggressive and progressive salesmanship, and everything that we do on the railway, whether the individual is connected with the traffic department or not, everything that he does finds its source, its utilitarian source in how much traffic can he assist and bring in to the railway.

Hon. Mr. EULER: It is hard to get that traffic because others are after it?

Sir HENRY THORNTON: Certainly, as a matter of fact by the time you get a passenger or a ton of traffic it is covered with blood from fighting for it.

Hon. Mr. EULER: If you do not fight for it—

Sir HENRY THORNTON: You do not get it.

The CHAIRMAN: Are there any more questions, Mr. Hackett, in regard to this matter?

Mr. HACKETT: No.

The CHAIRMAN: You may go ahead.

Mr. STEWART: Before we close I should like to make one observation in regard to a statement made in here, about the C.P.R. and taxation. I hold no brief for the C.P.R., but the C.P.R. are paying more taxes to the city of Lethbridge than any other three corporations, and it leaves an erroneous idea about the C.P.R. and taxation in Western Canada and for that reason I desire to correct the impression. To quote Dr. O. D. Skelton:—"The terms were princely for constructing some 1,900 miles of railway the syndicate were to be given free and complete the 710 miles under construction by the government, $25,000,000 in cash and 25,000,000 acres of selected land in the fertile belt. They were promised exemption from taxes on land for 20 years after the patents were issued and on stock and other property for ever, and exemption from regulation of rates until 10 per cent had been earned per annum on the capital. Assurance was also given that no competitive road would be chartered for 20 years. Now, insofar as the province of Alberta and the western provinces are concerned, the only thing that is exempt from taxation is the main line of the C.P.R. All branch lines pay taxes and their other properties pay taxes, and, as I said before, the people who pay the most taxes in the city of Lethbridge is the C.P.R.

Hon. Mr. EULER: I do not see that the item is incorrect.

Mr. STEWART: No, but it leaves a wrong idea. It says, "They were promised exemption from taxes on land for 20 years after the patents were issued and on stock and other property for ever."

Hon. Mr. EULER: Is that not true?

Mr. STEWART: No. It only applies to the main line of the C.P.R. Now, the Crow's Nest runs through the southern part of Alberta. On that line they pay taxes; they pay taxes on the Calgary and Edmonton line, and they pay taxes on other branch lines; consequently it leaves the wrong impression.

Hon. Mr. EULER: This was taken from a very reliable source.

The CHAIRMAN: My recollection of the C.P.R., in a general way, is this: they have lots of mileage, and they are paying more taxes to the different governments and municipalities than the Canadian National Railways is to-day.

Sir HENRY THORNTON: I think that is true.

Mr. HEAPS: They may be exempt from taxation in a general way, and they may pay very heavy local improvement taxes. I have some little experience in the matter. They are compelled to pay local improvement charges, and the result is where they have more buildings they have to pay the local improvement taxes, and that would account for the heavier rate of taxation as against probably the C.N.R.

Sir HENRY THORNTON: I think, also, I am right in saying this, that the Canadian Pacific Railway pays a substantial income tax, and they accepted the burden voluntarily. Now, in this taxation discussion, I do not want anyone here, or the public, to draw the conclusion that I am in any way drawing any invidious comparison with the Canadian Pacific Railway in the matter of taxes. I have simply answered the questions that have been put, and certainly I have no intention in any way to criticize or draw any unfair comparison with respect to the taxes paid by the Canadian Pacific Railway. I can say ordinarily, nine times out of ten, anybody who can get out of paying taxes is to be commended, and most people do it.

The CHAIRMAN: I was just going to ask the members of the committee if it would be possible for us to have a meeting this afternoon to get through some of this work?

Hon. Mr. EULER: Hear, hear.

The CHAIRMAN: We can meet for a while at four o'clock and get rid of some of this so we can get upon the budget early next week.

Mr. HACKETT: There is a slight correction to be made at page 56. Perhaps it would be well to take it up at four o'clock.

Whereupon the meeting adjourned until four o'clock p.m.

On resuming at 4 P.M.

The CHAIRMAN: We will call the meeting to order.

Sir HENRY THORNTON: Col. Cantley, Mr. Chairman, asked a question this morning to which we have the answer now, in addition to the stations closed in 1930, which was handed in to the official reporter—how many stations on the Canadian National have been closed in 1931. The answer is fifteen. The stations are as follows: Berry Mills, N.B.; Red Pine, N.B.; Strathlorne, N.S.; Meadowville, N.S.; Ingramport, N.S.; Millstream, Que.; Holland Landing, Ont.; Longwood, Ont.; Mulvihill, Man.; Juanita, Sask.; Bayard, Sask.; Condie, Sask.; Lyalta, Alta.; Stanmore, Alta.; Scollard, Alta.

Col. CANTLEY: Thank you.

Mr. HANSON: Have you not closed some on the Moncton-St. John subdivision?

Sir HENRY THORNTON: Well, those are the only stations that were closed in the last two years.

Mr. HEAPS: This morning I raised a question about the taxation paid by the different companies, and it was claimed, I think, by Mr. Hackett that the Canadian Pacific were paying far more taxes in the West than the Canadian National. I have here rather an interesting comparison Mr. Chairman. It is the city of Winnipeg municipal Manual and it shows that in the city of Winnipeg alone the Canadian National have a tax exemption there on the property which they own within the city limits of $5,720,000. It also shows that the C.P.R. have got a tax exemption there of $8,269,000.

What I want to point out, first, is the fact that the more exemption the railway company has the more likely it is that that railway will pay more in the way of taxes, because the more property they have there the more there will be in the form of local improvements which will make it necessary for those railways to pay within the boundaries of those municipalities. I do not think that any comparison that we might be able to make here in connection with the amount paid by one railway as against the other can really give any idea. Would it not be of much more value to ask here if we could have some itemized account showing how the taxes are made up. What is true of the city of Winnipeg, I have no doubt, is true of every one of the large centres in the Dominion, where doubtless they receive more in the way of exemptions.

Mr. HANSON: I think you pay taxes enough, Sir Henry.

Sir HENRY THORNTON: I think that is a doctrine to which everyone would subscribe.

The CHAIRMAN: Is that all that you want on the record regarding taxation?

Sir HENRY THORNTON: I just want to say that the Canadian National has voluntarily accepted a very considerable tax.

Mr. HANSON: You have indeed in the Maritimes.

Mr. FAIRWEATHER: A further division to indicate the split between Labour and Materials follows:

Employees' Compensation	1930	1929	Decrease
Maintenance of Way and Structures..	$ 4,306,313	$ 4,400,884	$ 94,571
Maintenance of Equipment.....	3,402,951	3,497,881	94,930
Traffic	415,006	417,232	2,227
Transportation	10,661,812	10,807,684	145,872
Miscellaneous	221,325	238,643	17,318
General	797,221	678,847	118,374*
Total	$19,804,627	$20,041,171	$ 236,644

*Increase.

Materials and Miscellaneous	1930	1929	Decrease
Maintenance of Way and Structures....	$3,793,778	$3,807,451	$ 13,673
Maintenance of Equipment.....	2,768,033	3,077,801	309,768
Traffic	537,681	480,537	57,144*
Transportation	5,214,541	5,582,923	368,382
Miscellaneous	178,740	192,835	14,095
General	803,717	705,328	98,389*
Transportation for Investment—Credit	72,602	72,664	62
Total	$13,223,888	$13,774,211	$ 550,323

*Increase.

TAXES, MISCELLANEOUS OPERATIONS, NON-OPERATING INCOME AND DEDUCTIONS FROM GROSS INCOME

The only items which show any considerable variation from last year are:—

Interest on Funded Debt	$149,640 (Inc.)
Interest on Unfunded Debt	511,404 (Inc.)

Interest on Funded Debt in the hands of the Public was $394,699 in 1930, compared with $245,059 in 1929, or an increase of $149,640, due to interest on Bonds of the St. John & Quebec Railway being included in 1929 from September only and in 1930 for a full year.

Hon. Mr. EULER: What do you mean by interest on Unfunded Debt?

Mr. FAIRWEATHER: That will follow.

The increase in interest on Unfunded Debt is due to interest on the purchase price of the Quebec Oriental, the Atlantic, Quebec & Western, the St. John & Quebec and the Inverness Railways, also to additional capital expenditures.

That concludes the analysis of the income account of the Canadian National and of the Eastern lines.

Mr. HANSON: This interest on Unfunded Debt will be a recurring item so far as certain of these matters are concerned. You have assumed the bonded indebtedness of the St. John Quebec railway for a period, up to a certain limitation, but should not that fall off quite rapidly, that $511,000?

Mr. MCLAREN: The accounts for 1929 include interest for the Gaspe railways as from June 1st, 1929, and the 1930 accounts include it for the entire year, and likewise for the Inverness, and the St. John and Quebec at varying dates.

Mr. HANSON: I understand that, but you will have paid for the Quebec and Oriental, we will say, and that will go into your Funded Debt ultimately. The St. John and Quebec is on a little different basis because you have assumed obligations that are outstanding.

Hon. Mr. MANION: It would not go into the Funded Debt until the bonds fall due.

Mr. HANSON: They will be carried in the Funded Debt?

Mr. MCLAREN: It would be in the Funded Debt.

Hon. Mr. EULER: But they are all guaranteed by the government. They are simply taken over by a private company.

Mr. MCLAREN: They are taken over by the Canadian National.

Hon. Mr. EULER: But they are guaranteed.

Mr. HANSON: The St. John and Quebec is guaranteed by the government.

Mr. GRANT: Guaranteed Bonds have and will be issued in payment of part of the purchase price which is payable over a period of years. The balance of the purchase price represents Bonds in the hands of the public, the liability for which we assume.

Hon Mr. MANION: How would it be Unfunded Debt then if the bonds were issued in place of them?

Mr. MCLAREN: That will remain constant as far as the capital expenditures prior to July 1, 1927, are concerned.

Mr. HANSON: On what?

Mr. MCLAREN: On the Halifax and Southwestern.

Mr. HANSON: Those bonds are guaranteed by the province of Nova Scotia.

Mr. MCLAREN: The Halifax and Southwestern?

SIR HENRY THORNTON: I do not think so, Mr. Hanson.

Mr. HANSON: Then I do not understand this item at all.

Mr. GRANT: I have not the information here.

SIR HENRY THORNTON: Mr. Cooper, I think, will be able to explain it.

Mr. COOPER: The reason it appears in the Unfunded Debt interest account is that in the year 1930 we repaid $1,000,000 of the indebtedness to the province, that is, the Canadian National Railway paid that much debt off, so that the Eastern Lines are now indebted to the Canadian National for that amount and will be charged interest on it, and so far as the Eastern Lines are concerned it is interest on Unfunded Debt.

Hon. Mr. EULER: Are they segregated in that way? I thought they were all issued on account of the Canadian National as one institution.

Mr. COOPER: First of all, we assumed the indebtedness of the St. John and Quebec railway. That was assumed by the Canadian National Railway Company and it is in the Funded Debt of the Canadian National. The $1,000,000 repayment was made out of Canadian National bond issues, and the interest on such bonds is interest on the Funded Debt of the Canadian National.

Mr. HANSON: That is quite clear.

Mr. COOPER: But it is not correct to have the Canadian National assume all that expense. It applies to that part of the Canadian National known as the Eastern lines, so the Canadian National charge the Eastern lines with an equivalent amount of interest, and, so far as Eastern lines account are concerned it is interest on Unfunded Debt. It is interest on Funded Debt to the Canadian National, but it is interest on Unfunded Debt as far as Eastern lines is concerned.

Mr. HANSON: It is an interdepartmental account?

Mr. COOPER: No, not an interdepartmental account. It is between the Eastern lines and the Canadian National.

SIR HENRY THORNTON: It will be really inter-corporate accounts.

Mr. COOPER: Inter-corporate is a better word, yes.

Mr. STEWART: I would like to ask one question. This is a very fine statement in regard to the hotels. They have reduced their loss by $964,000. That is on page 12. Now, the loss for the year was only $126,000, and the year before it had been over a million dollars. Do you allow for interest on the capitalization and depreciation?

Sir HENRY THORNTON: No.

Mr. STEWART: It is a very creditable statement, that part of it anyway.

Hon. Mr. MANION: That is an operating deficit, is it not, Sir Henry?

Sir HENRY THORNTON: Yes.

Mr. HANSON: Is there any possible chance that that can be balanced, that operating account?

Sir HENRY THORNTON: Can the hotels be made to pay a profit in themselves?

Mr. HANSON: On operation irrespective of capital?

Sir HENRY THORNTON: Well, that depends a good deal upon the general business situation on the north American continent, the amount of tourist traffic, and it also depends upon the progressive increase in the population of Canada. I should say that sometime—and I won't make any prediction when—but I should say that sometime when this country becomes more thickly populated than it is to-day, when there is more travel within the country and when business returns to something like its normal condition undoubtedly the hotels will show an operating profit. I do not suppose that many hotels to-day are probably profitable.

Mr. McGIBBON: Sir Henry, is it not unsound to invest between $20,000,000 and $30,000,000 in a business that cannot and is not paying?

Sir HENRY THORNTON: Well, the total investment of the Canadian National Railway Company in hotels is, I think, $20,000,000 at the present moment.

Mr. McLEAN: $22,174,701.76 for Hotels in Operation.

Mr. McGIBBON: And every one of them are in red ink.

Sir HENRY THORNTON: All except the Chateau Laurier, I think.

Mr. McGIBBON: The Chateau Laurier is in the red.

Sir HENRY THORNTON: The McDonald Hotel, the Grand Beach Hotel, —but that raises the whole question—

Mr. McGIBBON: The Chateau Laurier is losing $1,000 a day.

Sir HENRY THORNTON: No.

Mr. McGIBBON: Yes.

Sir HENRY THORNTON: The Chateau Laurier last year earned $55,608 net.

Mr. McGIBBON: Yes, but it lost $1,000 a day. You gave me that yourself.

Sir HENRY THORNTON: Oh, including the interest on the investment?

Mr. HANSON: We are only talking about operation after all.

Mr. STEWART: I was greatly taken with the statement and I wanted information about it.

Sir HENRY THORNTON: Whatever the loss may have been, Dr. McGibbon raises the old question of hotel policy, and at a previous meeting I endeavoured to point out that next to the export of agriculture, or products of agriculture the largest single business in Canada was the tourist business which amounted to at least $300,000,000 a year. And I also endeavoured to point out that the volume of that tourist business and its progressive increase is due to the combined efforts of a number of different activities in Canada to make Canada an attractive place for tourists to come to.

The Canadian Pacific maintain a large number of hotels, so do we. There are various fishing camps; there are golf courses; there are a number of what one would describe as allurements which appeal to the tourist; a large number of summer hotels such as Bigwin in Ontario. Now, all of those things contribute to the tourist business of Canada. And so far as the success is concerned that $300,000,000 is a net profit because it all stays in the country. We maintain hotels largely because they are essential for encouraging traffic on the railway and because of the contribution which they make to the tourist business.

As far as the railway is concerned we would be very glad to get rid of our hotels. We would be very glad not to have to operate hotels if we thought we could do so without damage to our interest and without affecting the welfare of the country as a whole.

Hon. Mr. EULER: Would you say this, that counting the cost of maintaining these hotels and including interest on the capital expenditures that that loss is compensated for by the increased traffic that the railway gets?

Sir HENRY THORNTON: Well, that is a difficult question to answer accurately, Mr. Euler. I should say that certainly the advantages which the hotel systems of the Canadian Pacific and the Canadian National offer to the travelling public attract a very large amount of travel to Canada.

Mr. McGIBBON: Is it not a fact that the big bulk of the tourist business comes in by automobile?

Sir HENRY THORNTON: Oh, no. For instance we had last year 15,000 people who travelled in special parties and were booked by our New York ticket office that came to Canada. Some of them went as far West as the Pacific Coast, and last year we had the Sun Life convention of, I think, several hundred people at Jasper Park. They travelled by special train.

Mr. McGIBBON: Is it fair to assume they would not have come unless you had this accommodation?

Sir HENRY THORNTON: Certainly they would not have come. They would not have had any place to go to.

Mr. McGIBBON: This year the Sun Life, I believe, go way down to Vermont. Other years they went to Banff. I do not think it is fair to say that the hotels are attracting them and 15,000 people is a bagatelle. Why, we have 100,000 tourists in Muskoka alone.

Sir HENRY THORNTON: Well now, those 15,000 people unquestionably spent $50 a head in Canada. It might easily have been twice that. The chances are that they probably did leave $100 a piece behind them in Canada in addition to the transportation charge. Now, there were 15,000 people. Multiply that by $100 a head. That is only one item and that is a very small proportion of the number of people that we carry.

Mr. McGIBBON: We have Bigwin Inn in my riding. It is true it attracts a lot of people, but there are other private hotels that take in, in the aggregate ten times more.

Sir HENRY THORNTON: I am glad to hear it, and I hope that will continue.

Mr. McGIBBON: They do not all go to big high-priced hotels. They cannot afford it and they do not go to them.

Sir HENRY THORNTON: Well now, take Jasper Park for example. Curiously enough notwithstanding the depressed condition of business last year the takings at the hotel at Jasper were $6,000 more than they were the year before.

Mr. McGIBBON: Yes, but Jasper Park lost a lot of money.

Sir HENRY THORNTON: Jasper Park cost $2,500,000.

Mr. McGIBBON: I say it lost a lot of money.

Sir HENRY THORNTON: No it did not.

Mr. McGIBBON: It lost you money last year.

Sir HENRY THORNTON: No it did not.

Mr. McGIBBON: Then the return that you gave me is wrong.

Sir HENRY THORNTON: No. Last year the loss in hotel operation at Jasper Park—

Mr. McGIBBON: Yes, but you are only talking about operation. I am saying that the whole enterprise has lost money.

Sir HENRY THORNTON: I am afraid I cannot continue to make statements, Doctor, unless you allow me to finish them. I said that the loss at Jasper Park last year was $47,766; but that was much more than compensated for by the rail traffic which accrued to the railway and which we would not have had had it not been for Jasper Park. And if you take Jasper Park, the construction of Jasper Park in conjunction with the railway, since it was constructed you will find that in the eight years that that resort has been in existence it has earned net an amount to the railway company which equals its entire capital investment and $800,000 in addition, and I say, that Jasper Park is one of the most profitable undertakings that we have, and I do not know of any institution, any hotel which contributes so much to its proprietor as Jasper Park, and the amount invested considering the facilities offered is exceedingly small, something like two and one-half million dollars.

Mr. McGIBBON: I will grant you that Jasper Park stands in a class by itself. You have no competition.

Sir HENRY THORNTON: None whatever. There are, of course, other resorts in the West.

Mr. McGIBBON: But that is different, for instance, to the cities in the East. You see my point?

Sir HENRY THORNTON: Oh yes, I see your point, quite.

Hon. Mr. EULER: Does each hotel have to carry its share of the advertising cost?

Sir HENRY THORNTON: No, that is carried in the expense for general advertising.

Mr. HANSON: Sir Henry, with reference we will say to the Chateau Laurier, everybody recognizes the Chateau is one of the best, if not the best hotel on the continent. That is saying a great deal, but that is my judgment anyway. In these days of hard times would it not be well if the head of your hotel department would look into the operation of the Chateau with a view to effecting an economy. I grant you that it is a mighty fine hotel but it does seem to me that it is overstaffed. The cost there must be colossal.

Sir HENRY THORNTON: Well now, as a matter of fact, there is an audit and an examination being made to-day by an expert of the whole of our hotel system. About the first of the year I became rather anxious about the efficiency of our hotel operations, and we wanted to find out from the point of view of efficiency whether these hotels were being properly and economically conducted, and there is a very searching audit and examination being made of the whole of our hotel operations. That is practically finished. I expect to have the report within three or four days.

I will say this, however, in answer to that question: In just an informal discussion with the auditor he told me they had finished the examination of the Chateau Laurier, and that having regard for the character of service which it seemed necessary to maintain, the hotel is operated with efficiency.

Mr. HANSON: I have no doubt about the efficiency. What I am driving at is the cost of that efficiency.

Hon. Mr. EULER: Could you have that same efficiency with a lesser staff?

Sir HENRY THORNTON: That is exactly the thing we have been trying to find out. I am not an expert hotel manager but I am responsible for the operation, as head of the company, of these hotels, and we have taken the necessary steps to try to find out.

Mr. HANSON: Mr. Hanbury suggests that there is a differentiation between service and efficiency. I am rather inclined to agree with that. I do not suggest that there is not good service, but I do suggest that that good service is maintained at a very high operating cost.

Sir HENRY THORNTON: Well, I think you have got to look at it this way, Mr. Hanson. You have got to decide what kind of service you are going to have. It may be what is generally described as a first-class service or a second class service or a third-class service. The main point is that we have got to say to ourselves: Now what kind of a service must we have at the Chateau Laurier? We may decide it will be first-class. We may decide to operate second-class and after that is decided we have got to say to ourselves and try to find out is that class of service efficient in so far as its status is concerned.

Mr. HEAPS: Is there any prospect, Sir Henry, of the deficits being reduced say in the coming year?

Sir HENRY THORNTON: I should think that there would be some reduction although it will be very difficult to answer that question Yes or No. I do not think it will be any more than last year, and I think it has a good chance of being less. For instance, our takings at Jasper this summer promised to be as good as last year.

Hon. Mr. EULER: You made the very gratifying and to me very surprising statement that with regard to Jasper Park hotel, and taking into consideration the fact you have got a great deal of traffic because you have got the hotel there that its capital expenditure and all has been paid for and you have something like $800,000 to the good.

Sir HENRY THORNTON: I made that statement.

Hon. Mr. EULER: Could you make a similar statement with regard to some of your other hotels or lodges or summer camps, whatever you may want to call them?

Sir HENRY THORNTON: I think we could with respect to Minaki and maybe one or two others such as Nipigon Lodge; but with respect to most of the others, in fact all the others, there are a large number of people who come to those hotels in automobiles.

Hon. Mr. EULER: You have another one down in Nova Scotia.

Sir HENRY THORNTON: For instance, take the case of Minaki or the case of Jasper Park, they have got to go there by rail because there is no other way to get to those places. But when you come to places like the Chateau Laurier it is quite a different proposition.

The CHAIRMAN: A few days ago when we were discussing this matter, Sir Henry made a statement to the effect, or rather he gave us figures of hotel cost of, if my recollection is right, about $16,000,000. To-day a statement is made increasing that amount to $22,000,000. I just want to get the figures right. What I would like to know now is what the present investment is and when all are completed what the ultimate investment is to be in hotels that are being constructed or under way.

Sir HENRY THORNTON: I do not know whether I gave a wrong impression to the committee, but my statement was that since January 1, 1923, we had spent $16,000,000 on hotels. I think that is where the misunderstanding came in.

Mr. HANSON: That is correct.

Sir HENRY THORNTON: The total investment "Hotels in Operation" at the moment is $22,000,000.

The CHAIRMAN: What I want to know in addition to that is what commitments are we under now, that when those hotels are completed what is it going to amount to, so that we will know what to expect in the future?

Sir HENRY THORNTON: May I take a note of that, Mr. Chairman, and answer it at one of the next meetings?

Mr. MCGIBBON: Might I ask this question, only for information? What is the ratio of profit in the Chateau Laurier compared with what it was before enlargement?

Sir HENRY THORNTON: I can get that for you but I do not think I could give it offhand.

Mr. HANSON: Of course, the cost of the addition was colossal compared with the authorization by Parliament.

Sir HENRY THORNTON: There was a material over-run.

Mr. HANSON: It was double. I remember at the time we did not oppose that capital expenditure. It was submitted to Parliament by Mr. Dunning when we were told and assured that it would not exceeed $3,500,000.

Hon. Mr. EULER: $4,000,000 was asked for.

Mr. HANSON: $3,500,000 is my recollection, but you may be right.

Sir HENRY THORNTON: You are quite correct in that statement.

Mr. HANBURY: In connection with the capital investment for the construction of hotels, the Minister of Railways, speaking in the House yesterday, gave the impression that the previous administration had inflicted on you a program of gross extravagance, and connected with that statement the construction or the large cost of the construction of the hotel in Vancouver. Now, my impression is that the hotel in Vancouver is being constructed by the Canadian National at a great saving to the company, and I would like very much if you could give information to the committee in that connection.

Sir HENRY THORNTON: Well, that situation demands some information. When MacKenzie and Mann built into Vancouver—and I think the subsidiary company was called the Canadian Northern Pacific Company—they entered into an agreement with the city of Vancouver and, as a result of that agreement, accepted a number of very onerous responsibilities which involved large financial outlay.

Speaking from memory, I think they agreed to electrify; they agreed to build a certain number of ships for Pacific services. When I say Pacific services I do not mean coastal services. I mean services to the Orient. They agreed to build a hotel of a certain size.

Mr. HANSON: What was that particular commitment, a certain size?

Sir HENRY THORNTON: Do you remember, Mr. Hungerford, what it was? I think it was an hotel with roughly about 300 rooms.

The CHAIRMAN: The price was stated at about $3,500,000.

Sir HENRY THORNTON: I think it was like 300 rooms. In short, an examination of that contract will reveal that there was practically everything in it that could be thought of. Amongst other things it also involved an extensive program on False Creek, and a large amount of filling.

Well, the city of Vancouver called upon us for the fulfilment of that obligation. The contract was submitted to the law officers of the company and the opinion was given that it was an enforceable contract. In fact, it was about the most comprehensive contract that I think I have ever seen. I do not know of anything that was omitted. After long negotiations with the city, I think extending over a period of two or three years the city finally agreed to cancel the contract and relieve the company of its obligations thereunder providing we would build an hotel of I think it was 500 rooms, and that was one of the reasons, although not the only reason that that hotel was embarked upon. There was also some difficulty in connection with the hotel situation in Vancouver because the only hotel in the city of importance and of attraction to tourists was the Hotel Vancouver owned by the Canadian Pacific, and quite naturally and justifiably that implement was used effectively by the Canadian Pacific for the purpose of attracting traffic to their line. And that, briefly, is the story of the Vancouver Hotel.

Hon. Mr. MANION: Yes, as far as it goes. I just want to answer Mr. Hanbury's remark. I happened to be speaking with the Deputy at the time that he made it and did not hear just what he said until my attention was drawn to it. Mr. Hanbury said I spoke of the extravagance, I think, of this hotel, or something to that effect, did he not?

Mr. HANBURY: No. I was referring to the general extravagance which you say the previous administration inflicted upon the management of the railway company and coupled the hotel with it.

Hon. Mr. MANION: All right. I did not use the word "extravagance" I said "unnecessary capital expense." But it does not matter particularly. However, I would like to tell the story from where Sir Henry left off. I do not want to be misquoted and I want to make this statement because I have to leave. It is perfectly correct what Sir Henry has said and I think they made

a very fine bargain with the city of Vancouver. But the bargain was not the bargain incorporated in the Order in Council in 1926 by the so-called Shadow Government, to build an hotel, I think, of 500 rooms to cost three and one-half million dollars. And I went on to say that between 1926 and now the cost of that hotel, the proposed cost—and there is no question about it officially—is $9,000,000 or a little more. So it had gone up from $3,500,000 to $9,000,000, and that is what I was speaking of as unnecessary capital expenditure. As I say, I cannot stay very long this afternoon, and I want to make sure that I am quoted properly. I went on to say this about the hotel. I said that a certain newspaper in Toronto had made the statement recently that the building of these hotels was indirectly bringing business to the National Railways which made up for whatever capital losses there might be. I wondered if it was true, and I had my deputy investigate with the officers of the railway, and he gave me the figures which I read in the House and put those figures on record—and as I say I do not want to be misquoted to-day in my absence—I said then that the figures show that the combined passenger earnings had shown a loss in 1926 of something over $4,000,000 in round figures, a complete loss of passenger earnings in 1926 of $4,000,000 and that in 1930 the same passenger earnings showed a complete loss of over $20,000,000, or nearly five times as much. So that I went on to draw the conclusion that these heavy capital expenditures for those various hotels were not justifying themselves in returns to the passenger service of the railway.

Mr. HEAPS: Is that a fair comparison, to take 1930?

Hon. Dr. MANION: I did not take any particular year.

Mr. HEAPS: You take it year by year.

Hon. Dr. MANION: All right, I can give them year by year.

Mr. HANBURY: Is it not fair to suggest if it had not been for this hotel the passenger revenue would have been further decreased?

Hon. Dr. MANION: It seems to be getting worse every year, anyway. In reply to Mr. Heaps, I am going to quote from information I obtained yesterday. In the year 1926 the loss was $4,000,000; in 1927, the loss was more; in 1928 more still; in 1929 more still; and worst of all in 1930. I agree with Sir Henry that this year the losses, generally, have been a little less. However, these are the facts given to me, as explained here this morning because of changes in the Chateau Laurier last year, and if they are wrong, it is because the officers gave me the wrong statement.

Hon. Mr. EULER: May I ask this: the statement has been made by Sir Henry, and corroborated by the Minister, that there was an agreement that we should build a hotel of 500 rooms, for which the shadow government, as my hon. friend called it himself appropriated three and a half million dollars. I would like to know whether, in view of the fact that you built the hotel at least partly in order to compete with another first class hotel, and that you had to build necessarily also a first class hotel, you could build a hotel of that kind with 500 rooms and first class in every way for the sum of three and a half million dollars?

Hon. Dr. MANION: I made the statement, and may I answer that and Sir Henry can give his information after. I have the offer before me, and it was agreed upon by order in council at the end of 1926 that the hotel agreed upon to be built in the city of Vancouver in return for any demands that the city of Vancouver had upon the government, and that they were to build the hotel at a cost of three and a half million dollars.

Mr. HANBURY: How much?

Hon. Dr. MANION: I said a moment ago the hotel was to cost three and a half million dollars.

Hon. Mr. EULER: Five hundred rooms?

Hon. Dr. MANION: I do not know for sure the number of rooms; I do not care about the number of rooms. Here is what the hotel should cost. These figures were given by the officers at that time and incorporated in the order in council; that the hotel was to cost three and a half million dollars and that it was to satisfy the Vancouver claims. The hotel is now going to cost very much more. I have the figures right here. The hotel has cost $2,980,000 to the end of last year, and they still have $5,991,000 and some odd to spend on it, which altogether makes just about nine million dollars.

Hon. Mr. EULER: I would like to ask a question, if I may, as to whether it was possible, with conditions as they are, to build a first class hotel that would compete with other hotels there, a hotel with 500 rooms for the sum that was agreed upon, and if it was, why the other sum was used?

Sir HENRY THORNTON: Shall I answer that, Doctor?

Hon. Dr. MANION: Go ahead, Sir Henry.

Sir HENRY THORNTON: I should say no. To begin with, the cost of construction went up in 1928, probably maintained itself in 1929. Whether we shall have to spend the total estimated amount to build that hotel of the class and character we have in mind depends a good deal upon the cost of construction. But our feeling was that in such a city as Vancouver which is the principal port in Canada in point of tonnage on the Pacific coast, and at the time this hotel was projected, feeling that the country was going to advance in prosperity and the city of Vancouver would get its share of that prosperity, our opinion—when I say "our" I mean the officers of the company and myself who are charged with the responsibility for such things—felt that we would be unwise if we built in Vancouver a hotel which in two or three years would be only a second class hotel, and would be so regarded and would do a second class business. Now, that is a matter of business judgment, that is all.

Mr. HANSON: I would like to ask this: the proposal in 1926 was in the form of a new contract with the city of Vancouver. Undoubtedly the commitments that were made were in compliance with that. Was that proposal satisfactory at that time to the officers of the Canadian National Railways? Did they agree with the proposal and were they parties to the arrangement? I presume there were three parties to it; the government, the railway and city?

Sir HENRY THORNTON: That is the situation as it now stands and is represented by the present contract with the city of Vancouver. It was the result of negotiations which the officers of the company carried on with the city, and that is the arrangement as completed. It finds its expression in the form of a contract which was approved by the board of directors of the Canadian National Railway, and of course carried with it the approval of the proprietors.

Mr. HANSON: That is the answer. That arrangement has been departed from. I understand you have changed the site of the hotel?

SIR HENRY THORNTON: No, I do not think so.

Mr. HANSON: My understanding of that is the $3,500,000 hotel was to be built on a particular site—if I am wrong I would like to be corrected—that the situation was abandoned and a new site bought in the heart of the city of Vancouver approximately near the Vancouver hotel; that subsequently it was found that the site was not large enough and that you had to buy additional land at a tremendous increase in cost and that is one of the factors entering into the $9,000,000. I do not think I am very far wrong.

SIR HENRY THORNTON: As I recall the situation there, the original contract, as Mr. Hanson says, had a specific consideration of three and a half million dollars on a site, which as I recall it, was somewhere near the present passenger station. At any rate—

Mr. HANBURY: At a place altogether unsuited.

SIR HENRY THORNTON: At a place totally unsuited for a hotel, and I would not have spent five cents on a hotel in that location because it would have been money thrown away.

Mr. HEAPS: How far is the present C.N.R. station in Vancouver from the site of the building?

Mr. HANBURY: Approximately two miles.

SIR HENRY THORNTON: Yes, I should say that was right. The site that has been selected, and has been bought for the Vancouver hotel, is just two blocks from the present Vancouver hotel of the Canadian Pacific. Now, the purchase price was $793,000. That represents——

Mr. HANSON: The site?

SIR HENRY THORNTON: The site. It represents 73,000 square feet and the price was $10.86 per square foot.

Mr. HANBURY: In the heart of the city of Vancouver.

SIR HENRY THORNTON: Of course, right in the heart of the city, as I said a moment ago, and only two blocks from the present site of the Vancouver hotel of the Canadian Pacific, which is, I should think, one of the most expensive sites than can be found in Vancouver that is in the very heart of the city.

Mr. HANBURY: A better site than the Canadian Pacific hotel.

SIR HENRY THORNTON: Well, it is fully—it is certainly as good, I should think. One would be within the bounds of truth to say it is as good.

Mr. HANBURY: From the standpoint of taxation, it is a better site.

Sir HENRY THORNTON: You should know better about that than I.

The CHAIRMAN: Why?

SIR HENRY THORNTON: He lives there.

Mr. HANBURY: Is it not a fact that had there been no contract with the city of Vancouver of any kind whatever——

SIR HENRY THORNTON: What is that?

Mr. HANBURY: Had there not been a contract with the city of Vancouver dealing with the hotel, it still would have been in the interests of the railway company to construct a hotel in Vancouver.

Mr. HANSON: It is a question of opinion.

SIR HENRY THORNTON: Mr. Hanson says it is a question of opinion; probably it would have been. On the other hand, for instance, we have been urged to build a hotel in the city of Quebec in competition with the Chateau Frontenac; it has been suggested we ought to build a hotel in Victoria in competition with the Empress Hotel, and I have heard of suggestions also——

Mr. HANSON: And even put one in the city of Fredericton.

SIR HENRY THORNTON: I have heard that suggestion also. Now perhaps from one point of view hotels at all those places might be regarded as in the interests of the company. But the real reason, the principal reason for the construction of this hotel at Vancouver was to escape from the exceedingly onerous contract, although the fact that it also gave us an important traffic implement was by no means disregarded.

Hon. Mr. EULER: Does it not come down to this, you were obliged to build a hotel and decided in your wisdom that this was the type of hotel you ought to build, and that is why it cost——

SIR HENRY THORNTON: That is practically what it came down to, Mr. Euler. Some may say it was wisdom, others may say it was stupidity, but there it is.

Mr. FRASER: Is there any added accommodation to the hotel on account of the increase in the price; is it still a 500 room hotel?

SIR HENRY THORNTON: Yes—well, it has 19 stories with 595 bedrooms. My recollection is that we also have some kind of arrangement, I will not be sure about this, that we can add further stories in the future, if necessary.

Mr. HANBURY: A certain portion only, I think.

SIR HENRY THORNTON: Some arrangement of that sort.

Mr. HANBURY: Yes.

Mr. KENNEDY: Is co-operation between the railways working out all right in northern Alberta?

SIR HENRY THORNTON: The answer to that question is the arrangement between the railways in northern Alberta, the Canadian Pacific and ourselves has, I think been eminently satisfactory to both companies, and both companies are working in complete amiability and accord.

Mr. KENNEDY: Do you think it would be a good thing to apply to all of Canada?

Sir HENRY THORNTON: That is a question which I think ought to be left to those who come to that conclusion.

Mr. HANSON: Returning for a moment to the Vancouver situation. It is well known, of course, and I think it ought to be plain here that in return for the undertakings of the Canadian Northern people, the city of Vancouver had given very substantial grants of land and other things. It was not a one sided contract.

Sir HENRY THORNTON: I think honestly for myself, if you ask me, whether the bargain was a good one, the bargain which Mackenzie and Mann negotiated was a good one or not, I should have doubts about the wisdom of the contract.

Mr. HANSON: Just what did they really give, and what did you give, because it must be a mutual contract?

Sir HENRY THORNTON: I think Mr. Gzowski, the chief engineer of construction is here he has been familiar with the property for a good many years, and I think he knows probably more about that old contract and the conditions than anyone else, and I would ask him if he would be kind enough to make a brief statement to the committee explaining the situation.

Mr. MCGIBBON: In the meantime, tell me what else is on the—

The CHAIRMAN: Let us finish this up first.

Sir HENRY THORNTON: I think you will be interested in hearing what he has to say.

Mr. GZOWSKI: I first want to say I had nothing to do with the Canadian Northern. The bargain briefly was that the Canadian Northern obtained about 250 acres almost in the centre, the geographical centre of the city of Vancouver. In return, they gave back about 30 acres which was to be used for park purposes and road purposes. The railway company undertook to enter Vancouver via a tunnel, to electrify that tunnel and to electrify all terminals; to put overhead bridges eventually as and when called upon for practically every street on that particular block the property covered; also to make certain developments at the head of False Creek; to make a sub station somewhere at the mouth of the tunnel—I might say the tunnel has never been definitely fixed,—and other small items. At the time that the recent negotiations were made with the city I sat in on these, and we were able to show that we were saving at least $15,000,000, or, in other words, the city were giving us $15,000,000 in consideration of building the hotel that was referred to by the minister. That was a very considerable item to give us in lieu of the hotel.

Mr. HANSON: Two hundred and twenty acres was the only thing that the city gave for the construction?

The CHAIRMAN: Well, the False Creek property was one that was undeveloped; it was a space that belonged to the city and had to be covered by bridges. It was one of the best entrances that could be given to any railroad corporation. There is no doubt about that. I was in Vancouver long before any member here was born—when I say "any member" I mean any member from Vancouver. I do not mean some of the other gentlemen here who are ten or a dozen years older than I am. I can almost say to any member from Vancouver that I was in the city before it was named Vancouver and before False Creek was known as a creek at all, before there was any building in the city. I was there in 1885 and you can figure it out for yourself; and I have been there almost every year or two since. That is one reason why I took a little exception to what Mr. Hanbury said about the position of this new hotel, that it was a better position than where the C.P.R. hotel is. I do not believe him, and I can tell him, more, that the values of land on Granville street, on which the C.P.R. hotel is, are very much more than they are where this other hotel is.

Mr. HANBURY: You are speaking, about the cost of land?

The CHAIRMAN: That is what I say.

Mr. HANBURY: I say it is a better site for the purpose.

The CHAIRMAN: Oh, well,—that is a different statement.

Hon. Dr. MANION: To complete the picture, may I just read the order in council. I sent for it so there would be no misunderstanding, and we will have it on record. This order in council was passed on the 28th September, 1926. It was passed by the other government after we went out. It is a briefer one than the other one, which consists of four pages. This one is dated the 28th of September, 1926, and I shall read it:—

The Committee of the Privy Council have had before them a report, dated 28th September, 1926, from the Minister of Railways and Canals, representing that by order in council of the 7th August, 1926 (P.C. 1218) approval has been given to a recommendation of the Board of Directors of the Canadian National Railway Company to construct, at an approximate cost of $3,500,000 a hotel in the city of Vancouver in consideration of the city of Vancouver releasing the Canadian Northern Pacific Railway company and the Canadian Northern Railway Company of any and all obligations and liabilities under the provisions of Clauses 12, 13, 14 and 17 of a certain agreement, dated the 5th of February, 1913, entered into between the city of Vancouver, the Canadian Northern Pacific Railway Company and the Canadian Northern Railway Company. The said order in council further purports to authorize the said Railway companies to enter into an agreement or agreements with the city of Vancouver to give full effect to the understanding arrived at.

The Minister further represents that it is expedient that the matter, as approved by the said Order in Council of the 7th of August, 1926 (P.C. 1218) be given reconsideration.

The Minister therefore recommends that the said Order in Council of the 7th of August, 1926 (P.C. 1218) be cancelled.

The committee concur in the foregoing recommendation and submit the same for approval.

I should not have read that one, because that is the one that was not carried out.

Oh well, gentlemen, don't think you have any laugh on me at all, because you have not. I have the Order in Council here which authorized the $3,500,000 hotel, so the laugh is the other way.

I should read the other Order in Council passed by us to justify myself. This one is dated the 7th day of August, 1926. "The Committee of the Privy Council have had before them a report, dated 3rd August, 1926, from the Acting Minister of Railways and Canals, representing:

1. That under date the 5th day of February, 1913, an agreement was entered into between the city of Vancouver, in the province of British Columbia, of the first part, and the Canadian Northern Pacific Railway Company, of the second part, and the Canadian Northern Railway Company, of the third part; the said agreement being hereinafter referred to as "the Agreement," the city of Vancouver as "the city" and the said Railway companies as "the companies."

2. That under the agreement the companies covenanted with the city, inter alia, to do and perform certain matters and things specifically set out in the agreement clauses numbers 12, 13, 14, 16 and 17 thereof, and in the whole generally in effect as follows:—

(*a*) That the approach of the railway "through the high grounds lying to the south and east of the railway property shall be by means of a tunnel of double track capacity or two single track tunnels, the tunnels to be electrified and permanently maintained;

(*b*) That a permanent station be established at the south or east portal of the tunnel, and if the north portal is more than three-quarters of a mile from the Union Station, an additional permanent station to be constructed at the north portal;

(*c*) That no engines in False Creek shall at any time be operated by steam from coal oil other substances emitting fumes, gas or smoke to such an extent as to make a nuisance;

(*d*) That within five years from 1913 a 250-room first-class hotel shall be constructed and thereafter permanently maintained within the limits on property other than railway property;

(*e*) that, if required, a spur track crossing Main street to the city market be constructed.

3. That the Companies have not carried out the provisions of the agreement, clauses 12, 13, 14, 16 and 17 thereof.

4. That the city is pressing for the immediate performance of the provisions of the agreement, clause 16 thereof, urging that the present needs of the city require a larger hotel than the one proposed under the provisions of the said clause 16.

5. That the estimated cost to the companies of carrying out the works called for by the agreement, clauses 12, 13, 14 and 17 thereof, is $8,150,000.

6. That the Board of Directors of the Canadian National Railway Company is of opinion that the Companies' liability under the agreement, clauses 12, 13, 14 and 17 thereof, is questionable, and that it is not in the public interest that the Companies undertake to comply with the provisions of the said clauses of the said agreement, the agreement in respect of which was improvidently entered into.

7. That the cost of the construction of the proposed 500-room hotel is estimated at $3,500,000.

8. That during the past two years negotiations have, with the approval of the Department of Railways and Canals, been carried on between the authorities of the Canadian National Railways and the authorities of the city with an endeavour to effect a settlement between the companies and the city providing for the erection by the companies of a hotel within the limits of the city of approximately five hundred renting rooms to be operated by the companies and providing for the release by the city of the carrying out by the companies of the provisions of the agreement, clauses 12, 13, 14 and 17 thereof.

9. That the negotiations in the immediately preceding statement referred to have been carried on to a successful conclusion, the authorities of the city making stipulation that action under agreement reached through such negotiation to be taken immediately, in which immediate action the authorities of the Canadian National Railways concur.

10. That the Council of the city passed a resolution on the 15th day of April 1926, (copy of the resolution hereto attached marked "A") making reference to the agreement and, in particular, to clauses 12, 13, 14, 16, and 17 thereof and to the matter of hotel requirements in the city, and under said resolution resolved as follows:

> "That, in consideration of the said railway companies, or either of them, immediately erecting, or causing to be erected by an arrangement with any other person or company, a first class modern hotel containing not less than five hundred rooms, and forthwith to maintain and operate the same, the city hereby releases the company from its obligations under clauses 12, 13, 14 and 17 of the said agreement of 1913."

11. That it is the opinion of the Board of Directors of the Canadian National Railway Company that, in view of the progress made by the Canadian National Railways in revenue receipts during the present year the whole cost of the construction of the proposed five hundred room hotel can be met from the estimates which were submitted to parliament at its last session and approved by the agreement or agreements with the city of Vancouver to give full effect accordingly.

The committee concur in the foregoing recommendation and submit the same for approval."

I might just say in apologizing for reading that long document, I should not have intruded into this discussion at all, but my friend Mr. Hanbury brought me into it by declaring that I used the words "unnecessary extravagance."

Mr. HANSON: Mr. Chairman, it would appear from the reading of that order in council that by letter of the 3rd of August Sir Henry Thornton endorsed the whole proposal as outlined in the order in council.

Hon. Dr. MANION: Apparently.

Mr. HANSON: That order in council was rescinded in September, the next month, before the election. I would like to know from Sir Henry Thornton if there was any authority for the rescission of that order in council, or did the old government do it off their own bat.

Sir HENRY THORNTON: I had nothing whatever to do with it.

Mr. HANSON: I am glad to hear that.

Now, the old government cancelled the arrangement that the railways themselves had made with the Vancouver authorities, as you will note in that order in council, and the hotel was not to be built on railway property but on a site to be selected. I leave it to the public to conclude about the arrangement.

Hon. Dr. MANION: It is probably lucky I read that other order in council after all.

Hon. Mr. EULER: I was just wondering whether the two statements made in that order in council are reconcilable. The order in council calls for the construction of a hotel with no fewer than 500 rooms. It also says that it shall cost $3,500,000 and that it shall be a first class hotel. I would like to know whether it is possible to complete a hotel, built on those requirements, a first class hotel with 500 rooms, for $3,500,000.

Mr. CANTLEY: There is a wide variety of opinion on what is a first class hotel.

Hon. Mr. EULER: Not so much nowadays.

Mr. HANSON: A good many circumstances would have to be taken into consideration. What would be a first class hotel in Ottawa or Toronto would be a luxurious hotel in my town.

Hon. Mr. EULER: Not in Vancouver.

Mr. HANSON: Possibly not.

Hon. Dr. MANION: There is no doubt that the order in council cites that the proposal was recommended to the Minister by Sir Henry Thornton in a letter.

Hon. Mr. EULER: There was a first class hotel built in the city of Toronto recently, which contains about 1,000 rooms or a little more, and cost I think, $17,000,000.

Mr. HEAPS Does the $3,500,000 referred to in the order in council take into consideration the cost of the land?

Mr. GRAY: That is what I was just going to ask.

Hon. Mr. EULER: What is the land worth?

Hon. Dr. MANION: $700,000.

Sir HENRY THORNTON: $700,000 odd dollars, my recollection is, but I will have it looked up; I cannot answer off-hand.

Mr. HANBURY: Neither would that include the cost of equipping.

Hon. Mr. EULER: I would like an answer to that question, if I can get it, whether you can build a first class hotel with 500 rooms for $3,500,000, I do not think you can.

Sir HENRY THORNTON: Quite frankly, after considering the whole situation and discussing it, we came to the conclusion subsequently, that we could not.

Hon. Mr. EULER: The railway came to that conclusion?

Sir HENRY THORNTON: Yes.

Mr. HANSON: That is your opinion?

Sir HENRY THORNTON: Yes.

Mr. GRAY: Has there been anything extra added that would make up the difference between $3,500,000 and $9,000,000?

Sir HENRY THORNTON: 95 rooms were added. That was made in this way. We had a certain site of a certain size, and the additional 95 rooms would relatively amount to not very much, and after discussing the whole situation with our traffic officers, and a general examination of it, we came to the conclusion that as long as we had gone that far, 500 rooms, we had better take advantage of the situation and make the hotel 595 rooms, instead of 500.

Hon. Mr. EULER: That was the decision of the railway authorities, I take it, not of the government?

Sir HENRY THORNTON: Yes, and therefore we assumed responsibility.

Hon. Dr. MANION: What is the number of the rooms in the Chateau?

Mr. HANSON: About 600.

Hon. Dr. MANION: I submit to my friend, Mr. Euler down there,—

Sir HENRY THORNTON: I think there are about 550 rooms.

Hon. Dr. MANION: The Chateau cost less than $9,000,000.

Hon. Mr. EULER: Not much less.

Hon. Dr. MANION: Something less.

Hon. Mr. EULER: The new wing alone cost $7,000,000.

Hon. Dr. MANION: The present cost is $8,535,000 plus $145,000 which would make it $8,680,000.

Hon. Mr. EULER: I would like to ask this; does that include the old original Chateau?

Hon. Dr. MANION: It does not include the property.

Hon. Mr. EULER: That is the original cost?

Hon. Dr. MANION: That is the marked total cost. If we can build the Chateau, with 550 rooms for less than $9,000,000, I think we ought to be able to build a first class hotel in Vancouver for less than that.

Hon. Mr. EULER: The original Chateau was built how long ago—20 or 25 years ago, when building was very cheap?

Mr. HANSON: Finished in 1912.

Hon. Mr. EULER: To get down to the point, the new wing which consists of 250 rooms, cost how much?—$7,000,000?

Mr. MCLAREN: Six million.

Hon. Mr. EULER: I am quite willing to make a comparison with this new wing of 250 rooms, and you should build a good hotel in Vancouver with almost 600 rooms for—

Hon. Dr. MANION: It has not 600 rooms.

Mr. GRAY: 595.

Hon. Dr. MANION: Well, I submit that the Chateau, which is probably one of the most beautiful hotels in the world—

Hon. Mr. EULER: Quite so.

Hon. Dr. MANION: —is quite good enough for the city of Vancouver, and is a worthy competitor of any hotel in the world. But that is not the point; I am not really arguing the point. The point is that they settled with the city of Vancouver to build a hotel costing $3,500,000. That is the point Mr. Hanbury brought out.

Hon. Mr. EULER: A first class hotel there will be different from a first class hotel in a small town.

Hon. Dr. MANION: That is a bit of nonsense, because I have in my city, Mr. Euler, what they call a first class hotel, a hotel which has only 100 rooms, and it cost to build about $700,000 or $800,000, but it is called a first class hotel. As Mr. Hanson says, what constitutes a first class hotel is a matter of opinion. There are lots of hotels in Europe that are absolutely first class hotels, but they could not compare with the Chateau Laurier. I think Sir Henry will agree with me in that, because they do not go in for the luxurious surroundings of the Chateau Laurier. I am not saying this in a critical sense, I am just saying it is a matter of opinion as to what constitutes a first class hotel.

Hon. Mr. EULER: I am just trying to get an answer to my question whether it is possible in the city of Vancouver to build a first class hotel containing 500 rooms for $3,500,000. My impression is that you cannot do it. I would like to know that. I do not think that you could compare a first class hotel in Vancouver with what is called a first class hotel in Fort William, and I am not reflecting upon Fort William at all, but a first class hotel in Fort William would not do as a first class hotel in Vancouver.

Hon. Dr. MANION: Certainly it is a matter of opinion what a first class hotel is. That is what I am pointing out. I agree with you in that. I do not mean to say that an $800,000 hotel in Vancouver would be satisfactory, but there is a vast jump between $3,500,000 in 1926 and the cost that is estimated in 1930.

Hon. Mr. EULER: You added another 100 rooms.

Hon. Dr. MANION: All right, but in the same proportion it does not come to $9,000,000. I did not mean to argue this thing out.

Mr. HEAPS: The whole point is whether the building is an economical building. Are the people being given value for the money?

Hon. Mr. MANION: That is not the question Mr. Hanbury brought up. He brought up the question that I used the word "extravagance" and I used the words "unnecessary capital expenditure." I submit further that the Canadian National Railway would be better off to the extent of quite a few hundreds of thousands of dollars annually if they had not built the Vancouver Hotel at all, and furthermore, that the Canadian National Railway would be better off if they had not built any hotels in this country.

Mr. HEAPS: We are going beyond the argument. They inherited a number of hotels for which the company is held responsible, and we are discussing the one at Vancouver. There was a contractual obligation to the company. It was claimed that a three and a half million dollar hotel—

Mr. HANSON: It could be settled for three and a half million dollars.

Mr. HEAPS: It might be a good thing to build a hotel of two hundred and fifty rooms or five hundred and ninety-five, I don't know; but that is a matter entirely for the officials of the company to determine; but to try to make the inference that they are building a nine million dollar hotel which only cost three and a half millions might leave a decidedly wrong impression. I do not think we ought to allow the impression to go abroad that we are building a nine million dollar hotel for three and a half millions.

Mr. HANSON: I think the basis of the statement was that he had stated that the unnecessary expenditure had not been instigated by the late government, and I will ask Sir Henry Thornton whether or not the management of the railway accept the full responsibility for the increase from three and a half million dollars to the estimated cost for the construction of the hotel in Vancouver.

Mr. MCGIBBON: Sir Henry said they were not even consulted.

Sir HENRY THORNTON: I did not quite mean that. As I recall the circumstances, the first order in council which was passed by the government which existed during the interval was cancelled by the subsequent government when they returned to power.

Mr. HANSON: You had nothing to do with that.

Sir HENRY THORNTON: That was an action of the government; I had nothing to do with that, but that re-opened the whole question, and we had our contract with the city and when we came to reconsider the whole question again business was increasing, times were booming, and it looked as if they were going to continue to be good. We felt at that time, in the light of the information that we then had, that it would be the part of wisdom to build a better hotel than was originally contemplated in the first order in council, and of larger size. Now, I will say perfectly frankly here—and this applies to a good many things, not only in connection with the railway but with every enterprise in Canada—if I had known at that time that we were going to be confronted with such times as we now have, I certainly would not have made that recommendation; but there are a good many people who did things at that time and who, had they known what they know now, certainly would not have embarked upon them.

Hon. Mr. EULER: You did make a recommendation?

Sir HENRY THORNTON: Certainly. We accept full responsibility for any recommendation which went to any government at any time.

Mr. HANSON: The fact of the matter is that you thought you had to have a hotel comparable with the C.P.R.?

Sir HENRY THORNTON: Yes, exactly.

Hon. Mr. EULER: Wasn't the initiative to build a hotel somewhat larger and of a better character taken by the railway itself?

Sir HENRY THORNTON: Yes, certainly it was.

Hon. Mr. EULER: And not by the government?

Sir HENRY THORNTON: No, the government didn't make any recommendation as to what we should do. They simply cancelled the previous order in council and left the thing in the air to revise.

Hon. Mr. EULER: And they accepted your recommendation which was to build the hotel as it is now?

Mr. HANSON: At a capital cost in this case of six million dollars more than the arrangement that could have been made?

Hon. Mr. EULER: What arrangement?

Mr. HANSON: Sir Henry said just now that if he had to do it over again they would not do anything of the sort.

The CHAIRMAN: I think we have spent enough time on the hotels. I am under the impression that the management will not build any more hotels to-morrow.

Mr. HANSON: There are a whole lot of things they will not do.

Mr. GRAY: I think that applies to members of the committee.

Sir HENRY THORNTON: What Mr. Hanson says is quite true. Two or three years ago we exercised such judgment and intelligence as we had in the light of the times, and as I said a moment ago there are lots of things which we did and lots of things which the people of this country did—

The CHAIRMAN: Lots of us.

Sir HENRY THORNTON: —that we would not have done had we known what is happening to-day. I cannot speak more clearly than that.

Hon. Mr. EULER: You acted on your best judgment at that time?

Sir HENRY THORNTON: Certainly.

Mr. MCGIBBON: The test of that was the contractual agreement with the city of Vancouver. There was one settlement made for three hundred and fifty thousand dollars—

The CHAIRMAN: Three and a half million.

Mr. MCGIBBON: Three and a half million dollars. That was satisfactory to the city of Vancouver. It was satisfactory to the directors, and it was satisfactory to the government. That was set aside, and the result of that setting aside is about six million or more added to the settlement. Is not that correct?

Hon. Mr. EULER: And a better hotel.

Sir HENRY THORNTON: You will forgive me if I prefer to keep out of anything that looks political?

Mr. GRAY: Certainly.

The CHAIRMAN: I think enough time has been spent on the Vancouver Hotel.

Mr. GRAY: It is done anyway. If you want to blame the late government, blame them.

Mr. MACMILLAN: Are you progressively working on the hotel in Vancouver?

Sir HENRY THORNTON: Yes.

Mr. MACMILLAN: It is not going to be shut down?

Sir HENRY THORNTON: No, it has not been shut down.

Mr. MacMillan: It is not going to be?

Sir Henry Thornton: Not at the moment.

Mr. Bell: Are you contemplating building a hotel in Montreal?

Sir Henry Thornton: That is one question that I can answer in the negative, although there have been offers made and suggestions proposed, and we have, with the prudence which is characteristic of the management up to this time, rejected all of them.

The committee adjourned to meet on Tuesday, June 23, at 11 o'clock a.m.

ROOM 368,

HOUSE OF COMMONS,

TUESDAY, June 23, 1931.

The Select Standing Committee on Railways and Shipping met at 11 o'clock a.m. Honourable J. D. Chaplin, Chairman, presiding.

The CHAIRMAN: The Minister of Railways and Canals will not be here for a few minutes, but in the meantime we will go ahead with the work.

SIR HENRY THORNTON: Mr. Chairman, Dr. McGibbon asked a question at the last meeting in regard to fire and marine insurance placed or renewed with underwriters during 1930.

The fire insurance placed or renewed amounted to $9,912,000. Premium paid on that insurance, $26,927.22. Marine insurance, amount placed $11,500,000; premium paid, $153,770.08.

Mr. Fraser asked the number of pensioners living in Canada or the United States and other countries? The answer is: Pension cheques mailed to pensioners in Canada to 2,900 individuals; to pensioners in the United States (who were formely employed on our American lines) 336 individuals; to pensioners in the United States (who were formerly employed on our Canadian lines) 119 individuals; to pensioners living in other countries, 25 individuals.

Mr. Fraser asked the number of employees on the pay-rolls, divided between employees in Canada and employees in the United States. The answer is that the average number of employees on the Canadian National Railways system, including hotels and the Central Vermont Railway, for the year 1930, was 102,773. Of that number there were employed on Canadian lines, including hotels, 90,510; and within the borders of the United States, 12,263.

Dr. McGibbon asked, What is the operating ratio of the Chateau Laurier compared with what it was before the enlargement? The answer is that the new wing was opened in March, 1929, and the operating ratio for the eight years, excluding extraordinary alteration expenses charged to operation, is as follows:—

1923	95·36 per cent	1927	75·20 per cent
1924	90·14 per cent	1928	76·69 per cent
1925	87·85 per cent	1929	83·96 per cent
1926	79·99 per cent	1930	83·18 per cent

The ratio for the eight years under consideration is 83·28.

Dr. McGibbon also asked this question: What are the names of firms from which radio equipment is purchased by the Canadian National Railways?

The answer is: During the years 1929 and 1930, radio equipment and supplies, and repair parts, were purchased from the following firms:

Northern Electric Company, of Montreal, manufacturers of radio equipment. Our purchases from this firm consisted of broadcasting equipment, including public address systems for hotels, and other equipment used in broadcasting stations, also vacuum tubes, microphones, etc.

Canadian General Electric Company, of Montreal, manufacturers of radio receiving equipment. Our purchases consisted mainly of charging equipment for charging storage batteries for battery equipped radio sets.

Canadian Marconi Company, Limited, of Montreal, manufacturers of radio equipment. Our purchases consisted of three complete radio receiving sets for the Canadian National Steamships, also radio tubes and repair parts for broadcasting equipment.

Victor Talking Machine Company, of Montreal, manufacturers of radio equipment. Our purchases consisted of twelve sets of radio receiving equipments in 1929 and twenty-four sets in 1930, including cabinets in rough.

Stromberg-Carlson Telephone Company, of Toronto, manufacturers of radio equipment. Our purchases consisted of ten sets of radio receiving equipments in 1929, and six sets in 1930, and did not include cabinets.

The Hart Battery Company, of Montreal, manufacturers of storage batteries. Our purchases consisted of batteries for receiving sets on passenger cars.

The Canadian National Carbon Company, of Toronto, manufacturers of dry cell batteries. Our purchases consisted of radio batteries and tubes for receiving sets.

The Canadian Brandes, Limited, of Toronto, manufacturers of radio head sets. Our purchases consisted of ear phones for radio equipment for passenger cars.

The Ferranti Limited, of Toronto, manufacturers of electrical equipment. Our purchases consisted of transformers for broadcasting equipment.

The Carter Radio Company, of Toronto, manufacturers of radio equipment. Our purchases consisted of radio plugs.

The Electric Specialty Manufacturing Company, of Stamford, Connecticut, manufacturers of electrical appliances and radio equipment. Our purchases consisted of dynamotors made specially for use in connection with receiving equipment used on our trains. These equipments are not manufactured in Canada.

The Aerovox Wireless Supplies, Limited, of Brooklyn, New York, manufacturers of radio equipment. Our purchases consisted of special condensers for use in connection with train receiving equipment and which are not manufactured in Canada.

Payette and Company, Limited, of Montreal, radio dealers. Our purchases consisted of a few sets of ear phones, not elsewhere obtainable as manufacturers had discontinued making them.

The E. W. Playford Limited, of Montreal, wholesalers of electrical apparatus. Our purchases consisted of a special radio analyzer handled exclusively by them.

The T. C. Darling Company, of Montreal, authorized dealers for Stromberg-Carlson Telephone Company, manufacturers of radio receiving sets. Our purchases consisted principally of repair parts for Stromberg-Carlson sets. They gave us the same price as we were able to obtain direct from the Stromberg-Carlson Telephone Company. There will be no further orders of this nature as we now handle our own radio repairs. Purchases from this firm in 1929 amounted to $165, and in 1930 they were nil.

I will hand this information to the reporters.

Hon. Mr. EULER: In connection with premiums on Marine insurance, on the railways you carry your own insurance altogether. Have you thought of applying the same principle, carrying your own insurance on your vessels, as you do on the railways?

Sir HENRY THORNTON: We do.

Hon. Mr. EULER: You speak of premiums?

Sir HENRY THORNTON: A certain proportion is put out to Underwriters, I mean the larger risks.

Hon. Mr. EULER: Do you carry your own insurance there as you do on your railways?

Sir HENRY THORNTON: Let me correct that, Mr. Euler. Practically all of that Marine insurance is on the Pacific coast boats.

Hon. Mr. EULER: And that is carried by private insurance companies?

Sir HENRY THORNTON: We carry out the first $300,000 ourselves and farm out the balance.

Hon. Mr. EULER: Why vary the practice?

Sir HENRY THORNTON: Well, because we do not care to jeopardize the insurance fund, in the event of a very large risk or a very large loss. We do not mind carrying losses in our own insurance fund up to, say, $300,000; but if a boat should become a total loss we do not want to carry that risk in our own fund. That is, in a measure, re-insurance.

Mr. DUFF: A very wise thing.

Mr. FRASER: I understood the other day that you made a clear line of division as between your coastal service and your triangular service. I understood you to say that you had an idea or intended to give out the insurance on your triangular service. Was that correct?

Sir HENRY THORNTON: No, this is all the same thing. We are to-day running vessels in what is known as the triangular service, that is, vessels which call at Vancouver, Seattle and Victoria. They started, I think, this year, maybe last year; but there is no line of demarcation. If I gave you that impression I did it unwittingly. There is no line of demarcation between what is called the triangular service and the general coastline service. The triangular service is a part of the general coastal service. It is called the triangular service as a sort of trade name.

Hon. Mr. EULER: In your regular Merchant Marine, which I think consists of between thirty and forty vessels, do you carry that yourselves or not?

Sir HENRY THORNTON: Yes, we carry that ourselves.

Hon. Mr. EULER: That applies also to the new West Indies service, does it, those new boats?

Sir HENRY THORNTON: Yes.

Mr. DUFF: You set aside a certain amount every year, which you credit to an insurance fund?

Sir HENRY THORNTON: We pay the premium to ourselves.

Mr. DUFF: You set aside a fund?

Sir HENRY THORNTON: Yes.

Mr. DUFF: Exactly. We decided that some years ago.

Sir HENRY THORNTON: Yes.

Hon. Mr. EULER: Are the rates greater on the Pacific Coast?

Sir HENRY THORNTON: We have more expensive vessels. It is a little difficult to say whether the risk is greater or not. At certain times of the year there are serious fogs, heavy fogs, in some of the inland routes that some of our vessels follow; the routes themselves are narrow and tortuous.

Hon. Mr. EULER: And the rates are correspondingly high?

Sir HENRY THORNTON: I hope so.

Mr. FRASER: Is the premium paid for Marine risks on the Pacific greater than on the Atlantic for a similar service?

Sir HENRY THORNTON: I have no way of making comparison, but my guess would be that they probably are. I may be wrong in that.

Mr. MacMillan: What is your basis of arriving at insurance that you place on vessels; is there any set basis?

Sir Henry Thornton: It is largely a matter of judgment. For instance, we carry risks in our own fund up to $300,000; When we get beyond that we put it outside, because if the loss should be a total one we think it good judgment not to jeopardize our own insurance fund by that amount.

Mr. MacMillan: That is just an arbitrary amount?

Sir Henry Thornton: That is so.

Mr. Duff: Every insurance company does the same thing. If they get a larger amount than they think they can carry then they give it to other insurance companies.

Sir Henry Thornton: The same as in life insurance, I believe.

Hon. Mr. Euler: But they are not owners.

Mr. Duff: It would not be wise to carry the whole thing themselves.

Sir Henry Thornton: May I go on gentlemen. There was a question asked by Mr. Chaplin, and the question was: What the present investment was, and when same is all completed, what the ultimate investment is to be in the hotels that are being constructed or under way? I will hand this in to the official reporter; but, for the purpose of this committee you will probably just want the total. The total as of December 31, 1930 is $26,354,778.

The estimated cost to complete hotels now under construction is $9,538,606, and that means that the total estimated investment on completion in hotels will be $35,893,384.

INVESTMENT IN HOTELS AT DECEMBER 31, 1930, ESTIMATED COST TO COMPLETE HOTELS UNDER CONSTRUCTION AND ESTIMATED TOTAL INVESTMENT WHEN CONSTRUCTION COMPLETED

Name	Location	Investment Dec. 31, 1930	Estimated Capital Expenditure Jan. 1, 1931 to completion	Estimated investment on completion
Pictou Lodge	Pictou, N.S.	$ 200,883	$	$ 200,883
Nova Scotia	Halifax, N.S.	2,358,418	182,682	2,541,100
Chateau Laurier	Ottawa, Ont.	8,535,864	145,000	8,680,864
Fort Garry	Winnipeg, Man.	2,890,206		2,890,206
MacDonald	Edmonton, Alta.	2,224,852		2,224,852
Prince Arthur	Port Arthur, Ont.	1,176,921		1,176,921
Prince Edward	Brandon, Man.	519,813		519,813
Jasper Park Lodge	Jasper, Alta.	2,539,154		2,539,154
Minaki Lodge	Minaki, Ont.	1,091,354		1,091,354
Grand Beach Hotel	Grand Beach, Man.	417,107		417,107
Nipigon Lodge	Orient Bay, Ont.	37,639		37,639
Highland Inn Camps	Algonquin Park Ont.	182,491		182,491
*Canadian National	Charlottetown, P.E.I.	689,460	166,540	856,000
*The Bessborough	Saskatoon, Sask.	510,221	3,232,779	3,743,000
*Canadian National	Vancouver, B.C.	2,980,395	5,811,605	8,792,000
Total		$26,354,778	$9,538,606	$35,893,384

Hotels in operation	$22,174,702
*Hotels under construction	4,180,076
	$26,354,778

I think it was Mr. Heaps who asked for information with respect to the trend of the yield on Canadian National bonds and Canadian National securities guaranteed by the government. It is a little difficult to answer that question in a form which will convey the information desired; but Mr. Grant, our financial Vice President, has prepared a series of charts which show the yield in the column on the right and left, and the price, and week by week from April 1st, the market value in yield of those different securities that is represented by a series of charts, which I think, is about the best way to explain the situation.

Mr. HEAPS: What years have you got there, Sir Henry?

Sir HENRY THORNTON: That is from April 1st to June 19th, 1931. These charts show the trend of yield as represented by the market price of those bonds. That is to say, that represents, as far as the market can represent, the opinion of the public as to the relative value of the two classes of securities. Have I made that clear, Mr. Heaps?

Mr. HEAPS: Yes, but I thought you were going to give us the information for a longer period than you have given us here on the charts.

Sir HENRY THORNTON: Well, I suppose the only reason that that was done was because of the labour involved and the difficulty and time it would take to go back over a period of years and collect the data. Is that right, Mr. Grant?

Mr. GRANT: It was just a question of giving the present market comparisons, Mr. Heaps.

Mr. HEAPS: Did you do much financing in the period as shown in the chart here?

Mr. GRANT: Not in that period, no sir.

Mr. HEAPS: Then it would not give the comparison I am asking for?

Sir HENRY THORNTON: That represents the estimate that the public has expressed, or as expressed by the public, as to what the public thought of them. If there is anything else you would like, or anything else you can suggest, we will try to get it for you.

Mr. HEAPS: The purpose of my question was to find out if it was possible to borrow money cheaper than you have been doing under the present system?

Sir HENRY THORNTON: If you take the period subsequent to April 1, you will observe that on May 6 there was a considerable drop on yield of Canadian government bonds and that continued until May 27, and then it ran along fairly level. If you will take the Canadian National securities there was a continued drop till May 6, and then from that time onward a steady increase in both yield and price.

I would like to get you the information you want; but it is a little hard. However, if you will say what you want we will try to get it for you.

Mr. HEAPS: All I was asking for was to find out if it would be possible to borrow money cheaper with the government doing the borrowing than the Canadian National?

Sir HENRY THORNTON: Mr. Grant follows this thing almost day by day and has done so for several years, and I think perhaps he could give you an answer to that question to the best of his ability based upon his experience. Could you do that, Mr. Grant?

Mr. GRANT: As I stated at the last meeting, Mr. Heaps, you cannot compare a government issue with an issue of the Canadian National unless they are issued at the same time and practically under the same terms and conditions. I stated at the last meeting that a direct government bond would sell at a better price than a Canadian National guarantee bond.

Hon. Mr. MANION: You stated one-tenth of 1 per cent.

Mr. GRANT: Approximately. I have prepared a chart there of four different bonds, Dominion government, 4½ per cent bonds as compared with three Canadian National 4½ bonds. Now, take the third one on your sheet there, the third chart, that is Dominion government 1956, maturing 1956, 4½ bonds, and then compare our 4½ per cent bonds which are due in February, 1956. That is about as close a comparison as you can get.

Mr. HEAPS: One is 4·42 as against the same period of 4·21.

Mr. GRANT: No, take Dominion Government 1956. That is the third chart.

Sir HENRY THORNTON: Just show Mr. Heaps the few sheets there which you are comparing.

Mr. GRANT: The third chart, that is 4½ per cent Government Bond, it is selling at 102¼ June 19, a yield basis of 4·33; Canadian National bonds due 1956, the same year, is selling at 102¼ or 4·35 basis.

Sir HENRY THORNTON: 101¼, 1956, Canadian National. That is the second to the last chart.

Mr. GRANT: 102¼.

Mr. HEAPS: It is 4·35, 102¼ as against 100¼.

Mr. GRANT: That is the comparison there. Take the last date we have there.

Hon. Mr. EULER: That hardly corresponds with your opinion that the difference is one-tenth of 1 per cent. That comparison you make is a bond, or on bonds, with the date of issue the same and the date the same.

Mr. GRANT: Quite right.

Mr. EULER: That is about the only comparison you can get?

Sir EUGENE FISET: In connection with your last Canadian National issue, 1956, 102¼, 435 and Dominion government 1956, 102¼, 453 yield, were these bonds guaranteed?

Mr. GRANT: Yes, sir.

Sir HENRY THORNTON: They are guaranteed by the Dominion government.

The CHAIRMAN: Are there any other questions?

Sir EUGENE FISET: Have you provided a sinking fund here?

Mr. GRANT: I said the other day that we had no sinking fund in these bonds that were guaranteed by the government, and the recent issue. I made that statement, Mr. Fiset.

Mr. HEAPS: It appears to me from these charts that the difference in the borrowing powers or capacity of the government and the railways is approximately half of 1 per cent. I am taking that second last sheet, Canadian National 4¼ bonds, February 1, 1956.

Mr. GRANT: Yes.

Mr. HEAPS: Showing 101¼.

Mr. MACMILLAN: They all show 101¼.

Mr. HEAPS: I take your third sheet, Dominion Government Conversion Loan, June 1, 1956, a fraction below 102.

Mr. GRANT: Dominion Government loan 102¼.

Mr. HEAPS: It is less than 102. It is between 101¾ and 102.

Mr. GRANT: Yes.

Mr. HEAPS: That means a little less than 102.

Mr. GRANT: That is a quarter less.

Mr. HEAPS: Here you have 101¼, so that I say the difference is about half of 1 per cent. I am just stating what is shown on the charts here.

Mr. GRANT: I do not just see where you get the half of one per cent.

Mr. HEAPS: What do you estimate as being the difference in borrowing capacity in the two corporations?

Mr. GRANT: I have stated there was a difference last year of ·10 per cent.

Mr. HEAPS: You still retain that figure?

Mr. GRANT: The different maturities will make a different yield on those bonds. That is a shorter term bond. Take, for example, that short term bond on the first 1944 there. The 4·27 basis, it is selling against our 4·35. There is a difference of ·19.

Mr. HEAPS Well, Mr. Grant, am I to accept it as being your opinion that one-tenth of one per cent would be the difference approximately between the government borrowing and the railway borrowing capacities?

Mr. GRANT: I would not say that. I would say the same bond is selling on a basis of approximately that; but the point I am trying to make, Mr. Heaps, is that the Dominion Government bond, their last issue $100,000,000 was a 4 per cent coupon. It was put out in October, 1930. You cannot compare that price of that day with the bond that we put out in February which was a 4¼ per cent coupon. It is not comparable.

Mr. DUFF: A great deal depends on the financial efficiency of the corporation.

Sir HENRY THORNTON: I do not think so, Mr. Duff. I think what the purchaser of a bond looks at is the security of the bond.

Mr. DUFF: I thought you were giving the value of it in this chart?

Sir HENRY THORNTON: All these bonds of ours are guaranteed by the government, in fact, they are the same as a government bond although there might be a slight disparagement against our bonds.

Mr. DUFF: The market value is determined by the condition of the corporation.

Sir HENRY THORNTON: There are other factors which enter into it, which are of some importance, than the state of our earnings.

Hon. Mr. EULER: I think the only factor that enters into it is the responsibility of the government in both instances.

Sir HENRY THORNTON: I think that is a fair statement.

Hon. Mr. EULER: If your corporation cannot pay the interest on those bonds the government pays it.

Sir EUGENE FISET: Canadian National bonds are a second mortgage, while Dominion Government bonds are a first mortgage.

Sir HENRY THORNTON: The main factor is the condition of the money market at the date of issue.

Mr. HEAPS: What I am trying to get at is quite obvious, if there could be any saving by the Federal Government handling these bonds I would like to see that money saved to the Canadian National system.

Sir HENRY THORNTON: The only answer I could give you to that would be to rely on the experience and judgment of Mr. Grant who, as I say, specializes on these things almost day by day. It would be very difficult to get any set of statistics or charts which would definitely prove that one way or the other. I would personally a good deal rather rely on his opinion than a set of charts.

Hon. Mr. EULER: At one time the government itself made the direct issue and it was later transferred to the railways.

Sir HENRY THORNTON: I don't know anything about that.

Mr. GRANT: Before the amalgamation I understand that the government made direct advances in cash to the railway.

Hon. Mr. MANION: That is true. This $604,000,000 is an instance. It was advanced by the government at various times from 1911 on.

Sir HENRY THORNTON: The question Mr. Heaps is asking is directed to the question of which method will save to the Canadian National and to the Government of Canada as a whole the most money?

Mr. HEAPS: It is quite obvious.

Sir EUGENE FISET: Loans from the treasury were made to the railways. They were provided for even last in the estimates. You have a proviso in the issue of your loans that the amounts of certain rates could be advanced direct through the treasury. That was the first item in your estimates.

Hon. Mr. MANION: Yes, but it was not done between 1919—I had the figures here some little time ago—and 1923. There was quite a good deal of money advanced in cash then. Then from 1923 to date there has been very little advanced in cash. As I say, I had the figures here recently. I do not wish to give them from memory, although I think I could; but the only money that has been advanced, so far as my recollection goes, by the government in cash was $604,000,000 which is in the balance sheet, and that was advanced between 1911 and 1930. Then the balance of the government account is entirely made up of interest or of government railways which they have handed over to the National Railways to administer. I do not think the government has ever issued straight bonds, except to guarantee them, and I presume the reason is because the hope was there that ultimately the railway would carry the interest itself.

Sir HENRY THORNTON: The one idea being that the state of the railways might be such as to enable them to guarantee without government guarantee?

Hon. Mr. MANION: That is what I mean.

Sir HENRY THORNTON: Mr. Heaps, I want to give you everything we can.

Mr. HEAPS: I appreciate all you have done in this matter, Sir Henry.

Hon. Mr. EULER: Mr. Chairman, it seems apparent that the government can borrow just a little more cheaply or more to the advantage of the country than the railway issuing their own bonds direct. If that is true, would it be worth while, or are there any great objections to giving consideration to the advisability of the government doing the borrowing? There may be some objections, I don't know.

Hon. Mr. MANION: There is a representative here of the Finance Department who might possibly give the committee a suggestion in that regard.

An hon. MEMBER: After all, it is a matter of government policy.

Mr. ROBERTS: It is entirely a matter of government policy. When we have surplus funds, under the statutory authority, we have made temporary advances to the railway. We try to operate as economically as possible in that respect. The other question is one of government policy. As Mr. Grant says it could be done much cheaper.

Sir EUGENE FISET: Could you tell me if this year you have provided in Bill 79 for the government to advance loans to the Canadian National?

Mr. ROBERTS: Only temporary. The provision is that the railway can use the government guarantee; but if we should be able by reason of market conditions to tide the railway over a difficult period, why, we would have authority to assist it in that manner. But the idea is that guaranteed securities will be issued.

Sir EUGENE FISET: It is a change in the system?

Mr. ROBERTS: No. I might explain to the committee the change in the system was brought about by reason of the fact that railway supply is not a part of government supply. It is aid to a corporation, therefore, it has really no place in the supply bill which is aid to His Majesty directly and, for that reason, practically the same provision that grew up under the old Act has now been embodied in those two statutes, one giving the railway authority and the other giving the Dominion authority to guarantee those bonds. One now takes its place in the statute rather than in an estimate.

The CHAIRMAN: I hope Mr. Roberts' statement will not start a political controversy on the whole question of government and railway loans. These charts, as I take it, show this, that where you can make a close examination there is a slight amount in favour of the government borrowing. Before the committee rises, I will ask them to put a sentence in their report covering any recommendation they may want to make in regard to this matter.

Sir HENRY THORNTON: At the last meeting, I think it was, a request was made that the rules and regulations of the Pensions Department be distributed. I have had those sent up and they will now be distributed to the members.

There are no further questions to answer, Mr. Chairman, of which I have knowledge.

Hon. Mr. MANION: Just one little point I suggest for the information of the committee; Mr. Grant, would you mind giving to the committee the amounts of money and the amounts of government guarantees starting at 1919 right up to date, just putting it on the record, taking the two periods, say, from 1919 to 1923, and then from 1923 to date. The reason I take those two periods is because 1923 was the year of consolidation.

Mr. GRANT: You want the total of cash advanced and the total guaranteed?

Hon. Mr. MANION: Yes, and put them on the record. It will be interesting to the members to have that information.

Mr. HACKETT: May I refer to a correction to which I made reference the other day. Page 56 is so reported as to place misstatements in the mouth of the witness, Mr. McLaren, and to put things into my mouth, which I did not say. I have made the correction, and with your permission, I will hand it to Mr. McLaren and ask him to verify its accuracy so that it may go into the record of this day as a correction.

The CHAIRMAN: I am sorry that such a thing should have occurred. We will try and get the correction made.

Mr. DUFF: Mistakes will happen even in the best regulated families.

Mr. MCLAREN: Mr. Hackett, was it just the one item about the public debt?

Mr. HACKETT: In the first place, the word "debit" is used instead of the word "deficit," and then where I asked with regard to deficits since a certain date I am reported as asking "up to a date," the information was available up to a date. Then the most gross error was in the last question, the answer to the last question, wherein I am reported as having said "and that is after deducting interest only on the funded debt to the public and disregarding interest on amounts owing the government." You see, your answer there makes it appear that all interests on all liabilities had been paid, which is not the case.

Mr. MCLAREN: No, I am sorry I misunderstood your question. My answer should have been that the $111,272,315.57 is after deducting the interest on the funded debt of the railway held by the public.

Mr. HACKETT: Only.

Mr. MCLAREN: Yes.

Mr. HACKETT: Without any allowance for the $604,000,000 owing to the government and without taking into consideration some of the other liabilities.

Mr. MCLAREN: Correct.

Sir HENRY THORNTON: Are you and Mr. Hackett now in accord?

Mr. HACKETT: We have been in accord throughout. The only difficulty was that we may have been talking a little rapidly, and it was at the end of a long session and the reporter, possibly due to some mumbling on my part did not report me or Mr. McLaren accurately.

Sir HENRY THORNTON: Well, then, we have got that clear, I think. Is it your wish, Mr. Chairman, that we should proceed with the statement of estimated financial requirements, resources and capital expenditures for the year ending December 31, 1931?

The CHAIRMAN: Yes.

Mr. FAIRWEATHER:

CANADIAN NATIONAL RAILWAYS

STATEMENT OF ESTIMATED FINANCIAL REQUIREMENTS, RESOURCES AND CAPITAL EXPENDITURES FOR THE YEAR ENDING DEC. 31, 1931

Net income requirements after interest (Exhibit "A")		$31,367,882 56
Other financial requirements—		
Retirement of capital obligations including sinking fund and equipment principal payments (Exhibit "D"		9,299,613 44
Acquisition of securities of Canada West Indies Hotel (Exhibit "E")		150,000 00
Net financial requirements		$40,817,496 00
General additions and betterments less retirements (Exhibit "F")		$20,604,663 00
Discount on securities to be issued (Exhibit "Q")		3,500,000 00
Proposed new equipment issue series "M" (Exhibit "R")		3,939,200 00
		$68,861,359 00
Less to be provided out of C. V. Ry. Inc. Working Capital		361,359 00
Net requirements to be voted for 1931		$68,500,000 00
Eastern Lines Requirements—		
Government Contribution Maritime Freight Rates Act (Exhibit "S")	$2,450,632 00	
Deficit from operation (Exhibit "S")	6,631,856 00	
		9,082,488 00
Equipment Trust Series "M" (Exhibit "T")		11,100,000 00
Authorized by Statute—		
Branch lines (Exhibit "U")	$4,550,000 00	
Toronto viaduct, ch. 46, 20-21 Geo. V, 1930	2,550,000 00	
Montreal terminals, ch. 12, 19-20 Geo. V, 1929	8,000,000 00	
St. John & Quebec railway purchase, ch. 17, 19-20 Geo. V, 1929	250,000 00	
Northern Alberta railways, ch. 48, 19-20 Geo. V, 1929	176,486 00	
		15,526,486 00
Total net requirements		$104,208,974 00

Mr. DUFF: Do we not take them up item by item? Had we not better do that? Why read them all off and then go back?

The CHAIRMAN: We will go through each page and then go back and clean it up. We will go back to the individual items.

Mr. FAIRWEATHER:

Mr. FRASER: When was this estimate prepared, how long ago?

Sir HENRY THORNTON: Well, of course, we have been working at it ever since the latter part of last year. We began along in November to gather the information with respect to the estimates for the year, and we tried to get it in final shape after consultation with the Minister, and the approval of our boards, and so on, in time to be presented to Parliament.

Mr. FAIRWEATHER: Of course, it has been revised from time to time. I think it was finally approved by the directors some time early in April.

Sir HENRY THORNTON: Of course, we started mind you before the end of the year. Then about the first of the year we thought that certain such figures were safe; but the business situation and the earnings of the company went from bad to worse, and an estimate that was made to-day was not any good to-morrow. Things changed with such rapidity and finally, somewhere along early in April we had to settle down and had to take a chance on something and then this estimate was at that time presented.

Mr. FRASER: What I had in mind was this, Sir Henry: The total requirement you are asking for is $104,000,000. With the experience you have had, with six months behind you, is that considered to-day all that you will require?

Sir HENRY THORNTON: No, I do not think so, excepting I think it is only fair to say this: although it may appear a somewhat slender reed to lean upon we have been considerably disappointed—and I think all railway executives on

the North American continent have been equally disappointed—with the trend of business since the first of the year. We thought that last year would represent the minimum of gross revenue but unfortunately month by month we have shown decreases in gross revenues as compared with the same period last year.

Now, the thing that I wanted particularly to refer to which may conceivably give us a better second half for the year than we have during the first half—and I will not put it on a higher plane than to say it conceivably may—is the recent statement by the President of the United Sates in regard to a moratorium for a year in international obligations. The moment that statement came out there was a favourable effect on stock markets in practically every market throughout the world. The gesture, if one may call it such, was received with enthusiasm and with considerable relief in all countries. Important economists have been telling us almost month by month that we have reached the bottom, although each succeeding month led us to believe that perhaps we had not reached the bottom, purely an estimate. Anyway, for what it is worth Mr. Babson, who is an authority upon such subjects, said recently he was satisfied and would pledge his reputation that we had reached the bottom. Now, there comes this quite momentous statement of Mr. Hoover's with respect to the attitude of the United States in regard to financial obligations, and it has been generally accepted in all countries except possibly one or two. It may be that is just the thing that is needed to start the business of the world back on the road towards a normal condition. Personally I think it is a fair bet that it may be. Of course, that proposal has not yet been definitely approved by the Congress of the United States. It has not been definitely accepted by all countries; but, at the same time, the mere suggestion of such a proposal has certainly had an immediate and favourable effect upon business throughout the world, and it is quite within the limits of possibility that we may find a better last six months or second six months of this year than we had during the first six months. But if things continue as they have been going on for the last six months, there is no use kidding ourselves that this estimate which was prepared in April and represented the best of our judgment, and perhaps the best judgment anybody could bring to bear, that that estimate is going to be sufficient. It is not. If things continue we are likely to require an additional $10,000,000.

Mr. HACKETT: If your total required were brought down to date by what amount would it exceed the $104,208,000 which is mentioned at the bottom of the first page?

Sir HENRY THORNTON: Well that is not a question which is easily answered, Mr. Hackett. We are making every effort to-day—and I say to-day because recently we have all been hoping that things were going to be better; there was some evidence that things might be better. But we are to-day making every curtailment of capital expenditures which can possibly be made notwithstanding this estimate. In other words, if this estimate were approved to-day we who are charged with the responsibility of capital expenditures of the Canadian National Railways would not spend that money if we could possibly avoid doing so.

Now, there are certain statutory expenses to which we are committed such as these branch lines and so on which are enumerated at the bottom of the sheet. And there are certain obligations that we have entered into with the government with respect to the relief of unemployment. The government last autumn undertook to so save the railway companies, if you like to call it such, for their interest, the interest to be charged on capital expenditures which might conveniently be started immediately for the purpose of the relief of unemployment. That represents a definite understanding with the government and the government is, you may say, holding the bag as far as the interest charges are concerned for a certain period.

The whole point is this, that if quite irrespective of this estimate—and, after all, we have got to present some kind of estimate, we have got to decide on some kind of a course—notwithstanding this estimate, if that estimate is approved it is the intention of the railway company to curtail capital expenditures in every conceivable way within the limit of our ability to do so. I do not know just offhand how far we can go. That is engaging the attention of the proper officers of the company at this moment.

Mr. HACKETT: Is it your opinion that if the requirement were brought down to date that $15,000,000 of additional money would be adequate to have in excess of the $104,000,000?

Sir EUGENE FISET: He said $10,000,000 a moment ago.

Mr. HACKETT: I said $15,000,000.

Sir HENRY THORNTON: Well, I should think that $10,000,000 would be the figure I would name. As a matter of fact, the mathematical figure is about $15,000,000 and I am hoping we can squeeze another $13,000,000 somewhere between now and the end of the year. So I would say that $10,000,000 is as near a guess as can be made of these things. The way things are going to-day, with conditions that confront us, even the most experienced person cannot do any more than make a guess at it.

Hon. Mr. MANION: Do you mean $10,000,000 for the six months or for the full year?

Sir HENRY THORNTON: For the full year. I am talking of the whole year.

Mr. HACKETT: By my question I intended not to go beyond the requirements as we know them to-day.

Hon. Mr. MANION: In other words, how far are you beyond your estimate at the present moment?

Mr. HACKETT: Yes, and I understood that you were about $15,000,000 out at the present time.

Sir HENRY THORNTON: I am afraid, Mr. Hackett, I cannot segregate any six months. I want to answer your questions, I know they are seriously put and I want to answer them seriously.

Sir EUGENE FISET: Is it not a fact that in making your estimate for your requirements for the present year, that is, 1931-32 you have estimated $104,000,000, but your own estimates were nearly $13,000,000 over and above that sum; but you have asked the government only to provide for $104,000,000.

Sir HENRY THORNTON: Oh, no.

Sir EUGENE FISET: You just suggested a moment ago that if things go on as they are you will want $10,000,000.

Sir HENRY THORNTON: Not thirty.

Sir EUGENE FISET: I said $13,000,000.

Sir HENRY THORNTON: I am sorry. Well, if anybody can guess this closer than between $10,000,000 and $13,000,000 they will make a fortune on the stock market.

Hon. Mr. MANION: I think you are misunderstanding each other a little. It is deficit on interest to the public. In other words, they estimated when they put in this estimate that they would be $31,500,000 short this year on their interest to the public. In other words, they took practically the figure that they were short last year, 1929, but instead of that the gross earnings are going down month by month; they have gone down $5,000,000 a month. The result is that the net earnings naturally will be less, and they figure now instead of $31,000,000 in all probability it will be $41,000,000 that they will be short on their interest to the public.

Sir HENRY THORNTON: The Minister is exactly right in that statement.

May I just say this, that, of course, in making up this budget one of the factors that we have got to estimate upon is how much money we are going to have at the end of the year to apply on the interest of the funded debt in the hands of the public and that is entirely an estimate, and that estimate in turn, when you get down to brass tacks, depends upon how much your gross revenue is going to be for the year.

Mr. DUFF: It is purely an estimate.

Mr. MCGIBBON: That is your greatest variable point, your estimate?

Sir HENRY THORNTON: That is the variable factor, and that is the factor that we have got to estimate upon.

Sir EUGENE FISET: Don't you think, Mr. Chairman, that at this time it would be advisable for us, in discussing this estimate to have before us Bill 79? It does not exactly fit in with the amount stated in the balance sheet. If we could deal with Bill 79 we could do the work right off the bat and get rid of it.

Mr. HEAPS: I do not think we will get any further. The estimate after all is only an estimate, and I think we might as well proceed.

Sir HENRY THORNTON: I might also say in connection with the question Mr. Hackett has addressed that we have by no means ceased our efforts in the direction of operating economies. There are still further economies that are occurring month by month. It is like squeezing a sponge. The first time you get a lot of water out of it, the next turn you get some more and you keep on turning until finally you have squeezed the sponge dry.

Hon. Mr. EULER: It is not dry yet?

Sir HENRY THORNTON: We do not think it is dry. We think there is still some more to be had out of it, and we are addressing every possible effort in that effort consistent with prudent operation.

Mr. HEAPS: How are the revenues of the Canadian National compared with other Class 1 railways?

Sir HENRY THORNTON: We are practically the same. From an operating point of view there is substantially no difference with relation to both revenues and expenses.

Mr. MACMILLAN: Sir Henry, the result of the crop in Western Canada this year will have quite an influence on your revenues?

Sir HENRY THORNTON: Certainly. I have been trying to guess the crop for the last eight years, and I do not think I have hit it yet. We have all been trying to do it. If anyone of us could accurately estimate the crop of Western Canada we could probably do pretty well.

Mr. HEAPS: You want to find someone whose foresight is as good as his hindsight, then you would be all right?

Sir HENRY THORNTON: Well, if the Angel Gabriel, who presumably is in the confidence of the heavens could come down to earth and tell us a few things we might get somewhere; but I cannot find anybody who can give me any accurate estimate.

Mr. HANBURY: This estimate of $3,500,000 securities to be issued, in view of the present condition of the money market isn't it likely you won't lose $3,500,000?

Sir HENRY THORNTON: No. Mr. Grant, will you let us have your experience in that. We have estimated discounts on securities to be issued at $3,500,000.

Mr. GRANT: Part of that amount has been used in connection with our last issue of $70,000,000, about $2,500,000 was utilized as discounts on that last issue. It depends on what kind of security you put out, Mr. Hanbury.

Mr. HANBURY: Why not put out a security at a rate that will bring you par?

Sir HENRY THORNTON: Of course, if you do that, it is a difficult thing to get it both ways. What we have been trying to do in the issue of our securities is to keep the interest rate down. We think it is a little better policy to pay a little more for discount when the security is issued than to saddle the railway with a higher rate of interest because five or ten years hence that might prove to be a bad bargain. The general policy of the company has been to try to keep the rate of interest down.

Mr. FRASER: Is not the discount amortized?

Sir HENRY THORNTON: Oh, yes.

Mr. FRASER: It comes to the same thing. The railroad is actually charged with whatever interest you pay.

Sir HENRY THORNTON: That is true.

Mr. DUFF: Then there is the broker's commission.

Sir HENRY THORNTON: Of course, there is this: Securities sold at a discount usually have a better sale than those that are sold at a premium. You have got to have some regard also for the degrees of success with which an issue can be marketed. There are a great many factors which creep into this thing. It is a difficult thing to find any formula which you can apply which will give you a mathematically accurate answer. When we issue our securities, or are preparing an issue, we try to get the best financial advice we can obtain; but, after all, it is only advice.

Hon. Mr. MANION: I suppose in that $3,500,000 there is included the commissions and expenses? When you say discount you really include commissions and expenses?

Sir HENRY THORNTON: Quite right.

Mr. FRASER: May I ask this question: Could we secure an analysis of your expenses as indicated by that $193,000,000?

Sir HENRY THORNTON: Let me say this, that up until the present time we have been discussing nothing but expenses.

Mr. FRASER: That was for 1930.

The CHAIRMAN: In answer to Mr. Fraser's question I can tell him this, there is no matter that has been discussed that cannot be opened up again by any member of the committee.

Mr. HANBURY: At any time?

The CHAIRMAN: At any time.

Sir HENRY THORNTON: Just say again what you had in your mind, Mr. Fraser.

Mr. FRASER: I want an analysis of your coastal ships, of your boats on the Pacific?

Mr. DUFF: That will come up with the Merchant Marine.

Mr. FRASER: That is in the $193,000,000. I have looked through your statements from year to year and I have never seen an analysis of your boats on the Pacific at all, of your operating costs and your capital costs. and all that kind of thing. I have not seen a reference to it at all.

Sir HENRY THORNTON: Perhaps if the Chairman approved this would be a good time to discuss that.

The CHAIRMAN: I want to keep to one thing at a time.

Mr. FRASER: I am not altogether ready at the moment. I did not bring my material down.

The CHAIRMAN: Put that in the form of a question so that the information can be gotten ready. I do not want to be led away from what we are at now.

Sir HENRY THORNTON: We have all of the information with respect to the point that has been raised and can discuss it at any time that suits the convenience of the committee and yourself.

Mr. HANBURY: Before you proceed, I would like some explanation for my own information of that item in connection with the C.V. railway working capital?

Sir HENRY THORNTON: Central Vermont. That means this, Mr. Hanbury, that the Vermont railway has that sum available. That is really the short answer and I think the answer you want.

Mr. FRASER: That is your estimate for 1931?

Sir HENRY THORNTON: No, no. We have got that money.

Mr. HANBURY: It does not need to be provided again?

Sir HENRY THORNTON: That money is in the bank.

Mr. DUFF: Mr. Chairman, I wonder if I could ask something with regard to Exhibit U?

Sir HENRY THORNTON: That is a statement showing the proposed expenditures for the year 1931 on lines included in the 1929-32 branch line construction program as passed by Parliament.

Mr. DUFF: In that exhibit there is $1,000,000 for the Sunnybrae-Guysborough Railway. I would like an explanation as to the present position of that railway and what this $1,000,000 is intended for?

Sir HENRY THORNTON: Mr. Gzowski, I think you can answer that question. Mr. Gzowski, I may explain, is engineer of the construction department of the Canadian National and can answer the question Mr. Duff has put.

Mr. GZOWSKI: The present position of the railway is that a little over 90 per cent of the grading is now completed, about 70 per cent of the culverts and the same percentage of the sub-structures of the bridges are now complete; twenty-two miles of track are now laid; one superstructure of one bridge is complete. There are about five and a half miles of fencing and ten miles of telegraph lines complete. The $1,000,000 will complete the grading, culverts, road diversions and sub-structures of the bridges and twenty-two miles of telegraph lines will be built. That will be the position about the 15th of August or end of August.

Mr. DUFF: Then is it the intention to proceed with the grading and the building of bridges or culverts immediately?

Mr. GZOWSKI: Well, the grading is being proceeded with now. There are about 550 men working on the line now, and there has been about that force during the year, and that will continue until about the end of July when the forces will be gradually reduced as the various pieces of grade are completed.

Mr. HACKETT: Do you estimate that 85 per cent of the work is all done?

Mr. GZOWSKI: I said 90 per cent of the grading is done and 87 per cent of the culverts and sub-structures of the bridges are done. Twenty-two miles of track are already laid and five and a half miles of fencing was complete and ten miles of telegraph line.

Mr. DUFF: Is it the intention to finish the grading of the whole line this year?

Mr. GZOWSKI: Yes, sir.

Mr. DUFF: And where is this 22 miles of grade laid?

Mr. GZOWSKI: From Sunnybrae 22 miles.

Mr. DUFF: East?

Mr. GZOWSKI: Yes.

Mr. DUFF: Are you going to finish the laying of the rails?

Mr. GZOWSKI: No, we have not sufficient money with that $1,000,000.

Mr. DUFF: How many men have been laid off in the last three or four months?

Mr. GZOWSKI: Very few, sir.

Mr. DUFF: Will the men on now be kept all year?

Mr. GZOWSKI: No. About the end of August will wind up the appropriation we have, and about the 15th of July will start a material reduction in the number of men.

Mr. DUFF: When do you expect to complete the railway?

Mr. GZOWSKI: Well, when we get the money.

Mr. DUFF: Well, you know, of course—or perhaps, you don't know, but I will remind you of the fact that under an Act which was passed by Parliament the railway must be completed by 1932.

Mr. GZOWSKI: Yes.

Mr. DUFF: Is it the intention to complete it by that time?

Sir HENRY THORNTON: Well that is a little difficult question to answer because it involves the question of policy. I should say yes that it is, but that will involve additional appropriations. Mr. Gzowski has pointed out that the money in hand will only carry us to a certain date, and if there is no money then the work will have to stop. But I should think—and Mr. Gzowski can correct me if I am wrong—that if we had sufficient funds for it we could finish by the statutory date to which Mr. Duff has referred. Is that right?

Mr. GZOWSKI: Yes.

Mr. DUFF: Sir Henry, the policy was laid down by parliament when they passed this Act in 1929. It is not a question of policy?

Sir HENRY THORNTON: You have got a different parliament.

Mr. DUFF: That does not make any difference unless we repeal the Act.

Sir HENRY THORNTON: Well, I can only say, Mr. Duff, I do not know how to build railways without money.

Mr. DUFF: I agree with you. Let me ask another question. Is it not a fact that under the Act passed in 1929, $3,500,000 was provided for this railway?

Sir HENRY THORNTON: I cannot remember that.

Mr. GZOWSKI: Yes, that is correct.

Mr. DUFF: How much of that amount has been spent including this $1,000,000 referred to in this Exhibit?

Sir HENRY THORNTON: Mr. McLaren can answer that.

Mr. MCLAREN: There has been expended up to the end of December, 1931, $2,411,998.48.

Mr. DUFF: Almost $2,500,000?

Mr. MCLAREN: Right.

Mr. DUFF: And this is an extra million dollars?

Mr. MCLAREN: Right.

Mr. DUFF: Or is this for part of the work already done?

Mr. MCLAREN: The $1,000,000 is for expenditure in 1931.

Mr. DUFF: Then how are you going to provide for the rails and the tracklaying, sleepers and ballasting?

Sir HENRY THORNTON: Well, this is just one of those problems.

Mr. GZOWSKI: That work, I might say, was charged last year because it was laid last year, 22 miles.

Hon. Mr. EULER: $3,500,000 is not sufficient to complete the road?

The CHAIRMAN: The appropriation, evidently, has been spent with this $1,000,000.

Mr. DUFF: It looks like it.

The CHAIRMAN: You will have to get a new Bill, Mr. Duff.

Mr. DUFF: Yes.

Hon. Mr. MANION: Is it not so, Mr. Gzowski, that nearly all these branch lines built by various railways—not only the Canadian National but the C.P.R. —are continually asking for extensions after they get a charter?

Mr. GZOWSKI: Well, Dr. Manion, only in two cases have we had to ask for an extension of time.

Hon. Mr. MANION: I have been on the railway committee for many years —I am speaking of the annual railway committee—and one of the duties of the railway committee is extending charters that have been given to build roads.

Sir EUGENE FISET: Mr. Duff means that the Act of parliament provides for $3,500,000 which will be exceeded when that $1,000,000 is spent, and we will have to have another Act of parliament to get another estimate.

Mr. DUFF: I do not think we need another Act of parliament. I think we need an amount of money voted towards the railway. The Act of parliament provides that the road must be completed by 1932, and I think it stands in a different position from the branch railways mentioned by the Minister. These are private companies. This is not. This is in a different category because this railway is being built by the Canadian National. It is really a government railway.

Hon. Mr. MANION: All the branch lines of the Canadian National are statutory.

Mr. DUFF: Quite right, but they are in a different position from the ordinary private line.

The CHAIRMAN: If it is your wish, Mr. Duff, that the recommendation be made by the committee later on I will see that it is put in the report.

Mr. DUFF: Mr. Chairman, there is not a mile of railway in the county of Guysborough outside of about a mile coming into the town of Mulgrave on the line from Halifax to Sydney, and it seems to me that something should be done. The people have been asking for this line for some forty years, and it seems to me, especially in view of the Act, that this is one of the lines which should be completed within the date specified.

Mr. HEAPS: How much more money will it take to complete this line?

Sir HENRY THORNTON: Can you answer that, Mr. Gzowski.

Mr. DUFF: Outside of this $1,000,000?

Mr. GZOWSKI: About $700,000.

Mr. DUFF: That includes stations and everything to complete the lines?

Mr. GZOWSKI: Yes, sir.

Hon. Mr. EULER: I take it from what Sir Henry has said that this money will be expended by August and that the line will not be completed?

Sir HENRY THORNTON: Yes.

Hon. Mr. EULER: Does that mean that unless more money than the $1,000,-000 is voted by parliament that the line will not be completed?

Sir HENRY THORNTON: That is right, is it not, Mr. Gzowski?

Mr. GZOWSKI: Yes.

Hon. Mr. EULER: I was just curious how that could be. Would it not be better to put more money in the estimates in order to complete the building of the road?

Sir HENRY THORNTON: I will answer that. The point is this: It is a problem which confronts the proprietor, namely, the government, not only in this case but in many other cases throughout the whole of Canada. The situation was such that we were obliged to curtail in every possible way our capital expenditures, and we had to take a little off some and a little off another and sweep up what we could, in other words, to reduce the capital budget to what we thought, and what the government was willing to accept, as an irreducible minimum, and you cannot do anything else.

Hon. Mr. EULER: But the fact is the work will have to come to an absolute stop at the end of August.

Sir HENRY THORNTON: The government is confronted with a serious financial problem.

Mr. MacMILLAN: You think that is good business?

Sir HENRY THORNTON: So far as we are concerned we are perfectly willing to go ahead with the railway, but we must have some regard to the financial position of the government and ourselves, and the country as a whole.

Mr. DUFF: Isn't it rather a small amount? For instance, you have over 20 miles on construction.

Sir HENRY THORNTON: We are reducing every capital expenditure that we can reduce, Mr. Duff.

Mr. DUFF: Well, you have other works under construction, are you stopping all of those? Take, for instance, the hotels which are under construction. Are you stopping those as in the case of this railway, or are you going ahead and finishing them?

Sir HENRY THORNTON: Many of those are under contract.

Mr. DUFF: Well, this is really under contract too.

Sir HENRY THORNTON: The only answer I can make to you is that we are reviewing the whole of our capital expenditures and reducing those capital expenditures wherever we feel that we can without damage to the property. Now, I can make no other answer than that.

Mr. DUFF: Is it not a fact that if the rails are not laid and the line ballasted, that the part of the right-of-way which will not be ballasted and the rails laid will depreciate?

Sir HENRY THORNTON: Every section of this country, and quite natural, wants the particular job that is going on in that vicinity to be completed and each section of the country regards that as the most important capital expenditure that is being made in Canada. I do not criticize them at all, but that is the tendency. Now somebody, some instrumentality has got to decide either to go on or to stop, that is all.

Mr. DUFF: But where capital expenditure has been made, say four-fifths of the amount required, it seems to me that that is in a different position entirely.

Sir HENRY THORNTON: Well, I can only say this, Mr. Duff: If, in the judgment of this committee it is desirable to continue that work and the money is appropriated we will certainly continue it. It is a matter which properly should be left to the judgment of this committee.

Hon. Mr. EULER: Is it the general policy to discontinue works that are partially completed or almost entirely completed?

Sir HENRY THORNTON: That is quite a usual policy on all railroads in times of stress.

Hon. Mr. EULER: Is that the policy just now in connection with the Canadian National branch lines?

Sir HENRY THORNTON: It certainly is wherever we think it is a desirable thing to do,—not desirable but at least the only thing we can do.

Hon. Mr. EULER: Something like the Hudsons Bay railroad?

Mr. DUFF: They are not stopping that, they are going right ahead with it.

Mr. FRASER: I would like to ask a question about the Tete Jaune cutoff. You have not provided anything in this estimate for that?

Sir HENRY THORNTON: Can you answer that, Mr. Gzowski?

Mr. GZOWSKI: The Tete Jaune cutoff was designed originally for two purposes, one was to act as a double track through the heavy grade sections of the mountains and the other purpose was that, in addition, it could be used for a cutoff for the movement through Prince George and Vancouver without going up the steep grade through Redpass Junction. On our final surveys we discovered in order to get the best lines between the low grades between Prince George and the Vancouver movement that we could use very little of that line in the double track proposal, and in view of the lack of business in 1929, and in view of the Peace River outlet question, it was deemed advisable to leave it in abeyance—as a matter of fact, the real necessity for the double track was not there with the decreased business in 1929, so the expenditure was not made of course.

Mr. DUFF: There has been no expenditure at all on the line referred to by Mr. Fraser. That is in a little different position. What will happen as far as the contractors are concerned, if this line is not proceeded with? Will they have an action for damages against the railway?

Mr. GZOWSKI: They will have a claim for compensation in connection with the equipment for track laying and ballasting which was only partly used and had to be taken in and had to be taken out.

Mr. DUFF: If they stop the work and they take this equipment away and have to bring it back again will not that mean that it will cost the railway a large sum of money?

Mr. GZOWSKI: It will cost more. I do not know what the amount will be.

Mr. DUFF: Can you give me any idea how much it will cost? Will it cost $200,000 more?

Mr. GZOWSKI: I should not think anything like that.

Mr. DUFF: But it will cost something. They will have to be paid for taking the equipment away and bringing it back?

Mr. GZOWSKI: Yes.

Mr. HACKETT: Do you say that the amount provided by Statute was $500,000?

Mr. GZOWSKI: Yes, plus 15 per cent.

Mr. HACKETT: That is $525,000 in excess of the $3,500,000?

Mr. GZOWSKI: Yes.

Mr. HACKETT: Then you estimate that it will require $750,000 in excess of the $4,025,000?

Mr. GZOWSKI: No, sir. I was asked how much it would take to finish it beyond the $1,000,000 appropriation this year. The amount provided in the Bill was $3,500,000 plus 15 per cent. Our estimate at the present time figures we can do it for that amount of money.

Mr. HACKETT: I understand that there has already been provided two and a half million and there is another million?

Mr. GZOWSKI: That was the end of 1930.

Mr. HACKETT: And this estimate is another $1,000,000. That would exhaust the amount you referred to in the Bill less the 15 per cent, is that correct?

Mr. GZOWSKI: Yes.

Mr. HACKETT: And you estimate that it will take three-quarters of a million dollars in excess of the $3,500,000. The figure I aimed at was the total amount of the authority under the Bill which was $3,500,000 plus 15 per cent which I think is $4,050,000.

The CHAIRMAN: You state now, in other words, that the 15 per cent extra will about complete the enterprise?

Mr. GZOWSKI: Yes, if we went on with it now.

Mr. DUFF: No, it would only mean a difference of $175,000. If you estimate $3,500,000 plus 15 per cent then the difference between the total cost and the moneys available would be about $175,000.

Mr. HACKETT: No, no.

Mr. DUFF: Why not. You add the fifteen per cent, Mr. Chairman, if I know anything about figures to the $3,500,000, and that gives you $4,000,000 and something. Now, then, he says the total cost will be $3,500,000 plus $700,000.

Mr. GZOWSKI: No, sir.

Mr. DUFF: I asked how much more it would take beyond the $1,000,000?

Mr. GZOWSKI: And I said $700,000.

Mr. DUFF: Quite right.

Mr. GZOWSKI: What I wanted to come at was the $4,050,000. That is the total.

Sir HENRY THORNTON: The total estimated cost?

Mr. GZOWSKI: Yes.

Mr. DUFF: Will that be the total estimated cost?

Mr. GZOWSKI: We think we can do it for that money.

Mr. DUFF: And you say there is sufficient money provided in this $3,500,000 plus 15 per cent?

Mr. GZOWSKI: Yes.

Mr. DUFF: Well then, you have got enough money to complete it practically?

Mr. GZOWSKI: Yes.

Mr. HACKETT: What proportion of the job as a whole has been done? You have given the percentages of grading, rails and telegraph equipment. I want to know what proportion of the whole job has actually been done?

Mr. GZOWSKI: I cannot give you that figure offhand.

Sir HENRY THORNTON: I think I can answer that, Mr. Hackett.

Mr. HACKETT: Between 85 and 90 per cent?

Mr. GZOWSKI: No, less than that. It is 59 per cent. It comes to nearly 60 per cent taking the job as a whole, including fencing and telegraph lines.

Sir HENRY THORNTON: I understand Mr. Hackett's question to be the physical condition.

Mr. HACKETT: Yes.

Hon. Mr. EULER: With this $1,000,000 you have explained you are exhausting the appropriation of $3,500,000, and above that you have another 15 per cent. If you asked for $1,500,000 instead of $1,000,000 you could practically complete that road?

Mr. DUFF: That is it.

Hon. Mr. EULER: According to your statement?

Mr. GZOWSKI: Yes, I think so.

Mr. MACMILLAN: Where does the 15 per cent come in? How did they come to put in 15 per cent over and above the estimate?

Mr. GZOWSKI: That was a general practice that grew up. The Bill provides on the face of it for 15 per cent beyond the estimate.

Mr. DUFF: Might I ask, have you made a contract for sufficient rails for the whole of this line?

Mr. GZOWSKI: You mean for the rails themselves?

Mr. DUFF: Yes.

Mr. GZOWSKI: Those have been provided by the railway and they are on hand.

Mr. DUFF: You have got the rails?

Mr. GZOWSKI: They come within the system.

Mr. DUFF: So all you need is a little labour to complete this work?

Mr. HEAPS: Can I have information as to what the prospects are on this line at the present time so far as traffic is concerned?

Mr. DUFF: It is in the lap of the gods.

Mr. HEAPS: We might as well have all the facts. I want them all.

The CHAIRMAN: If the committee will permit me we will let that question stand for another day. It is ten minutes to one o'clock. I want the members of the committee to remain for a few minutes, and I also want Sir Henry, Mr. Grant, Mr. McLaren, and Mr. Roberts to remain, and any member who desires can also remain.

The committee adjourned to resume at 4 p.m.

AFTERNOON SITTING

The committee resumed again at 4.30 o'clock p.m.

The CHAIRMAN: We have been over the first page of the statement of the estimates of financial requirements, and we have the details before us now. If there are any questions to come up in connection with these items, they should be asked now.

Mr. DUFF: Mr. Chairman, I was asking before the adjournment for some information about the railway from Sunnybrae to Guysboro. The chief engineer told us just before the adjournment that the rails had been purchased for the whole sixty-seven miles, and I would like to ask him if the sleepers and the iron bridges have also been purchased or contracted for?

Mr. GZOWSKI: Yes, they are purchased.

Sir HENRY THORNTON: They are available.

Mr. DUFF: What about the iron bridges?

Mr. GZOWSKI: The majority of them are second-hand bridges.

Mr. DUFF: You have sufficient bridges ready for the work to be completed?

Mr. GZOWSKI: Yes.

Mr. HEAPS: How much has been laid?

Mr. DUFF: Twenty-three miles. I would also like to ask Sir Henry if, when chapter 34 of the Acts of 1929 was passed, in the year's estimates, or in the subsequent years' estimates, the amount required to complete this road was included?

Sir HENRY THORNTON: I am not sure I can identify that Act under that particular designation.

Mr. DUFF: That would be for the Sunnybrae-Guysboro Railway, chapter 34, 1929?

Sir HENRY THORNTON: I do not remember offhand. Mr. Gzowski or Mr. Hungerford could possibly answer that question, whether the appropriation carried the full amount necessary to complete the road, or whether it was just the amount intended for that year.

Mr. GZOWSKI: The whole amount included.

Mr. DUFF: The amount really has been voted by parliament—in the appropriations for the railways?

Mr. GZOWSKI: That is quite correct.

Mr. DUFF: There should be no question about finishing the road then.

Mr. HEAPS: If Mr. Duff is through asking about the original estimate for the construction of the roads, I would like to have a statement as to the prospects of this road being able to carry itself, and what the earning power of this proposed sixty miles of railway is?

Sir HENRY THORNTON: Mr. Heaps, the record on this subject is in Montreal, and I have telephoned for it; it will be here in the morning.

Mr. HEAPS: I will postpone any further questions until we have the report here.

Mr. DUFF: I may say that we had all that information before the Bill was passed in parliament.

Mr. HEAPS: There has been a great deal of water passed under the bridges since 1929.

Mr. DUFF: I suppose that is likely. The railway runs across the St. Mary's river.

Hon. Mr. MANION: I was wondering if I understood you to say that the full amount had been passed. Was that what I understood?

Mr. DUFF: If it had been arranged in the railway estimates after the Act had been passed by parliament—did the railway arrange for sufficient money?

Hon. Mr. MANION: Did he say yes?

Mr. DUFF: He did.

Hon. Mr. MANION: I do not think that is correct. I do not want Mr. Duff tackling me on the floor of the House for tying his railway up.

Mr. DUFF: I would like you to tie it together.

Hon. Mr. MANION: It will need some tying together from what I hear. The estimate was for three and a half million dollars, according to the Act; and it was to be done by what date?

Sir HENRY THORNTON: August, 1932.

Hon. Mr. MANION: That simply authorizes the building of that line at a cost of that much by 1932. It authorizes it. Up to the end of last year there was $2,411,000 spent which left $1,613,000 to spend. Now, the estimates this year were a million, and there is $613,000 of a balance which will be left for next year. I desire to straighten that out so that there will not be any misunderstanding.

Hon. Mr. EULER: You are forgetting the 15 per cent.

Hon. Mr. MANION: There is $4,025,000. That includes the 15 per cent. Then there is $615,000 for next year.

Mr. DUFF: That is too late. I am trying to show Sir Henry Thornton and the minister that under the Act it must be completed.

The CHAIRMAN: Probably we can make more progress by having these items read out individually, and if there are any questions arising from each, we can go on with those questions. We are not making as much progress as I would like. Take the items one after the other.

Sir HENRY THORNTON: The first page represents the general and major items which make up the Budget.

The CHAIRMAN: There is an expenditure here of $68,000,000. The Bill is being looked into now. Are there any other questions in regard to these items?

Mr. BOTHWELL: In connection with that exhibit " U ", I would like to ask what work is proposed to be done on that Mawer, South West Branch. It is estimated at $20,000?

Mr. GZOWSKI: There is some fencing, and there are some buildings, and a few odds and ends. That is all.

Mr. BOTHWELL: That only carries the railway as far as Main Centre?

Mr. GZOWSKI: Fifteen miles.

Mr. BOTHWELL: And in connection with Neidpath-Swift Current, does that include freight sheds? $285,000?

Mr. GZOWSKI: No.

Mr. BOTHWELL: What work is included in that?

Mr. GZOWSKI: About one mile and a half of grading at the Swift Current end, and the first lift of ballast. That is as far as the money goes on that line.

Mr. BOTHWELL: I understood some time ago that in order to complete that road only $106,000 was required, including freight sheds?

Mr. GZOWSKI: You mean beyond the amount?

Mr. BOTHWELL: I do not know whether it was beyond that amount or not.

Mr. GZOWSKI: It was, of course.

Mr. BOTHWELL: There is no intention this year of connecting up with the C.P.R. in order to get that line in operation?

Mr. GZOWSKI: Yes, the track will be connected up with the C.P.R.

Mr. BOTHWELL: Will that put it in operation?

Mr. GZOWSKI: We can put it in operation, yes.

Hon. Mr. MANION: How much did you say it would require?

Mr. GZOWSKI: Well a limited operation—we provided for the first lift of ballast in that figure. It will not complete the line entirely, but we will be able to put it into limited operation. We will ask the board to give us limited operation. That means that it will probably specify certain miles per hour that we can operate over it.

Mr. MCGIBBON: May I ask, if I am in order, what will be the probable yearly expenditures on these roads for the next five years. I see there is a net expenditure here for annual requirements of sixty-eight and a half million dollars. There is the yearly requirement of $104,000,000. Will that be kept up, or increased or decreased?

Sir HENRY THORNTON: You are speaking now of what might be described as general additions and betterments chargeable to capital?

Mr. MCGIBBON: Yes.

Sir HENRY THORNTON: Expenditures?

Mr. MCGIBBON: Yes.

Sir HENRY THORNTON: The only way I can answer that question is in this way: that up until the present year we were obliged to incur enlargements, quite large capital requirements in order to bring the transportation machine known as the Canadian National Railways into a reasonable state of efficiency. Now, the major part of those expenses is behind us. I should say that the trend of capital expenditures on account of additions and betterments for the next five years will certainly be less than the preceding five years, or the five years just past. The trend of capital expenditures on this account should be decreasing rather than increasing.

Mr. MCGIBBON: Could you make a guess as to what they would be annually?

Sir HENRY THORNTON: That is a pretty difficult thing to do off the bat, Doctor, without giving it some thought. I would much prefer before answering that question to discuss it with Mr. Hungerford and some of the others.

Mr. MCGIBBON: That is quite satisfactory. What I had in mind—

Sir HENRY THORNTON: I do not want to give a running jump estimate which might turn out to be inaccurate. In any case it is a difficult question to answer.

Mr. MCGIBBON: To my mind, the thing that has caused me a lot of worry in regard to rapidly increasing operations is the fact that there is only so much business to be done in the country, and it does not look as though, within the next five or ten years, it will increase very much outside of general betterments, now taking the large capital expenditures present, how far would you say it would increase that with reasonable safety?

Sir HENRY THORNTON: I do not think we ought to spend anything on capital expenditure not absolutely essential during the present period, or, in fact, at any time at all until we get into a position which will enable the Canadian National Railways to carry the interest on its capital investment with reasonable safety to the finances of the Dominion. You expressed anxiety, and I can quite understand your anxiety, and I can assure you and every other member of the committee that the officers and myself share that anxiety.

Mr. MCGIBBON: I have not any doubt at all.

Sir HENRY THORNTON: I think it is only fair to say also that because there have been certain capital expenditures in the last eight years, that those capital expenditures are not going to proceed on anything like that scale for the next eight or ten years, because a great deal of this work which is represented by capital expenditures is over and behind us. The condition is very much like that of a man who has a house in a state of partial dilapidation, and he has to spend a little money to put it in a better state. He does that with the feeling of confidence that for ten years he will have a holiday; he will not have to make many repairs in his house.

Hon. Mr. EULER: Will that apply to the Montreal terminals? I think you have an item of $8,000,000?

Sir HENRY THORNTON: That is another thing which is a statutory appropriation, and that, of course, will have to continue. In that connection, when that is completed, as I have said before, and will repeat again, that investment will more than carry itself with reduction in expenses, and increased savings. There are many who disagree. There are some that look at $50,000,000 and say that is $50,000,000; it is spent, and you will not get a penny back. Most of them think of a large and handsome passenger station which will bring no return. On the other hand, I have tried to point out that there are certain very definite economies which will result from the construction of that station.

Hon. Mr. EULER: I think it would be interesting to have a little information on that.

Sir HENRY THORNTON: We have said over again; it was said before the Railway Committee at the time the appropriation was made, and it has been said since. Since you are on that subject—I do not want you to take my word for it—you may regard me as a prejudiced witness—but I would like you to hear what Mr. Hungerford has to say because he has had a large part in the completion of that arrangement, and he is charged with the expenses of the operating department. Perhaps you would like to hear Mr. Hungerford's viewpoint on the subject, briefly. So, if there is anything you would like, go as far as you please.

Mr. HUNGERFORD: Well, so far as reduction of operating expenses is concerned, we are satisfied that there will be a moderate amount. The principal item of advantage in connection with the Montreal Terminals, particularly that portion relating to the Central Station, is the development of space for commercial buildings, that we are satisfied will bring a very handsome return.

There are about 550,000 square feet of space available on top of the railway itself, and with the valuation of the surrounding properties it runs into a very handsome figure. That will not be realized immediately, of course; it will depend upon the trend and direction of building; but it is a most desirable site in Montreal, perhaps the best, and with the development of the past few years, it seems but a few years until that will be wanted.

Mr. HANSON: After all, Mr. Hungerford, is not that only a collateral advantage and not an advantage which arises directly out of the railway management?

Mr. HUNGERFORD: True, but we not unreasonably can expect that condition of affairs. It is on all fours with the development in connection with the New York Central in New York city, which we are informed bears a very high rate on their investment.

Mr. HANSON: You would not compare New York with Montreal?

Mr. HUNGERFORD: But proportionately.

Sir HENRY THORNTON: An estimate was made some time ago, a summary of the tangible benefits accruing from the construction of the Montreal Terminals, and I will ask Mr. Hungerford if he has that in some detail, and if so whether he will read it?

Mr. HUNGERFORD: No, I have not got it.

Sir HENRY THORNTON: I mean Mr. Fairweather?

Mr. FAIRWEATHER: I may say, I made a careful study of the economies of the Montreal Terminals and drew a picture as at the end of five years and at the end of ten years; because you will readily understand, in connection with such a large undertaking as this, it takes time to demonstrate the economies and the earning capacity of the capital.

Five years after the end of the construction of the Terminal and the co-ordination of the Canadian National facilities in and around Montreal, the estimate is as follows:—

Aerial rights	$500,000
Better passenger facilities	100,000
Co-ordination of freight facilities, a very important item	200,000
Electrification of the terminals, which will be made possible by the new terminal scheme	225,000
Additional freight, due to the fact that we will have thrown into intimate contact with our railways in Montreal industrial territory, particularly in the East end of the city where we are now at a very great disadvantage in servicing industry	900,000
Construction of the belt-line	95,000

That is only a partial estimate of the economies of the belt-line, because many of the other items are also reflected in that. That is, the $900,000 additional freight reflects a belt-line, and also the $200,000 from co-ordination of the freight facilities of the belt-line. But the economies at this point, in connection with the construction of the belt-line, reflect the economies in the transport of freight from one side to the other side of the City of Montreal by the construction of the belt-line. We will save $95,000 by that single item.

At the present time our office space is scattered all over the city of Montreal, and naturally there is a loss of efficiency from that.

The total is $2,205,000, as Sir Henry stated, at the end of five years.

Mr. HANBURY: That will be the yearly saving, at the end of five years?

Mr. FAIRWEATHER: Yes. At the end of ten years, if the trends which are indicated in the city of Montreal—I may say that I have examined those trends carefully for a period of thirty years in the past—are sustained, and I confidently believe they will, because I can see no reason why Canada is going to stop in the very measured degree of progress which she has had to date; and if that is continued, those economies and revenues accruing from the construction of the Montreal Terminals may reach a total of $5,500,000 yearly, which, as you will see, is nearly 10 per cent upon the invested capital.

That is from the railway point of view, but in addition to that, from the point of view of the country at large, there are other factors. For instance, to the city, there will be an estimated advantage of $200,000 a year, which is due to the elimination of traffic congestion inside the city, due to the fact that we have provided additional streets and have provided grade separation at the main traffic arteries by which business is handled.

Mr. HANSON: It will be interesting to know how you reduce those two terms to dollars and cents?

Mr. FAIRWEATHER: I can go into that.

Sir HENRY THORNTON: Yes, let us tell everything we know.

Mr. DUFF: We would be here all summer, wouldn't we?

Sir HENRY THORNTON: Thank you, Mr. Duff.

Mr. FAIRWEATHER: This question of aerial rights; as Mr. Hungerford says, there are some 550,000 square feet available for leasing; and I have made a careful study of the value of land in the City of Montreal. I have a graph in this pamphlet, which shows that, and I think it will be very interesting to the members of the committee.

Mr. HANSON: By aerial rights, you mean ground rights?

Mr. FAIRWEATHER: The leasehold value of the property which will not be actually used by the Canadian National Railways.

I have here a graph which shows a cross-section of real estate values in the City of Montreal, extending along St. Catherine and Sherbrooke streets, from Elmhurst, which is at the extreme westerly end of the city, through to the extreme easterly end of the city, where I have several streets here, Dickson, DeBoucherville and Gauthier.

The interesting thing is that in the vicinity of our Montreal Terminals the assessed value of land is $70 per square foot. That is the assessed value of the land.

I think, Sir Henry, perhaps if this were passed around to the members of the committee it would show very clearly the possibility of developing aerial rights.

Sir HENRY THORNTON: Have you additional copies of that pamphlet?

Mr. FAIRWEATHER: I have not got them here, sir. We can get them.

Sir HENRY THORNTON: I was wondering if the committee would like us to send and get, by to-morrow, a sufficient number of copies of it for the members of the committee to look over and then to formulate any questions they would like to ask in connection with that?

Mr. HANSON: I think Mr. Fairweather had better go on with the statement and we can perhaps grasp it.

Mr. FAIRWEATHER: The site of our new Central Terminal is located directly in the City of Montreal where real estate values are at their maximum in the uptown section. I may say that I got into trouble once before by

quoting certain street locations in Montreal. Certain people in the real estate game promptly put my name in four-foot letters with the intention of showing how valuable their property was.

The intersection of Peel and St. Catherine represents the peak of assessed valuations in the City of Montreal, as $70 a square foot, in the uptown section. Our Central Station area is within a thousand feet of that; and as a matter of fact, the St. Catherine values directly opposite our station are $50 a square foot.

On land worth $50 a square foot you can develop aerial rights, because that represents a rental value of about $3 to $5 a square foot; and on a basis such as that you can develop aerial rights. Aerial rights, of course, cannot be developed on low class real estate, that would be folly; and even to claim that aerial rights would develop, for instance, down in our Bonaventure area, where land values run somewhere in the neighbourhood of $3.50 to $4 a square foot, would be ridiculous.

Hon. Mr. EULER: Just what do you mean by aerial rights, because we do not use that term up our way?

Mr. FAIRWEATHER: That is a right to construct a building over railway facilities.

Sir HENRY THORNTON: Perhaps I can make it quite clear, Mr. Euler, by this statement: We were obliged to buy a large area for the purpose of constructing railway facilities beneath the street level. It is quite feasible to impose above that street level buildings of any height that might be desired.

Hon. Mr. EULER: Like the New York Central Station?

Sir HENRY THORNTON: Precisely what the New York Central did in New York and possibly in Cleveland and other places. In other words, if you have to buy the property, you use what is underground for railway purposes and develop what is above ground for building purposes. That is a fair way of putting it.

Mr. FAIRWEATHER: In other words, you have to have high land values before you can have these aerial rights.

Sir HENRY THORNTON: High land values are indicative of desirability of location.

The CHAIRMAN: What was the area you mentioned?

Sir HENRY THORNTON: About 550,000 square feet.

The CHAIRMAN: According to that you have something about $35,000,000 of aerial rights.

Mr. HANBURY: Mr. Fairweather, is that assessed value the assessment of the Corporation?

Mr. FAIRWEATHER: No, that is the assessed value of the property. I am informed that they assess at approximately two-thirds of the actual value.

Hon. Mr. EULER: If it is not asking too much, could the committee have what it cost per square foot for this land?

Mr. HEAPS: Could the committee have that, if it would not cost too much?

Mr. FAIRWEATHER: If you examine values in large cities, you will find that contiguous to high-class retail and financial districts, there are what are technically known as blighted zones, zones where because they have been neglected they have depreciated in value. The land, if it is made available by proper development, will become just as valuable as the better land.

Mr. DUFF: As adjoining lands?

Mr. FAIRWEATHER: As the property which is adjacent to it and which has value. I can give one instance of it to my own knowledge from Detroit. The

lower end of Woodward Avenue was a blighted zone, and that has been rejuvenated by the construction of modern buildings, and the people who did it, of course, reaped a very large benefit.

Similarly, you have a blighted zone in and around the ground of the Central Terminal in New York, at the time when the New York Central proceeded with their development work. That was a blighted zone.

Mr. DUFF: That was a market place?

Mr. FAIRWEATHER: It was. And in Montreal, on the site of our terminal properties, you had a somewhat similar condition. Dorchester Street was an old residential street, parallel to St. Catherine Street, a street which was jumped over when the development went up from St. James to St. Catherine Street; it was sort of a backwater; and the result was that we did not pay anything like this valuation for the land when we purchased. But my statement is that having regard to the fact that that land is contiguous to the highest class real estate in the City of Montreal, with the provision of new streets and the supervision of the type of construction which will go up on that land, the property can be taken out of the category of blighted zone and be put into the classification of a high-class property. All these old and disreputable buildings are torn down.

I can give you another instance in Cleveland.

Mr. MCGIBBON: What Mr. Heaps asked, and which you are talking all around, is what you paid for it?

Mr. FAIRWEATHER: I do not know just what we paid for it.

Sir HENRY THORNTON: I think Mr. Brown can give you that information.

Mr. BROWN: Of course there were various prices paid for the various properties, depending upon their location and the buildings around them. The average cost of the property on which the Central Terminal is being located was about $7.50 a foot.

Mr. MCGIBBON: Did that include the buildings on it?

Mr. MCMILLAN: Could you give us what it cost in dollars?

Sir HENRY THORNTON: Mr. Brown will make a note of it.

Mr. HEAPS: I noticed last week, when there were some expropriations in the City of Montreal, the prices were quoted as being much lower than what the people wanted. I have got what I wanted.

Mr. GRAY: Sir Henry, is there any salvage from that part of the property, or did you just tear it down?

Mr. BROWN: We got a certain amount of salvage in selling the old buildings, but that was a very small amount.

Mr. HACKETT: That was negligible, was it not?

Mr. BROWN: Yes.

Mr. MCGIBBON: What would be the cost of improving it per foot?

Sir HENRY THORNTON: The cost of improving it per foot, I suppose, would be whatever the railway facilities cost which will be built upon the property. I do not know that I could translate that into a figure per foot.

Mr. MCGIBBON: What is the cost of clearing this stuff off?

Mr. BROWN: Oh, I could not give you the figures on that. I can get them. We were able to sell the buildings at a profit. We did not have to pay to have them torn down, as has occurred in some other cases.

Sir HENRY THORNTON: But the truth is that after all we break even on the proposition?

Mr. BROWN: We more than break even, Sir Henry.

The CHAIRMAN: Does the assessment in Montreal take in land values and building values separately? Would it be possible when preparing the memorandum to give us the ground value or the land value?

Mr. LABELLE: It would be possible to do it off the actual rolls. But if you ask for a property which was bought, for example, in 1927, you will have to go to the city. All we have is the value of the land at the time. We could have all the values for this year and it may be for 1930 without applying for a special permit from the City.

Mr. DUFF: Would the buildings and lands be separate on the tax rolls?

Mr. LABELLE: When the bills are sent to the tax-payers, they have only the one sum; but when you go to the City for it you get it separately.

Mr. HEAPS: Could we get the assessed value of the property taken by the Canadian National? If you will get the total value of the assessment of the property which you purchased for the improvements, and then get the amount which you actually paid for it?

Mr. DUFF: The assessed value usually includes the building as well as the land.

Mr. HANBURY: Mr. Chairman, I understand that the $50,000,000 contemplates the construction of commercial buildings also?

SIR HENRY THORNTON: No, that only includes the station itself, which will be mostly under the street level; and superimposed upon that will be an office building in which will be housed all the office force of the Canadian National Railways, which are now scattered about Montreal in some ten or twelve buildings. That is the only building which the Canadian National proposes to build itself. The remaining surface area it proposes to lease to those who may wish to construct buildings upon it upon terms which we think will be profitable.

Mr. HANBURY: What about the freight facilities? Where will they be?

SIR HENRY THORNTON: They will be in the vicinity of Bonaventure, which is now known as the Bonaventure Passenger Station, and the property which we have occupied there for some years will be for freight houses, etc.

Mr. HANBURY: You contemplate erecting new buildings there, don't you?

SIR HENRY THORNTON: Can Mr. Brown answer that question?

Mr. BROWN: The freight building on the Bonaventure property is not included in this.

Mr. HEAPS: What will be the cost of that new freight building on the Bonaventure site?

Mr. BROWN: About $400,000.

Mr. HEAPS: When the value is ascertained as to the assessment and the amounts paid, those obtaining the information should obtain also the method of assessment by the City of Montreal; that is whether they assess land at half its valuation and the buildings at half, or at a higher valuation.

Mr. HANSON: Was there not an expropriation blanket plan filed on all this property?

SIR HENRY THORNTON: Speaking from memory, we realized that if this plan was revealed to the public generally prior to expropriation being filed, there would be an effort made certainly to raise the value of the properties unduly; whereupon, to protect the company, we filed expropriation plans for all the property which we proposed to buy in this vicinity and in connection with this project. Does that answer your question, Mr. Hanson?

Mr. HANSON: I thought you did?

Mr. MCGIBBON: Can you tell me about what is the total which you paid for the land which you now own in connection with that site in Montreal?

Sir HENRY THORNTON: We will have a note made of that and get that information for you for to-morrow or the next day.

Mr. HANBURY: Is it anticipated that there will be an over-expenditure of this $50,000,000?

Sir HENRY THORNTON: No, there is not any such anticipation.

Hon. Mr. MANION: Then the opinion of the late Minister of Railways was at fault, because he assured us that it would cost more than $80,000,000. He is on record, as far as that is concerned.

Sir HENRY THORNTON: I am not aware of what the late Minister of Railways may have said. We have only our engineer's estimates.

Mr. HANSON: You know what the record has been, for instance, in connection with the harbour at Montreal?

Sir HENRY THORNTON: I would not like to be classified with that. What evidently is in the minds of many of the members is that this estimate for the Montreal Terminals is just a pass estimate which is open to all of the frailties and alterations which sometimes accompany engineers' estimates. But, as far as this particular case is concerned, Mr. Hungerford, Mr. Brown and myself were personally involved in this matter, and our personal reputations were at stake; and we were exceedingly careful in the preparation of these estimates, to be perfectly sure that we were on the safe side; and I can state to this committee, and I believe Mr. Brown and Mr. Hungerford will bear me out, that the amount named represents what this terminal is going to cost, and nothing more.

Hon. Mr. MANION: My remarks were based entirely upon the speech made by the late Minister of Railways at the time the vote for the $50,000,000 was made.

Sir HENRY THORNTON: That may be; but all that I can say is that if the late Minister made that statement I disagree with him.

Mr. CANTLEY: In buying, did you buy only what you needed for your present plans?

Sir HENRY THORNTON: Generally, that might be answered in the affirmative. If we had bought only what we wanted, the price would have been quite beyond reason. I wonder if Mr. Brown could answer that question?

Mr. BROWN: We have avoided the severance in some cases, as being more reasonable and economical and have taken the lot. We believe we will be able to get a salvage from those severances here and there which we secured. You understand that in putting a line through a city, you cannot lay it down according to the sub-division of lots in the city, but you have to go according to the line of the railway, and sometimes you will take half or three-quarters of the lot, and then when you settle with the owner you find it advantageous to take the whole of the lot rather than to settle for damages for the remainder.

Mr. MCGIBBON: Were there any other estimates made, Sir Henry, than that by yourselves?

Sir HENRY THORNTON: I think almost everybody in Canada has made estimates about the Montreal Termini. The only estimates that we are prepared to stand by are the estimates of our own engineers, and I am not sure whether those were checked by any outside engineers, by outside opinion, or not.

Mr. MCGIBBON: Did Mr. Comar go over the estimates?

Sir HENRY THORNTON: He went over the estimates in a general way, and my recollection of his experience is that he is one who has some knowledge of Montreal, because he has been in Montreal several times; and he recommends the estimates as being satisfactory.

Mr. BEAUBIEN: Mr. Chairman, if we are through with the Montreal Terminal, may I ask a question in regard to Exhibit U, Western Region, that is the $3,020,000; does that include the amount of money you are going to spend in the Western Region on the railway lines?

Sir HENRY THORNTON: Yes.

Mr. BEAUBIEN: I understand that the railways are making a survey for a so-called cut-off?

Mr. GZOWSKI: A survey has been made and a report was made to the Department.

Mr. BROWN: Surveys have been made.

Mr. BEAUBIEN: Will that report be a public document?

Hon. Mr. MANION: It will be a public document. I have not seen the report as yet. I asked them to make a report, but that was done for the Government and not for the railway itself. It was done at my request. The Deputy tells me he has the report, but I have not seen it. It is very recent.

Mr. HANSON: Have we finished with A, B, C and D?

Mr. HEAPS: Mr. Chairman, you suggested earlier in the afternoon that the committee take them up item by item. We have been jumping around, and I suggest that if we kept within the terms of your ruling we might make better headway.

The CHAIRMAN: If Mr. Fairweather will read out item by item, we will get back to where we should be.

Mr. HANBURY: Mr. Chairman, does the Montreal Terminal come among these items?

Hon. Mr. MANION: Yes, it is at the bottom, under statutory.

Sir HENRY THORNTON: Mr. Hanbury, at the bottom you will find under By Statute, the Montreal Terminals $8,000,000.

Mr. HANBURY: In the year's estimates you provide for $8,000,000. What is the total amount expended to date?

Hon. Mr. MANION: $8,000,000 last year, I think, is the figure to the end of 1930.

Sir HENRY THORNTON: $8,614,497.31.

Mr. HANBURY: How long will it take to complete the work?

Sir HENRY THORNTON: That depends upon our speed. Originally we had hoped to get it finished in four years. My recollection is that the estimate was five years, but we hoped to beat that by a year. Now, with conditions as they are and with the situation which confronts us, how fast we will proceed must necessarily depend upon the financial position of the railway and the government. That is about the only answer I can give you.

Mr. HANBURY: Can you tell us what proportion of the dollar expenditure so far has been for labour?

Sir HENRY THORNTON: Necessarily, for the first year, the largest expenditure would be for real estate, and that is represented by $6,500,000. Now there is grading and bridges, elevated structure and track laying, surfacing and so on, all of which represent a large amount of labour; as to how much is labour, I do not know. How many men, Mr. Brown, do you suppose to-day are employed on the Montreal Terminals?

Mr. BROWN: I think in the neighbourhood of 1,200.

Mr. MCGIBBON: Are you doing it by day's work?

Mr. BROWN: No, practically all the work is being done by contract.

Mr. MACMILLAN: Somebody made the statement that the valuation of this land is $70 per square foot, and that other lands in this area are worth $50 per square foot.

Mr. FAIRWEATHER: What I said was that the assessed value of land on St. Catherine street, within 1,000 feet of our Central Station and within less than 500 feet of the fringe of the territory which we own, has an assessed value of $70 per square foot. I also said the land on St. Catherine street immediately north of our Central Station property had an assessed value of $50 a square foot.

Mr. MACMILLAN: What frontage would you have along there?

Mr. FAIRWEATHER: Our frontage on St. Catherine street is very small, in fact I do not think we have any, but down at Cathcart street we have a big block extending from there across to St. Antoine street. St. Catherine street is one short block away.

Mr. MACMILLAN: What would be the length of that?

Mr. BROWN: About 650 feet.

Mr. FAIRWEATHER: I think what is wanted is the distance from St. Catherine street to Cathcart street, and that is less than 200 feet. Cathcart street parallels St. Catherine street.

Sir HENRY THORNTON: Mr. Fairweather referred a moment ago to the increase in the value of property adjacent to passenger stations and public buildings, and he gave you some examples of that. I have an example in mind which may be of interest to you. Some years ago, some decades ago, the Pennsylvania Railroad moved their general offices from Third street, which is down in the business heart of the city, what would correspond to the St. James street district in Montreal, to the corner of Broad and Market streets. They moved all of their offices up there and put them in what is known as their Broad Street Station, enlarging the station for that purpose. Broad street would correspond to Sixteenth street, so that it was thirteen blocks away. Up until that time, it was a semi-residential and semi-business district; it was neither one nor the other. Properties were of no particular value, and there were no banks or business houses to speak of in that vicinity. To-day the area within three blocks of that station is covered with important office buildings and banks, and to a very measurable degree the financial district, the business district of Philadelphia has moved from Third street up to Broad street, with the corresponding increase in the value of the station properties. That is merely an illustration of what happens in large cities when an important structure is built in any particular district.

Now, we anticipate that something pretty much of the same kind will happen in Montreal, and that upon the completion of this passenger station and the completion of the Sun Life Building—because just adjacent to our passenger station the Sun Life is building a very large and handsome building, and we anticipate to a very measurable extent the financial district will move from St. James street to somewhere in the vicinity of our new station. That has been the history all over the world. You will find the same thing taking place in New York. You will find the uptown district around the old Waldorf building, upon the site of which has been built the New Empire building, and that office buildings and banking institutions are putting offices there which twenty years ago were never dreamed of.

The CHAIRMAN: Are there any questions which you desire to ask in respect to the Eastern Lines requirements? Let us get through these items.

Sir HENRY THORNTON: The next item after that. Go ahead, Mr. Fairweather. We have read all of these off, and it is just a question of the members of the committee asking for detailed information.

Mr. FRASER: What about the Northern Alberta railways? What is that item for?

Sir HENRY THORNTON: Mr. Fairweather will answer that question by reading off the items which represent the amount to which you have referred.

Mr. FAIRWEATHER: It is understood that we are only 50 per cent proprietors of the Northern Alberta railways. Here is a statement of the proposed capital expenditures on the Northern Alberta railways in 1931. They total $352,973, which is just twice the amount indicated in our budget; and that is made up of right-of-way, $14,500; bridges, trestles and culverts, $83,000; right-of-way fencing, $26,550; crossings, $7,000; roadway buildings, $3,300; water supplies, $26,000; station ground, $8,000; raising grade at Swan River crossing, $10,000; equipment, and general unforeseen, $75,000. That is the total capital expenditure provided.

Mr. HACKETT: Is that the railway which you bought with the Canadian Pacific railway?

Sir HENRY THORNTON: That is the railway which we bought jointly with the Canadian Pacific railway.

Mr. FRASER: Did I understand that you said something about right-of-way?

Mr. FAIRWEATHER: The right-of-way is $14,500.

Mr. FRASER: What extensions are contemplated there?

Hon. Mr. EULER: That involves the whole Peace River question.

Mr. FRASER: Oh, no, that does not involve the Peace River question.

Hon. Mr. MANION: Before you get away from the Northern Alberta, would you mind telling us what were the operating expenses and revenue of the two railways after purchasing that road?

Mr. FAIRWEATHER: The operating results of the Northern Alberta railway for 1930 were:—

Operating revenue	$2,253,739 27
Operating expenses	1,952,389 70
Railway tax accruals	22,000 00
Railway operating income	278,000 00
working down to a total operating income of	271,000 00

And then, after deductions for interest, net income—

Hon. Mr. MANION: I did not want all that detail.

Mr. FAIRWEATHER: In 1930 the loss was $1,027,904.12, with the Canadian National Railways' 50 per cent portion of that being $513,952.06.

Mr. FRASER: Was there an operating profit?

Sir HENRY THORNTON: Yes.

Mr. MCLAREN: $301,349.57.

Mr. FRASER: Are you sure that is not gross revenue?

Hon. Mr. MANION: There is something wrong about that.

Sir HENRY THORNTON: What was the net revenue or difference between gross earnings and expenses?

Mr. MCLAREN: $301,349.57.

Mr. FRASER: So that it paid its operating expenses and a little more?

Sir HENRY THORNTON: By $301,000 odd.

Mr. FRASER: Was there an increase of operating revenue for the year?

Sir HENRY THORNTON: There was an increase of $21,500.

Mr. FRASER: How many miles of new road did you construct last year?

Hon. Mr. MANION: Where then did you get your $1,000,000 loss?

Mr. FRASER: Interest.

Hon. Mr. MANION: The purchase price was only around $8,000,000, was it not?

Mr. FRASER: No, some $26,000,000.

How many additional miles of road did you build last year?

Sir HENRY THORNTON: Sixty-five miles.

Hon. Mr. EULER: I suggest that we follow the Chairman's original idea and proceed down the list and clean up as we go along.

The CHAIRMAN: I was trying to bring you to it, when I asked you if there were any questions to be asked in respect to the Eastern Lines. If you are through with that, we will pass on. That is in the middle of the large appropriation of $68,000,000.

Sir HENRY THORNTON: You will find an item of Eastern Lines Requirements.

Hon. Mr. EULER: Take for example other financial requirements such as the acquisition of securities, $150,000. Have we a hotel in the West Indies, and where?

Sir HENRY THORNTON: No. That is represented by a second mortgage on the hotel property of $150,000, and that was authorized by Order in Council December 6, 1930.

Hon. Mr. MANION: May I point out to the committe, since the date is given, that that arrangement was made before this government came into power.

Mr. HEAPS: You do not have to apologize.

Hon. Mr. MANION: Unfortunately, I have to apologize, because the hotel is broke.

Mr. HANBURY: What is the investment? Where is this investment?

Hon. Mr. MANION: We are only part holder. Jamaica has an investment in that hotel of about $300,000, wasn't it, Sir Henry?

Sir HENRY THORNTON: $200,000.

Hon. Mr. MANION: They put more in later—$75,000.

Sir HENRY THORNTON: Yes, they did.

Hon. Mr. MANION: They have put $375,000 on a first mortgage, and the Canadian National Railways pledged itself before we came into power at all to go into it. Frankly, I do not mind saying that if it had not been for the pledge of the Canadian National Railways we would not have agreed to it; but the Jamaica Government being associated with them, we thought it was more or less of a governmental responsibility, and we agreed to advance the money, and that is why the Order in Council was passed. Unfortunately, apparently business has not been good in the hotel, and the hotel is to-day in financial difficulties.

Sir HENRY THORNTON: The hotel is suffering, along with everything else in the world. We went into the thing primarily on account of our steamship services—the run down to Kingston—and also the fact that the United Fruit Company, an important competitor in the matter of banana shipments, were largely interested in another hotel.

The Jamaica government was exceedingly anxious that there should be another hotel built at Constance Springs. That is some six hundred feet above sea level, and is cool and agreeable, and an altogether desirable place for a hotel. So, having regard to our commitments in the so-called "Lady Boats," and the further fact that the Jamaica government were willing to put up some $200,000 more to secure the hotel there, we recommended to the government that we should also assist in the proposal, and we did, as Dr. Manion has explained.

Mr. HEAPS: Who operates the hotel?

Sir HENRY THORNTON: The hotel was under the operation of the United Hotel Company who also put a large amount of money into it. I do not remember how much, but I think it was something like $300,000.

Hon. Mr. MANION: I think it was $50,000.

Sir HENRY THORNTON: They put in a substantial amount. They guaranteed the interest held by the Jamaica Government.

Mr. HANBURY: The Jamaica government is first security?

Sir HENRY THORNTON: Yes.

Mr. HANBURY: Was that arrangement made between the Jamaica government and the government, or was it made by the Canadian National Railways with the Jamaica government?

Hon. Dr. MANION: The government had nothing to do with it.

Sir HENRY THORNTON: I do not think the government had anything to do with it. It was not this government. It was the previous government.

Hon. Mr. MANION: The obligation was made on the representations of the Canadian National Railways.

Sir HENRY THORNTON: It was made on the representations of the Jamaica government to the officers of the Canadian National Railways. We in turn discussed the matter, and then presented the proposition to the government of the day. Don't imagine for a moment that the Canadian Government has any obligation in this thing at all.

The CHAIRMAN: It is the road's responsibility.

Hon. Mr. EULER: The next item is a very big one, and is in detail in exhibit " F." I think we might look at that. It is for an amount of $20,000,000.

Mr. HACKETT: Is the company interested in any hotels other than this one, outside of Canada?

Sir HENRY THORNTON: No.

Mr. HACKETT: I know something of the hotel Scribe.

Sir HENRY THORNTON: The Canadian National Railways is interested in no other hotel beyond the frontiers of Canada than this hotel at Jamaica.

Mr. HACKETT: The premises that it owns outside of Canada are office buildings.

Mr. HEAPS: If we are going to go outside of these items here, we are wandering away again. There may be a time when that question can be asked; but I think we had better stay with the original intention of the chair.

The CHAIRMAN: I have tried not to be too strict in regard to that; I think it is a legitimate question.

Mr. HEAPS: The question has been asked and answered. I am just suggesting that—

Mr. HACKETT: It is very kind of you not to have stopped the question from being answered.

Mr. HEAPS: It is very kind of you to ask the question; we appreciate it very much.

The CHAIRMAN: If that is the only question that is to be asked regarding this hotel proposition, we will pass on, and we will take up Exhibit " F " covering the $20,000,000 item.

Hon. Mr. EULER: $8,000,000 for the Central region?

Sir HENRY THORNTON: No. $5,973,000.

Mr. FRASER: You have been trimming this already?

Sir HENRY THORNTON: The original budget was submitted. Some question was raised touching on it at a previous meeting as to whether the executive officers of the railway company exercised any supervision or restraint with respect to requests for capital requirements over the regions, and I ventured to put down here an exhibition of that restraint. The budget was originally submitted, and it represented what the region regarded as its minimum requirements—$7,969,000. The executive officers at Montreal reduced that by $2,000,000 approximately; so that the budget as it now stands for the Central region, and which is before you, is in round figures, $6,000,000.

Mr. HANSON: I think I was the one who suggested that.

Sir HENRY THORNTON: I do not want to lay that at your door particularly.

Mr. HANSON: I am not ashamed of the suggestion.

Sir HENRY THORNTON: I am not ashamed of the result either.

Mr. HANSON: I am going to go a little further. You had originally a budget of $30,000,000 capital expenditure for additions and betterments for the year 1931?

Sir HENRY THORNTON: That is right.

Mr. HANSON: I am assuming that in any great organization such as a national railway there will always be some capital expenditures?

Sir HENRY THORNTON: That is true.

Mr. HANSON: But having regard to the fact that we have a vote of sixty-eight and a half million dollars for the annual requirements for 1931 which will be exceeded by $10,000,000—at least I have heard that—and that the total net requirements over and above your income will be $104,208,000—perhaps $10,000,000 more than that—is it not possible to cut this still more for this year?

Sir HENRY THORNTON: I suggest in answer to that you turn over to the next page where you will see the details of that amount that has been requested, namely, some $6,000,000, and go over item by item, and we will discuss it, and you can see how you feel about it. All I can say is that the total capital budget for the Central region of approximately $6,000,000 represents the minimum which the executive officers and myself think we can safely go to. Now, this committee may think differently; at any rate there is each item exposed on the following sheets. They have been gone over carefully by the engineering and executive officers, and they represent the recommendations of the railway company. I may say also that naturally and quite properly all of this was discussed with the department.

Mr. MACMILLAN: At what time in the year would the figure $7,969,205 be received by the head executive?

Sir HENRY THORNTON: I should say in the first two months of the year.

Mr. MACMILLAN: The reductions would be arrived at at what time?

Sir HENRY THORNTON: About April.

Mr. GRAY: Is this the proper place to talk about certain capital expenditures? Might I ask what is the cost of the London Terminal station?

The CHAIRMAN: I would prefer very much if you want to go into the details of this to start at the beginning.

Mr. GRAY: We are doing it.

The CHAIRMAN: I did not think London came in?

Mr. GRAY: Yes. It is the Central region.

Hon. Mr. EULER: We are following your plan, I think Mr. Chairman.

Mr. HEAPS: Mr. Chairman, if we could get a rough idea as to how this $5,973,000 is made up?

Sir HENRY THORNTON: It is all on the following page.

The CHAIRMAN: It is under Exhibit "G".

Mr. GRAY: You are working on the London Terminal now?

Sir HENRY THORNTON: Mr. Hungerford can give you an answer to that question, or Mr. Brown.

Mr. BROWN: We are working on the grade separations.

Mr. HUNGERFORD: We are building two subways at the present time.

Hon. Mr. EULER: You have a million and a half for grade crossings by subways?

The CHAIRMAN: That is on the second page, down about ten items.

Mr. GRAY: I would like to find that out. I would like to know what is included in this year's estimate for London?

Mr. HUNGERFORD: I do not think we have it. It will be included in this million and a half.

Mr. GRAY: Does it include a new station for the City of London?

Mr. HUNGERFORD: No, not this year.

Mr. GRAY: I was hoping you were working westward, and would start at Hamilton and London and be in Sarnia next year?

Mr. HUNGERFORD: We are looking in that direction.

Mr. MACMILLAN: Starting at the top of that page, "Belleville Division, Hornepayne Division. Oakville Sub-division," there is new steel being laid amounting to about $640,000?

Sir HENRY THORNTON: That is right.

Mr. MACMILLAN: Is the old steel inadequate?

Sir HENRY THORNTON: What has happened is this: we made a careful investigation, which is still in progress, of the internal fissures in our steel rail on fast passenger lines through what is known as the Sperry Detector car. That is a car which, by an electrical process, registers concealed defects in the head of the rail. Sometimes in rolling a rail, or after it is in use, internal fractures or fissures will be detected which cannot be detected in any superficial examination of the rail. The railways generally have employed a device known as the Sperry Detector car, which, by an electrical device—there is no good of my explaining it, because it is highly technical—indicates where those defects are to be found. Well, we ran that car between Montreal and Toronto over our present one hundred pound rail, and we found a surprising number of hidden defects. Now, those defects do not always result in a wreck, but they are potential causes of wrecks.

Mr. CANTLEY: Maybe.

Sir HENRY THORNTON: Maybe. So that, having regard to that condition, we decided that in the interests of safety and good maintenance, we should commence relaying that rail, which is now one hundred pound rail, and replacing it with one hundred and thirty pound rail. That is in accordance with the practice of the best railways. In fact, many other railways are going much further, and, I think, are laying rail as high as one hundred and seventy pounds to the yard.

Mr. HUNGERFORD: Yes, that is true in a few instances.

Sir HENRY THORNTON: Now, there is also an economy which results from the heavier rail in that it reduces the cost of maintenance. The more rigid the steel; the more nearly it comes up to requirements of constantly increasing axle loads, the greater economy; so that, having regard for both economy and safety of traffic, our officers decided, and I was fully in accordance myself, being something of an engineer, that that should be done, and that represents the reason why we are renewing the rail to which you have referred.

Mr. HANSON: Having regard to your financial condition this year, would it be possible to divert that?

Sir HENRY THORNTON: We do not think so. That is largely a technical question. Our engineering officers are not prepared, nor is the vice-president in charge of operations, to take the responsibility of continuing that one hundred pound rail track. I would like you to hear a brief statement from Mr. Hungerford on this matter. After all, he is the head of the operating department, and is primarily responsible for it.

Mr. HUNGERFORD: I think the committee should clearly understand that in re-laying steel, we only do so when the old rail is worn out for that particular class of railway. We are not making the change for a changes' sake, but, because the old rail is no longer serviceable for that class of service. These things are gone over very carefully; and I would like to say this in regard to the item constituting the total for the Central region budget that Sir Henry referred to as being the original budget—that is residue—this is boiled down through the requests that come to us, in the first instance, for millions of dollars more. The first figure will be shown on the preceding budget, and represents what we first boiled it down to. Then subsequently when the financial condition became worse, we cut it still further; but the reversal of rail that is provided for in the budget is undoubtedly required.

Hon. Mr. EULER: Is the same true of the million and a half item for subways? Or is that something that one might say might be diverted without any great disadvantage to the road?

Mr. HUNGERFORD: In practically every case they are covered by orders of the Board of Railway Commissioners. We are compelled to put them in.

The CHAIRMAN: Is this one hundred and thirty pound rail partly due to the faster trains that are being moved over this particularly fast road?

Sir HENRY THORNTON: No, it would have to be renewed in any case; but I may say that the American railway technical men figure on an economy of five hundred dollars per annum per mile of rail of one hundred and twenty pounds rail per yard, as compared with one hundred pound rail per yard. That is to say, a stretch of track laid with one hundred and twenty pound rail as compared with that same stretch laid with one hundred pound rail results in an estimated economy of five hundred dollars per mile. Of course, on lines where there is a density of traffic such as you have between Toronto and Montreal,——

Mr. HANBURY: And taking into consideration the investment.

Mr. HUNGERFORD: I would like to add for the information of the committee that this one hundred and thirty pound section was decided upon jointly with the Canadian Pacific for heavy main line requirements, and we agreed upon a uniform standard, and they are proceeding to utilize this rail under similar conditions.

Hon. Mr. MANION: The question has come up many times and will come up many times more—Mr. Duff has brought it up in regard to the Guysboro Railway, and others will bring it up in connection with other capital expenditures—about certain things being cut off. Sir Henry has explained to you that the figures are given here. They were originally at a higher figure, but they gradually cut them down. I may say that in the cutting down of these figures the government was wholly in accord with the railway management, because the government felt that $104,000,000 of expenditure for the railway were at least sufficient for one year under the present circumstances. I may say further that so far as the cutting down was concerned, it was done by the railway officers themselves in a large measure, and practically altogether. It was not done on political grounds at all. I just mention this because, from time to time, somebody will question this, and I am sorry to say I may not be here to-morrow.

Mr. DUFF: Did you say $104,000,000 increased expenditures?

Hon. Dr. MANION: I mean one hundred and four millions of estimates which will have to be raised by guaranteed securities—$20,000,000 of betterments, $31,000,000 deficit on interest and so on, and that $31,000,000 will probably be increased. In view of the heavy deficit, and in view of the present business condition, and the decreased earnings of the railways, in view of all that, the government felt, and I think properly, that $104,000,000 was plenty to spend. It wasn't done with any desire to cut out capital expenditures in this constituency or in that.

Sir HENRY THORNTON: I would like to add this statement to what the minister has said: so far as the railway company is concerned we had no difference of opinion with the government whatsoever; but certain circumstances confronted us, and we sat down together, jointly, and tried to meet them. As far as this budget is concerned, I am assuming my full responsibility, and all of our officers assume their full responsibility for it, and we are fully in accord with the minister.

Hon. Mr. MANION: The reason I mention this is because there were requests for vast amounts of money to be spent on stations, bridges, branch lines and so on. I have given the figure in the House—I got these amounts figured up—and they amounted to $200,000,000 worth of requests. Those who do not get their branch lines or stations are feeling rather disappointed. You hear references in the House to Riviere du Loup station and others. I simply mention it, because I think the committee, as Members of Parliament representing the shareholders of this railway, and representing the taxpayers must appreciate the responsibility of the government, because they are responsible in a way just as the government is responsible for this vast amount of money.

Mr. DUFF: We also appreciate our own responsibilities, as well as the government. I would like to ask a question right there.

Hon. Mr. MANION: I hope you do.

Mr. DUFF: Certainly we should. We have just as much reason to be responsible as anyone else.

Mr. MACMILLAN: We have to pay for it.

Mr. DUFF: The Minister of Railways said this was increased expenditure this year. Along that line, Sir Henry, would you be good enough to give me the amount of the estimate made up similar to this last year?

Sir HENRY THORNTON: The net increase in capital expenditures is $51,100,000.

Mr. DUFF: I do not mean that. You had an estimate similar to this last year. What would be the amount as compared with this $104,000,000?

Sir HENRY THORNTON: I will have to look that up.

Hon. Mr. MANION: I used the wrong expression when I said "increased expenditure"; what I meant was expenditures for which securities will have to be used. I should not have used the word "increased".

Mr. FAIRWEATHER: Mr. Duff wants a figure for last year comparable to $104,000,000?

Mr. DUFF: Yes; and at the same time give me the amount of the deficit from last year which might be included in this estimate this year?

Mr. FAIRWEATHER: There is no deficit from last year included this year. There was a supplementary—

Mr. MCGIBBON: I would like to ask Sir Henry how many years he thinks we can go on spending $100,000,000 a year and still keep these railways.

Sir HENRY THORNTON: A certain amount of this $104,000,000 is refunded. Now, you have raised a very interesting question, Doctor, and I would like to answer it, and I can perhaps express it best in this way: in the year 1928 the gross revenues of the Canadian National Railway were—if I recall the figure correctly—$304,000,000; the net earnings of the company, which is to say the difference between expenses and revenues—as I again recall the figure—were about $58,000,000. Again, as I recall the figure, we earned about $8,000,000 in excess of the interest on our funded debt in the hands of the public. If and when the gross revenues of the Canadian National become $300,000,000—I will use the round figure—the net earnings of the company will be $75,000,000.

Mr. MACGIBBON: Why? How do you arrive at that? How do you arrive at the increase—by decreasing your operating costs?

Sir HENRY THORNTON: By decrease in operating costs. Now, curiously enough, I was discussing this matter with some of our officers at lunch time, and I would be prepared to say that when our gross revenue returns to approximately what it was in 1928, we will be earning approximately $20,000,000 per annum more than is necessary to meet the interest on our funded debts in the hands of the public. I should also say that when our gross revenues are, say, $275,000,000 or nearly $30,000,000 less than they were in 1928, we will be earning to apply on the interest in hand—on securities in the hands of the public—somewhere in the neighbourhood of sixty to sixty-five millions of dollars. The answer to your question depends entirely upon the business conditions of Canada, and the conditions that obtain in the whole world.

Mr. MCGIBBON: Exactly. But there is only so much business, and the more you pile up your capital expenditure it looks as though it means the less will be your net receipts.

Sir HENRY THORNTON: I tried to explain a little while previously that I did not at all expect the increase in capital requirements to proceed on the same scale and at the same rate of increase as they have in the last eight years.

Mr. MCGIBBON: Or even the present year?

Sir HENRY THORNTON: Well, perhaps the present year.

Mr. MACMILLAN: Why is it that in discussion we always hear this statement: people always talk about the volume of indebtedness of the railway in the hands of the public. Why is it that the amount of money owing to the government is never taken into consideration at all?

Sir HENRY THORNTON: The amount by which we fall short of earning the interest on securities in the hands of the public means that that represents an out of pocket expense for the government in that year. The government has got to go down into its jeans and put that much money on the table. The rest of it, to a certain extent is bookkeeping.

The committee adjourned to meet Wednesday, June 24th, at 11 o'clock.

WEDNESDAY, June 24, 1931.

The Select Standing Committee on Railways and Shipping met at 4 o'clock, p.m., Honourable J. D. Chaplin, the Chairman, presiding.

Mr. BEAUBIEN: Mr. Chairman, before the committee proceeds, may I be permitted to make a suggestion? And before making my suggestion, I might ask the committee's permission to preface my suggestion by a few brief remarks.

Mr. HANSON: Don't make a speech.

Mr. BEAUBIEN: I am talking to the Chairman. This committee started to sit on the 8th June. We have gone through the estimates of the Canadian National Railways, so far as the railway is concerned, and we have gathered a great deal of information, and every member of the committee is convinced that Sir Henry Thornton and his officials are acquainted with the conditions as they exist. Also, we are keeping these officials here. We have kept them here for a good deal of time at a great expense to the Canadian National Railways and also to the detriment of the railway itself.

There is a Bill No. 79 before the House, and also Bill 83, and in view of the information which we have gathered and the acquaintance which the officials have of the situation, I think that this committee ought to be satisfied to go on and consider these two Bills and report them back to the House and let the House pass these Bills as soon as possible, in order to give the Canadian National Railways the advantage of carrying on their year's operations, float their securities and be able to carry on as they have done in the past.

I do not think any good can come of any further enquiry. We have to depend upon Sir Henry Thornton and his officials, and there are also fifteen directors appointed by the government for the Canadian National Railways, and we have a Minister of Railways. I do not think any good can come out of keeping Sir Henry Thornton and his officials here any longer than we have kept them. I do not think we can get any further information than we have obtained. Sir Henry and his officials have told us that the least amount they can get along with is the amount given in their estimates here; probably they might be able to cut that down by a percentage. Half of the year is gone, and the Canadian National has not authority to go on and float their issues, etc. I think we should leave these estimates and pass these Bills as soon as possible—one of them was introduced on June 2nd, and the other on June 10th—and go on and enquire in regard to the shipping of the Canadian National Railways and get such information as we can; and I make that suggestion in good faith.

I suggest that we take up Bill 79 and Bill 83 and report them back to the House and let the House pass the Bills, and then the Canadian National Railways can go on.

Mr. DUFF: I would agree with that suggestion, except if some member of the committee has some special matter which he wants to discuss, I would not shut it off; if it is just a general discussion, I would agree with what has been said.

Mr. HANSON: What are the Bills about?

Mr. BEAUBIEN: They have both been referred to this committee by the House. Bill 83 is a Bill to authorize the guarantee by His Majesty of securities to be issued under the Canadian National Railways Financing Act, 1931; and the effect of Bill 79 is to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931. The object of this Bill is to authorize the Canadian National Railway Company to issue securities to the extent of $68,500,000 for the purpose during the year 1931 of financing where the amounts available from Net Operating Income or Investments may be insufficient.

I think my suggestion would hasten everything.

The CHAIRMAN: There is no resolution, of course, before the committee. All I have to say in reply to the honourable gentleman is that during the last two or three days we have been practically discussing this very bill that he speaks of, by going through in detail the matters that are contained in the Bill, and I think we have been doing our work properly. It will only take another day to clean up these matters and then I think you will be in a position to say in a few minutes whether the Bill suits you or not.

Mr. BEAUBIEN: I have no objection, Mr. Chairman, and I am not trying to throw any reflection on what the committee has been doing; but still, if we have been considering the Bills, it was not with my knowledge.

The CHAIRMAN: The Bill provided for the expenditure of $68,000,000, and that is what we have been discussing. If any man here does not know that, it is time he did know it.

Mr. BEAUBIEN: Probably I do not know as much as you do, but perhaps I will when I am of your age.

The Canadian National Railways, unless the Bills are passed pretty soon, will have to finance in some other way, they will have to go to the Finance department and get some loans of some description. If I am not correct, I wish to be corrected.

The CHAIRMAN: They have already done that. If you have a resolution to put before us, if you feel sore—

Mr. BEAUBIEN: No, I do not feel sore. This is only a suggestion I am offering.

The CHAIRMAN: If you have not a resolution, I cannot put it. If anybody else has anything to say on the subject, let us hear it. What we are doing now is really discussing this Bill; and when we come to the Bill itself it will take but a very short time, probably not five minutes, to put it through.

Mr. BEAUBIEN: If that is your interpretation, all right.

Mr. GRAY: Mr. Chairman, you have been very fair in giving us latitude for this discussion. I have gone through what we have had before us, and to my mind as to the estimates which are before us, I have always felt, when I have been on this committee, that we are really a rubber stamp, because a great deal of it is already committed. It seems to me we have been given already a very full explanation of matters. If there is something which Mr. Beaubien or somebody else has in mind, we might have it; but to start wading into that book of estimates seems to me to be a waste of time. I may be wrong in that. As far as I am concerned, I would be agreeable to passing on the Bills to-day.

The CHAIRMAN: As far as this statement is concerned, I have given every possible latitude to every member, and if the members are satisfied that they have got all the information that they desire regarding this matter, I am perfectly content. I have perhaps spent more time on it than any of you, but it is up to you yourselves; I am in the hands of the committee.

Mr. BEAUBIEN: The reason I did not make a motion was that I wanted to have the sense of the members of the committee.

Mr. HANSON: I perhaps have taken a good deal of time with this committee, but I think the impression which we have received has fully justified any time or labour which has been given to the committee. My main object in relation to the committee this year is not so much examining in detail the figures which have been brought before us. I venture to say that no one member of the committee has been able to digest the figures which have come before us in any year. Firstly, we do not have them available early enough to make a study of them, as we only get them when they come before the committee.

My definite idea this year was to bring before the committee, so far as I was able in an humble way, the seriousness of the financial condition of the railway company and to get the seriousness of that across to Sir Henry Thornton and his officials, and to get from them an expression of their realization of that. That has been accomplished, and I think a great deal of good will be done for the coming year; and that having been accomplished, I am content to go very little further into the figures in these estimates. Personally, I would pass them to-day. There is just one reserve, on one feature, I would like to make and this is a question which arose in a debate in the House, precipitated I think by the Minister of Railways and joined in by the leader of the opposition, and that is the switching of appropriations. I think that is an important principle and we ought to deal with it, and we ought to afford Sir Henry Thornton an opportunity of making a defence to what after all is a rather serious matter. That is the only major topic to which I would like to advert before passing this Bill.

Sir HENRY THORNTON: Might I answer that very important question which Mr. Hanson has raised? In many respects I share his point of view and the point of view of others who also have expressed opinions with respect to the effect of the switching of expenditures.

In the operations of a railway such as the Canadian National Railways with its ramifications, extending as it does from the Atlantic to the Pacific, it is exceedingly difficult for the officers of the company, no matter how sincere they may be or how intelligent they may be, to anticipate with absolute precision all the expenditures which may be necessary for the conduct of the railway during the year. But within a reasonable margin of error,—and I will be perfectly free to say that I think that margin of error has been greater in the past than it should be in the future,—but within a reasonable margin of error we certainly should be able to anticipate the character of expenditures and the items which should be included in the year's budget.

We cannot hope to possibly reach 100 per cent, but we have made this year a far greater effort than ever to meet the point which Mr. Hanson has raised, and there has been adopted by the Board of Directors a proposal which is before the Council of the Government, that a committee of three shall be set up, a subcommittee of the Directors, to deal with that particular item.

All I can say in answer to the question which Mr. Hanson has raised is that I think his point is in general very well taken, and certainly we do not want to be in the position of switching any considerable number of expenditures which have been put down in the budget, from one item to another. Of course it may happen that an estimate for a certain improvement, which is considered desirable in January for some alteration in traffic conditions, or something of that sort, may prove to be an unwise thing in June; but those cases should not be considerable; in fact, they ought to be negligible.

Mr. HANSON: Such a case as that does not involve switching an estimate.

Sir HENRY THORNTON: You might find that one thing was an undesirable thing to do, but another thing for which an amount has been put down in the estimates ought to be altered or extended or increased in quantity, or something

new might come up. We cannot, to save our souls, anticipate everything that is going to happen on this railway for twelve months in the year; but, on the other hand I frankly admit that I think we have been somewhat lax in that, in the past. I am just as free to make an admission with respect to that as I am to defend any proposition which I think is sound. And I can assure Mr. Hanson and all the other members of this committee who hold his views, that we are fully seized of that; and I venture the prediction, in all sincerity, that there is going to be very much less of that in the future than there has been in the past, and that when the end of the year comes and we meet next year, as I hope we will all do, in good health, and all of you representing your respective constituencies, that you will find that the switching to which Mr. Hanson has referred has been reduced to a degree which will be acceptable and as reasonable by himself and by every other member of this committee. I do not know that I can say much more on that, Mr. Hanson.

Mr. HANSON: I think you have covered the position; but I think this ought to be adopted as a principle, that the railway company should not be prohibited from switching in an emergency which might arise, or if better judgment might arise in the light of new information of importance, but that should be taken up, not with this committee but with the Department.

Sir HENRY THORNTON: That is exactly what is going to be done, Mr. Hanson.

Mr. HANSON: Then I am satisfied.

The CHAIRMAN: There is one thing to which I want to call the attention of the committee. At meetings of this committee in other years, I have heard Sir Henry Thornton make a statement—I cannot recall the exact date but I remember quite distinctly that he made a statement to us which was to this effect—that in future he did not expect to be called upon for any considerable expenditure in respect to the Western Lines of the Grand Trunk, that is the American Lines. I notice this year that there is a very considerable capital expenditure proposed, and I would like to have a statement from him on that subject. It was generally understood that that line was in a position to carry itself for the future.

Sir HENRY THORNTON: That is true, Mr. Chairman.

Mr. HANSON: I would like to add, Mr. Chairman, that there is in the minds of some of the people in this country an objection to any large capital expenditure upon any railway outside of Canada. I think some capital expenditure might be necessary, but not any large expenditure in a railway located outside of Canada.

Sir HENRY THORNTON: In that connection, I would like to point out that the Canadian National Railways system owns two lines which are outside of the frontiers of Canada, and which came to us as inheritances from the old Grand Trunk Railway system, namely, and more immediately, the Grand Trunk Western, and also the Central Vermont Railway.

The Grand Trunk Western Railway is an important integral part of the Canadian National Railways system, first, because it serves a very important industrial area in the State of Michigan, from which we derive a very considerable traffic; and secondly, because it provides an entrance to the City of Chicago and an entrance to that gateway. Chicago is one of the great traffic gateways of the North American continent. There focus in Chicago pretty much all of the important railways which serve the western part of the United States, and we derive a very considerable revenue from interchange of traffic both ways. We also derive a very considerable revenue from industries which are located in the State of Michigan, which really represent the majority of the automobile manufacturing concerns in the United States.

If our lines ended at the Detroit River, we would be in an exceedingly disadvantageous traffic position. We would have no direct entrance to the important Chicago gateway, and we would not be in a position to command the traffic which we now command from industries located on our lines in Michigan, which represent the General Motors, the Ford works, the Chevrolet and all of the important automobile manufacturing concerns in the United States, or at least most of them.

Not only is that traffic so derived of value to the Canadian National Railways itself, but it also pays a tribute to Canada in this sense. Every carload of automobiles which we ship from the State of Michigan to either the Niagara gateway or the Montreal gateway and down into New England, or any carload of general traffic which so originates, results in the employment of just that many more Canadian enginemen, firemen, brakemen, conductors, trackmen and others who are employed on our railways. That is to say that we not only make money out of that traffic in itself, but it adds to the potential employment which we can give to employees of the Canadian National Railways because that traffic passes through Canada.

The Chairman is quite correct. I said, I think it was two years ago, that the position of the Grand Trunk Western was exceedingly satisfactory and that I anticipated that that property in the future would be an asset, in so far as it would carry its own expenses. But there was a depression which hit us, as you all know, in the autumn of the year 1929, which peculiarly and particularly affected the automobile business; many works were closed, many others were partly closed and there was a reduction in traffic similar to that which afflicted every other railway on the North American continent, and which two years ago I never anticipated, not for one moment.

Notwithstanding that, I still feel that the position of the Grand Trunk Western and the Central Vermont, to which I will refer in a moment, immeasurably strengthens the traffic position of the Canadian National Railways and materially contributes to our gross revenue and distinctly are assets to the people of Canada as a whole, particularly to those who live in the Province of Ontario and the Province of Quebec.

The Central Vermont has been a peculiarly satisfactory railway. That went through a receivership, and last year for the first time in the history of the railway, it not only made all of its fixed charges but had a surplus of somewhat more than $150,000.

I have often heard the opinion expressed that we should not own any railway lines outside of Canada, that we should divest ourselves of the Grand Trunk Western Railway—

Mr. HANSON: I do not go that far.

Sir HENRY THORNTON: But I have heard that view expressed.

Mr. CANTLEY: I go that far, Sir Henry, and I think the day will come when many other people will go that far.

The CHAIRMAN: I have understood that the management of the road has suggested such a thing as that themselves, and I would like that gone into a little by Sir Henry.

Sir HENRY THORNTON: Mr. Chairman, I do not think any responsible officer of the Canadian National Railways, and certainly not myself, ever suggested that. I do not think there is an official of the Canadian National Railways that would contemplate the divestment of the Grand Trunk Western and the Central Vermont as being anything but a catastrophe.

The CHAIRMAN: Provided you had some arrangement for running rights?

Sir HENRY THORNTON: I cannot conceive of running rights which would be the equivalent of our present rights.

Hon. Mr. EULER: That suggestion, Mr. Chairman, was embodied in a resolution in the House some years ago.

Sir HENRY THORNTON: I can only give you my own judgment as one who has had some experience in railway enterprises, and I say that to abandon our entrance to the Chicago gateway and to abandon the opportunity for traffic on the Western Lines, and to abandon the opportunity for traffic in the State of Michigan would be nothing but catastrophic and it would have a very serious detrimental effect upon the revenues of the Canadian National Railways.

I do not want you to accept my words for this. Some of you may think I am speaking as a prejudiced party; but I would like Mr. Hungerford, who has been connected with the property for a number of years, to say what he thinks about it. I think you should have the opinion not only of myself but of the other officers of the company who are familiar with its operations.

Mr. HUNGERFORD: Mr. Chairman, all I have to say is that I agree with Sir Henry Thornton in what he says as to the Grand Trunk Western. In my opinion it would be a disaster to have that line separated from the Canadian National Railways system.

Incidentally, in connection with the capital expenditure on the Grand Trunk Western, it might be of interest to point out that a rather large proportion of our capital expenditures over there is for grade separations, which of course we are compelled to carry out.

Mr. DUFF: What about your answer, Mr. Chairman, to the question about capital expenditures?

The CHAIRMAN: That has been satisfactorily answered. I wanted to know what the capital expenditures particularly consisted of.

Sir HENRY THORNTON: They have been for things which it was difficult if not impossible to escape. And may I just go on for a moment? The Canadian National railway, with respect to its lines in the United States, might be described as a visitor. I can only say that in so far as that is concerned, we have received the most extraordinarily friendly treatment from all of the public authorities in the United States and the Inter-State Commerce Commission itself. Our relations with that Commission have been most agreeable. There has never been any question raised of nationality with respect to our ownership; and far from finding what you might possibly expect, a feeling of resentment that a foreign government should own lines in another state, we have been received with all the courtesies and with all the kindness which is extended to a visitor within a man's house. They have helped us and they have, if anything, given us the best end of it; and when it comes to the interchange of traffic and the examination of traffic by the Customs Department at points where we cross the border of the United States, the United States authorities have accepted our suggestions and have accepted our examinations; have even in the matter of examination for the possibility of concealed liquor shipments, taken the words of our inspectors; and all I can say is that we have been extraordinarily well treated and there has never been the slightest feeling of resentment.

Mr. POWER: Sir Henry's words are an incentive to boot-legging on the Canadian National Railways, and should be excluded from the record.

The CHAIRMAN: Now, just a word. We have had Sir Henry's explanation with regard to the Grand Trunk Western, and there is one other line which has been the cause of considerable irritation, especially in the Maritime Provinces, and that is the Portland Line. As I understand the situation, that line is not being used to the same extent as it formerly was used, because of objections from Saint John and Halifax, and I would like to know if there is any possibility of ridding ourselves of that particular piece of line, because if we cannot use it, it might be well worth while to hear Sir Henry's statement about it.

Sir HENRY THORNTON: I would like that what I have to say about that should not be reported.

The CHAIRMAN: My answer to that is that we will not take it now. We will defer that particular statement to another time when we are in committee without having a reporter. Does that meet with your ideas?

Hon. MEMBERS: Carried.

Mr. HEAPS: Mr. Chairman, Mr. Beaubien has raised a point which might be decided now, as to the bringing of all the officials of the company here. They have to be here in case any questions are asked on which information is required; and I think the quicker these men can be got back to their work the better for all concerned.

The CHAIRMAN: I am in your hands, as far as that is concerned. I have tried to keep order, and you have all helped me in every way; but as far as this suggestion is concerned, it is absolutely in your own hands.

Mr. MCGIBBON: Mr. Chairman, apropos of that, there is a story around that certain of the men come here every session and make speeches, and after they have spoken, they think the House should prorogue.

Mr. DUFF: After our meeting last night, which of course I cannot say very much about because it was private, but after the information which we received at that meeting, both from Mr. Grant, Sir Henry and the Minister of Railways, I am inclined to think that unless there is some particular item which some member of the committee wants to bring up, we could very well pass a resolution which I am going to move. When I move this resolution, it does not mean that somebody may not have something to say; I do not wish for a moment to deter any member from asking any question with regard to the statement, but in order to bring it properly before the committee I am going to move that the report and estimates of the Canadian National Railways be accepted by the committee and adopted.

That will bring the matter clearly before the committee, and then if any member wants to ask any question, he will be at liberty to do so.

Mr. FRASER: Let me ask what is the situation with regard to the Grand Trunk Pacific branch lines? Are they a paying proposition or are they a load on the railway?

Sir HENRY THORNTON: May I ask you particularly what you refer to?

Mr. FRASER: That from Jasper.

Sir HENRY THORNTON: That is part of the main line.

Mr. BEAUBIEN: Mr. Chairman, I will second Mr. Duff's motion.

Mr. GEARY: Mr. Chairman, nobody at this end can hear anything that is said by anyone a third of the way up the table, and much less can we hear Sir Henry or the Chairman.

Sir HENRY THORNTON: Can you hear me now, Colonel?

Mr. GEARY: I can, when you look at me.

Sir HENRY THORNTON: There is nothing I would rather look at.

Mr. HANBURY: I would suggest that the speaker might stand.

The CHAIRMAN: Instead of two or three talking together, if the gentleman addressing the chair would stand up, it will be far easier to hear him, and then the others can hear him and keep quiet.

Mr. FRASER: Mr. Chairman, my question is, what is the standing of the line from Jasper to Prince Rupert? Is it a paying line or not a paying line?

Sir HENRY THORNTON: It is not a paying line.

Mr. FRASER: How far does it go behind?

Sir HENRY THORNTON: We do not keep our accounts in that way, but I can answer that as a line it is not a paying line. A direct answer to the question would be only an estimate, and it would be almost impossible to get at because it is a part of the main line.

Mr. FRASER: And the accounts are not kept separate?

Sir HENRY THORNTON: No.

Mr. FRASER: Then I cannot get that information. Now there is a question which I asked the other day about the steamships on the Pacific Coast; and before I proceed, I want to make this clear, that I am separating them into two distinct branches, the coastal service and the triangle run, as between Seattle, Victoria and Vancouver. I would like to know, in the first place, what is your revenue, and your operating expenses, or your losses and profits, whatever they are, with regard to the coastal steamships, and how many ships have you operating there, and any other information you may have in a general way?

Sir HENRY THORNTON: I cannot separate the service between Prince Rupert and Alaska from the other services, because it is kept all in one service. Can you do that, Mr. McLaren?

Mr. MCLAREN: Not very well.

Mr. FRASER: I want to make it clear. The question has been asked me whether it belongs to the Canadian National or the steamship company?

Sir HENRY THORNTON: It is all Canadian National.

Mr. FRASER: It is all in the consolidated statement?

Sir HENRY THORNTON: Yes, sir. Have you any information on that? Or perhaps you can explain that?

Mr. MCLAREN: I think we could give that, regarding the steamships.

Sir HENRY THORNTON: You have a general statement with regard to the steamships and the routes, and one thing and another, haven't you? I want only the coastal boats.

Before we go to the general financial statement, I might make this statement, that our steamship services on the Pacific Coast consisted of, I think, three larger vessels. There was the Prince Rupert, the Prince George and the Prince John. There was also a smaller vessel, the Prince Charles, that was employed in summer services between North Queen Charlotte Islands and calling at Stewart and Anyox; but the three principal vessels, which represented the services between Victoria, Vancouver, Prince Rupert and Alaskan ports, were the Prince Rupert, the Prince George and the Prince John. Those vessels were largely for the purposes of supplying services in connection with the tourist business up and down the coast. They were also linked in with what we call the triangle tour. That is to say the tourist would take a vessel from Vancouver to Prince Rupert, would there disembark and take the train to Jasper, spend some time at Jasper and then return by rail to Vancouver. That constituted what we call the triangle route, as distinguished from the triangle service, including Victoria, Vancouver and Seattle.

Those vessels were originally built and put on many years ago for tourist purposes, and it was found about two years ago—

Mr. FRASER: As a matter of fact, they are a part of what you inherited from the old Grand Trunk Pacific?

Sir HENRY THORNTON: Oh, yes, quite so. We felt in 1928,—and when I say that, I mean the traffic officers, the executive officers of the company, and myself—that tourist business showed sufficient promise to justify additions to the fleet.

My recollection is that during the heavier tourist season we had insufficient accommodation to take care of the traffic that offered. Futhermore,

because of the pressure of business, we had retired from the Seattle service. We had formerly and for many years been running our vessels between Vancouver, Victoria and Seattle.

For instance, one of those new boats very recently took a party representing the Canadian Chamber of Commerce and the Canadian Board of Trade to South America. It was on this service for something like a couple of months, as I remember it offhand, and there was the further opportunity, during the winter time, of running a service for tourists from Vancouver to the British West Indies through the Panama Canal and so on. So for all those reasons we came to the conclusion that having regard to the trend of business at the time, and the conditions which existed then, that to protect the revenues of the company and to take advantage of the business offering, we were justified in asking governmental approval for the construction of three additional boats. Now, at the moment—and I hope I violate no confidences in saying this—the Canadian Pacific Railway and ourselves are considering some joint arrangement for the purpose of pooling our vessels in coastal service on the Pacific Coast, extending those services to San Francisco, and operating our respective coastal facilities as a joint proposition. The traffic officers of the two companies have that now under consideration. I might just at this time go further and say that this is only one of three other important joint arrangements which we have under consideration with the Canadian Pacific Company. I can further say that as the result of two or three meetings which Mr. Beatty and I have had in the last two months, we are endeavouring to avail ourselves mutually of such facilities as we both have which profitably lend themselves to mutual operation, for the purpose of saving money for both companies, and making money also for both companies. This coastal service question to which Mr. Fraser has referred is one of those which we have under consideration, and both companies are getting together wherever we can to try to save money for each of us, and to take money for each one of us. We both realize that the times are such that there is more money to be made out of co-operation than out of competition. Now, that does not mean that in any sense the public is going to suffer, but we are simply trying to pursue the course which two intelligent administrations would follow when they are confronted with the same problems.

Mr. GEARY: Has the loss been very heavy?

Sir HENRY THORNTON: That is just a general narrative, a general explanation that I have tried to give to this committee as to how it came about that our services were enlarged, and what we are trying to do with those services in a co-operative way. I will ask Mr. McLaren, who I believe has the results of operation, to give you that information; and in that connection I would ask you to remember that these vessels were not in operation for anything like the whole of the tourist season of last year. Now, Mr. McLaren, could you give the committee the dates at which the respective vessels went into commission?

Mr. FRASER: What are the names of the new vessels?

Mr. FAIRWEATHER: The Prince Henry and the Prince David.

Sir HENRY THORNTON: There is a third vessel, the Prince Robert.

Mr. FRASER: Is the Prince Robert not delivered?

Sir HENRY THORNTON: Not yet. Now, let me give the dates at which these vessels went into service.

Mr. FAIRWEATHER: They were put into service August 12th, 1930, and on July 30th. I refer to the Prince David and the Prince Henry.

Mr. HANSON: You had the Robert.

Sir HENRY THORNTON: When I say commission, I mean put into commission on these coastal services. It was used in South America.

Hon. Mr. ROGERS: You had a boat down in Nassau during part of the year, had you not?

Sir HENRY THORNTON: That is one of the regular West Indian service boats; it was not one of these three coastal boats. Oh yes, that is a separate proposition altogether. There were five boats built as the result of the West Indian Trade Treaty which the government negotiated, and one of the obligations of that Treaty was that the Canadian Government should cause to be built and put into effect certain services between Atlantic Canadian ports and West Indian ports; but this is quite a separate and different project that we are talking about.

The CHAIRMAN: That is a separate company known as the Canadian National West Indies Steamship Service.

Mr. DUFF: That is it.

Sir HENRY THORNTON: We ran the Prince Robert. The Prince Robert was delivered in November, and she was run on two or three excursion trips to the British West Indies, and then, on February 22nd, as I recall the date—I may be two or three days out—but it was something like that—then she started on her cruise to South America with the Canadian Trade Commission.

Mr. FRASER: Has she been on the coast yet—on the Pacific Coast?

Sir HENRY THORNTON: She is in service on the coast now.

Mr. HANBURY: Is she in the triangular service?

Sir HENRY THORNTON: In the whole service.

Mr. FRASER: Were those three boats specially built for the triangular service between the three cities?

Sir HENRY THORNTON: We do not distinguish between what you call the triangular service and the coastal service. Because of the addition of these three new vessels to our service we were able to render what you call the triangular service, but that is only part of the Canadian coastal service. All of these vessels call at Vancouver, Victoria and Seattle, or rather, to put it the other way, they call at Seattle, Vancouver and Victoria, and then proceed to Prince Rupert and Alaskan ports, and back again to Seattle around the same route. What you call the triangular service is part of the whole coastal service.

Mr. FRASER: No, that is not my contention, Sir Henry.

Mr. HANBURY: The C.P.R. run on a different basis, do they not?

Mr. FRASER: I am not too sure of my ground. What I thought was that we had put on this new service during the last year for the special purpose of taking care of that traffic which was traffic particularly between the three cities —the same service as the C.P.R.

Sir HENRY THORNTON: We have no vessel which run exclusively or solely between Vancouver, Seattle and Victoria. We have vessels that run between these ports, and in addition to that proceed on their journey northward touching at Prince Rupert and various Alaskan ports.

Mr. FRASER: You have no regular service then between the three cities?

Sir HENRY THORNTON: We have a regular service, but not a service that is exclusively limited to those three cities.

Mr. FRASER: There are none of your boats that are exclusively on that particular trip, on the trip between the three cities?

Sir HENRY THORNTON: That is right. In other words, what I mean to make clear is that what you call the triangular service is only a part of the whole coastal service performed by the same boats that are engaged in the same coastal service.

Mr. FRASER: This is clearing the thing up. Now, you have these three new boats, the Prince Henry, Prince David and Prince Robert, and in addition to calling at Vancouver, Victoria and Seattle they also call at Prince Rupert and Alaskan Ports.

Mr. DUFF: And they also call at ports between Vancouver and Prince Rupert?

Mr. KENNEDY: I would like to ask a question regarding the earnings on tonnage moving over northern Alberta railways.

Sir HENRY THORNTON: Just a minute, Mr. Kennedy, and I will answer Mr. Fraser. I am sorry, but I am wrong, Mr. Fraser; I have given you wrong information. Two of those boats are in that.

Mr. GALLOWAY: There are three boats, the Prince Henry, the Prince Robert and the Prince David. Two of them operate in the summer season in the ordinary triangular three city service; one of them operates from Vancouver in the Alaskan service. There are three boats altogether.

Mr. FRASER: Is that all you have altogether—three ships—six is it?

Mr. GALLOWAY: Six or seven altogether.

Mr. FRASER: Where are these operated?

Mr. GALLOWAY: The Prince George and the Prince Rupert in conjunction with the Prince Henry operate the so-called Alaskan service in the summer months.

Mr. FRASER: Of course, I am in Victoria quite a bit, but I was not positive.

Sir HENRY THORNTON: That was a service in which we were at one time engaged. This is a re-entry of that service.

Mr. MCGIBBON: What was the cost of these new vessels?

Mr. FAIRWEATHER: Cost at December 31st, 1930: The Prince Henry, $2,167,298; Prince George, $2,158,203; Prince Robert, $2,206,889.

Mr. MCGIBBON: Six and a half million dollars.

Hon. Mr. ROGERS: Are they profitable on those runs?

Mr. DUFF: They have not been on long enough.

Sir HENRY THORNTON: Mr. Fairweather will give you the results of last year, but remember they were not in the service the whole of last year—only a part of the tourist season.

Mr. FAIRWEATHER: I shall give the net revenue from operation. First, as Sir Henry has explained, these boats were not in the service for a full year, and the whole picture is therefore somewhat distorted. Between Vancouver, Prince Rupert, Anyox, Stewart, Ketchikan, there was a loss, after operating expenses of $107,000.

Mr. FRASER: For the whole year?

Mr. FAIRWEATHER: For the year as reported. Vancouver to Alaska, there was a profit of $59,000. Vancouver, Prince Rupert and Queen Charlotte Islands, there was a loss of $61,000 on the three city service.

Mr. FAIRWEATHER: There was a loss of $157,000.

Mr. GALLOWAY: One ship since August 12, 1930, and the other sometime about the middle of September.

Mr. FAIRWEATHER: Special excursions contributed to net revenue $70,800. The total represented a loss on operating account of $258,000.

Mr. MCGIBBON: What would be the total loss including capital investment?

Mr. FAIRWEATHER: The total loss on all services including the interest on capital and depreciation on the boats was $547,000.

Mr. DUFF: These boats would contribute to the railway revenues, would they not?

Sir HENRY THORNTON: Oh yes.

Mr. DUFF: Which is not included in this?

Sir HENRY THORNTON: Yes. We have a statement showing the number of inter-line tickets.

Mr. FAIRWEATHER: To Skagway we sold a total of 4,541 tickets; to Juneau 274; to Ketchikan 378; to Wrangel 96. That makes a total of 5,389 tickets. C.N.R. rail line passenger revenue derived from that business in 1923 amounted to $156,000.

Mr. HANSON: I would like to suggest this, that there is just traffic enough for one good route up there, and we had better get the thing coordinated as soon as possible—$10,000,000 a year for one little service like that is pretty large.

Sir HENRY THORNTON: That is exactly what I explained a moment ago, Mr. Hanson, that the Canadian Pacific and ourselves are working on a proposition to operate our respective coastal services in a cooperative way.

Mr. HANBURY: Is it not true that in considering the Alaskan service, last year was the first year for many years that it was possible to get accommodation during the tourist season?

Sir HENRY THORNTON: That is quite true.

Mr. HANBURY: Previous to that it was necessary to make reservations six or seven months in advance if you wanted to get in on the Alaskan trip?

Mr. MCGIBBON: That does not mean you are making any money out of it.

Mr. FRASER: I have nothing to say about the coastal services as we call them, from Vancouver to the north; they were inherited, as we have been told, by the railway; but my point is this: that we have an inter-city service, a tri-city service, and I would like more figures and more information before I can satisfy myself that that service was justified.

Sir HENRY THORNTON: I understand that that too was a service which we inherited. I mean to say that we were in that service at one time, and because of a lack of ships we abandoned it.

Mr. FRASER: That may be correct as far as you are concerned, but you were out of it?

Sir HENRY THORNTON: Oh, unquestionably.

Mr. FRASER: The service which was provided by your competitor was a first class service?

Sir HENRY THORNTON: Undoubtedly.

Mr. FRASER: Now, that amount of money has been put into this service, and has it been a profitable service? We are looking for ways to save money.

Sir HENRY THORNTON: Precisely.

Mr. FRASER: And I believe that that service is one where money can be saved. The service was well taken care of before you came into it.

Sir HENRY THORNTON: I tried to point out to you repeatedly, two or three times, that that is exactly what we are working on now.

Mr. HEAPS: May I ask in connection with the amalgamation between the two services between the three cities, whether that deficit will be wiped out by that amalgamation?

Sir HENRY THORNTON: I cannot answer that. I do not know. Of course I am sure you will all realize that both our calculations and the calculations of the Canadian Pacific Railway have been entirely upset by the depression through which we are passing, and I don't know what the Canadian Pacific figures are on their service. I do not know what they were before we resumed our position in the service.

Mr. HEAPS: Is it the intention to utilize the boats that will be laid up as the result of that effort in any other service?

Sir HENRY THORNTON: One thing I know to-day, and it is a very profitable field, is the extension of service to San Francisco. How that is going to result I do not know. Your estimate is just as good as mine, excepting that we think that there is a profitable field there for the extension of our joint services to San Francisco.

Mr. HEAPS: I presume that you are likely to bring about the amalgamation of the services between the three cities?

Sir HENRY THORNTON: We are trying to work that out now. Our officers are in conference, and if it were not for the fact that they are here to-day and have been here for two weeks at least, they would have been in conference with the Canadian Pacific officials, and have tried to work this thing out.

Mr. DUFF: Is it a fair statement to say that you did not put on these new boats—the suggestion was made that that service was abandoned some time ago—is it not a fact that during the time you abandoned the service the railway revenues suffered, giving the C.P.R. the advantage of the water service all to themselves, and, consequently, they got most of the rail business?

Sir HENRY THORNTON: Unquestionably.

Mr. MCGIBBON: The figures just given regarding the number of tickets sold is rather illuminating.

Sir HENRY THORNTON: Of course, Doctor, you are dealing with only a part of last year's tourist season. And, furthermore, you are dealing with a period in which the whole North American Continent has been passing through a depression.

Mr. MCGIBBON: I quite agree with your latter statement. I was talking about Mr. Fairweather's statement concerning the number of tickets you sold, over the route.

Mr. FAIRWEATHER: I am sorry if I have given the wrong impression. The figures I quoted were with regard to railway ticket sales to Alaska only. Now, on the Alaska trip, not only did we make $156,000 on the rail, but on the Alaskan service we made a net profit on the steamship services of $59,000. The sale of tickets to and on the railway in connection with our other boat services, I have not got here. That information has not been taken out.

Mr. DUFF: If you had not had these boats on the route between Seattle, Vancouver and Victoria, would your railway revenues have suffered?

Mr. FAIRWEATHER: I should say so, yes.

Sir HENRY THORNTON: Unquestionably. And I will say this: every intelligent business executive anticipates the future state of business, and tries to prepare his production to meet that situation. Now, when we built these boats, we did not imagine, nor did we expect that for the first year or two they were going to jump to their maximum, that we were immediately going to find them profitable; but having regard for the general trend of the tourist business, particularly on the Pacific Coast, we felt that we should prepare and provide such vessels as would put the Canadian National Railways in a position to get its proper share of that tourist business from year to year, as we and every other railway anticipated would result.

Hon. Mr. EULER: If you put a service on will that put you in competition with some other existing service?

Sir HENRY THORNTON: I do not know whether it will or not. I think there are a couple of lines that operate, but at the same time they do not own the ocean, and we have just as much right on the part of Canada to get business from the United States as the United States has to get business from us.

Hon. Mr. EULER: I am not questioning your right. What is in my mind is this: if there is an existing line there now could you go into that profitably?

Sir HENRY THORNTON: We believe that our vessels are so superior, so much more satisfactory, so much more attractive, that we can get a very measurable proportion of that business.

Mr. FRASER: What was the loss on these inter-city boats in the month of November or December? Have you it segregated in that way?

Sir HENRY THORNTON: No.

Mr. FRASER: What was the loss on these new boats from the time they went on the service—the tri-city boats—until the end of the year? I suppose that is as far as you can go?

Mr. FAIRWEATHER: The loss would be $157,000 on the triangular service. That is on operating account.

Mr. FRASER: Over cost?

Mr. FAIRWEATHER: Yes. And in addition to that it had to take care of insurance. After everything, it amounts to $267,000, counting depreciation.

Mr. MCGIBBON: I understand you made a profit of $200,000 on your northern lines?

Mr. FAIRWEATHER: No, sir. I said on the Vancouver-Alaska service. There was an operating profit of $59,000.

Mr. MCGIBBON: There was a total loss of how much?

Mr. FAIRWEATHER: Of what service are you speaking?

Mr. MCGIBBON: The whole service.

Mr. FAIRWEATHER: On the whole service, after interest and depreciation, the loss on the boat service was $547,000.

Mr. MCGIBBON: You deduct one from the other and you get your southern loss?

Mr. DUFF: It is not fair to segregate the water route from the railway; you get business from having the boats for your railway.

Sir HENRY THORNTON: We cannot segregate it that way.

Mr. FRASER: These boats were delivered in August on the Pacific Coast?

Mr. GALLOWAY: One was put into service on August 12th, 1930; the second one was put into service on September 4th or 5th.

Mr. FRASER: Which was the first one?

Mr. GALLOWAY: The Prince Henry.

Mr. FRASER: The David was the second, and the Robert was the third?

Mr. GALLOWAY: Yes.

Mr. FRASER: Were they built by contract?

Sir HENRY THORNTON: Tenders were asked for and the contract was awarded to the lowest tenderer.

Mr. FRASER: Who were the builders?

Sir HENRY THORNTON: Campbell-Laird of England.

Mr. FRASER: Were they all built by the same firm?

Sir HENRY THORNTON: Yes. We asked for a number of tenders, and, of course, awarded the tender to the lowest bidder.

Mr. FRASER: Have they been finally accepted from the builders?

Mr. GALLOWAY: Yes and no. The builders guaranteed them for six months after delivery and they are responsible for any defects that might occur in the hull or machinery within the six month service period.

Sir HENRY THORNTON: Now, we had some trouble. On which boat was that, Mr. Galloway?

Mr. GALLOWAY: There was some trouble in them all.

Sir HENRY THORNTON: We had some trouble with the turbines, and that matter is now being taken up with the builders for adjustment.

Mr. DUFF: They send their own engineer for six months.

Mr. FRASER: Have the boats been paid for?

Sir HENRY THORNTON: Yes. Everything is paid for.

Mr. MACMILLAN: I have heard it said that those boats are so high-powered that they almost throw people up against the rail in making the turns during the passage?

Sir HENRY THORNTON: I am glad you asked that question. There are so many things that one may hear. It is difficult to answer them all. I can only say this, that I travelled on one of those boats last summer from Vancouver up to Alaska and back to Prince Rupert, and they were admirable in every way.

Mr. MACMILLAN: I am talking about the tri-city service?

Sir HENRY THORNTON: I should say that was an absurd rumour.

Mr. DUFF: Although there are some hairpin turns on that route.

Sir HENRY THORNTON: There may be some hairpin turns, but there are no better boats, no more comfortable boats, and no better handled boats on the water to-day.

Mr. GEARY: Will you tell me if there was an adequate service for all the traffic offering before you put on the three boats?

Sir HENRY THORNTON: I will answer that question offhand, but I can only answer it in a general way because it is a general question. I should say that during the tourist season there was not enough service. I am just speaking offhand. I am giving you my general knowledge.

Mr. GEARY: And you went in to take out your share of it I suppose?

Sir HENRY THORNTON: Yes.

Mr. DUFF: And to help the railway?

Mr. FRASER: The builders have not been released?

Sir HENRY THORNTON: No.

Mr. FRASER: Here is a rumour I have heard: one of the boats was sent back from Halifax to the builders for repairs?

Sir HENRY THORNTON: No, that is not so.

Mr. FRASER: That is not so?

Sir HENRY THORNTON: No.

Mr. FRASER: What fuel do they use?

Sir HENRY THORNTON: Oil.

Mr. FRASER: You have had some trouble with them in regard to their performance?

Sir HENRY THORNTON: We have had some trouble with the turbines, and that is now under discussion and adjustment with the builders. It is not a serious trouble, but it is a trouble which involves the obligations of the builders, and we are now conducting negotiations with them.

Mr. FRASER: Was there any alteration in the power supposed to be put into the boats after they were laid down from the original plan?

Mr. GALLOWAY: The horsepower was increased somewhat.

Mr. FRASER: The reason I asked that is because Mr. MacMillan asked the question a moment ago, and I have heard the report that they were too heavily powered. What have you to say to that?

Sir HENRY THORNTON: That was all gone into pretty carefully by our own marine experts, and by our own marine architect, and we felt that we should increase the power of these vessels, because in this service we are from time to time encountering fogs when it is necessary to slow down the speed of the vessel, and when the fog lifts we have got to have enough reserve power to make up the time we have lost. Now, the power of the vessels as they stand to-day is correct according to our own competent navigating officers, our own marine experts, and our own naval architects.

Mr. DUFF: What is their speed?

Sir HENRY THORNTON: Twenty-three and a half knots.

Mr. DUFF: That is not too much.

Mr. FRASER: Have you had any reports from your navigating officers as to their efficiency, or as to the way they handle?

Sir HENRY THORNTON: They are entirely satisfactory.

Mr. FRASER: Have you ever had to have them taken out of the harbour at Victoria with the assistance of a tug?

Mr. GALLOWAY: Not that I know of.

Sir HENRY THORNTON: I do not think so. I should be surprised to hear that.

Mr. DUFF: Perhaps they were in drydock and the tug took them down to the berth afterwards.

Mr. FRASER: Have they been in drydock?

Mr. GALLOWAY: Yes.

Mr. DUFF: I saw the *Lady Nelson* being towed down in Halifax Harbour.

Sir HENRY THORNTON: The answer is that unless there is an occasional extraordinary set of circumstances, the vessels do not require the services of tugs. They are thoroughly satisfactory from a navigation point of view.

Mr. FRASER: The reason I asked that question, Sir Henry was this: it has been reported to me that those vessels in entering and departing from Victoria Harbour required the assistance of a tug, and I thought it was only right that you should have an opportunity of confirming the rumor or refuting it.

Sir HENRY THORNTON: I am glad you asked that question and my reply is in the negative.

Mr. HANBURY: I would like to make a statement in that connection because there are rumors in Victoria that these boats are hard to handle. I do not want to say that there was deliberate propaganda to discredit the boats, but propaganda existed that these boats were hard to handle. I went to the Masters of these boats, and also to the Canadian National Railways in Victoria, and I have satisfied myself that they are satisfactory and just as easily handled as any boats on the Pacific Coast to-day.

Mr. DUFF: It is quite possible that they might have been hard to handle on the first two or three trips; they may have wanted a piece on their rudder or something like that. We cannot help that.

Sir HENRY THORNTON: There is one particularly difficult part of the passage between Prince Rupert and Skagway which requires very careful handling and manoeuvring, and I was on the bridge with the captain of the vessel, the master of the vessel, and the master of one of the other vessels—an experienced Scotch navigator who had been all over the world—and I asked them how the vessel handled, and whether they were satisfied with the vessel, and they said that the vessel I was on—one of the new ones—was one of the easiest and best handling vessels they have ever seen. Certainly from what I observed—I am not a sailor—I am a very bad sailor—from what I observed of the vessel, it certainly handled with extraordinary facility.

Mr. FRASER: Was the reason for putting each of these vessels in drydock simply for the purpose of giving them a general look-over after the ocean trip?

Mr. GALLOWAY: It was more for the purpose of making an examination of the ships upon their receipt from the builders.

Mr. DUFF: Are they twin screw?

Mr. GALLOWAY: Yes.

Mr. DUFF: They ought to handle if they are twin screws.

Mr. KENNEDY: I would like a statement regarding the performance of the Northern Alberta railways since you took them over. Are they holding their own?

Sir HENRY THORNTON: Do you refer to the Northern Alberta railways in which the Canadian Pacific Railway and ourselves are joint owners?

Mr. DUFF: He wants to know if they are going up hill or down hill?

Sir HENRY THORNTON: Mr. Fairweather will answer that question.

Mr. FAIRWEATHER: I take it that what is desired is a comparative statement of operating expenses and revenues: year 1930, operating revenues $2,253,739; 1929, $2,232,156, an increase of $21,582. The railway operating expenses for 1930 were $1,952,389; 1929, $1,437,109, an increase of $515,279. The net revenue from railway operation in 1930 was $301,309; 1929, $795,046, a decrease of $493,697.

Mr. KENNEDY: What about the question of the outlet—the surveys that have been made. Did the Canadian National participate in these surveys or not? There seems to be some confusion about that.

Sir HENRY THORNTON: I will answer that generally. Is Mr. Gzowski here? We have been making reconnaissance surveys, what might be described as general surveys to determine in a preliminary way which of the various passes available for a western outlet afford most promise. We have never made any direct survey of an outlet, but our engineering officers knew in a general way what the country was like, and we made certain surveys to determine the altitudes of the different passes. Now, rather recently the Canadian Pacific Railway has made, as I understand it, a somewhat exhaustive survey which could really be called a survey of the various routes. The report has been sent to the Minister of Railways and to myself, and I understand it to be the intention of the Minister of Railways to ask the President of the Canadian Pacific Railway and the engineering officers to discuss that report at some future date. Now, that generally is the situation.

Mr. GZOWSKI: We made no surveys in 1930 at all. The C.P.R. made quite extensive surveys.

Sir HENRY THORNTON: We did not make any surveys because there is no use of both of us making surveys, and as long as the C.P.R. were willing to do it, we were willing to let them.

Mr. BELL: Will you refer to the annual report at pages 34 and 35?

Sir HENRY THORNTON: Yes, Mr. Bell.

Mr. BELL: Now, you have the capital stock, and then held by the system, and then owned by the government, owned by the public, in italics. What do you mean by the public?

Sir HENRY THORNTON: I think the first item there, in which you will find that item in italics, is the Montreal Fruit Terminal Company, Limited.

Mr. BELL: No, the Montreal and Southern Counties Railway is it not?

The CHAIRMAN: What page is that on?

Mr. BELL: Page 34, I think.

Sir HENRY THORNTON: That represents, Mr. Bell, stock owned by a private individual.

Mr. BELL: In the figures that are going down in italics, I would like to know, first of all, have you any obligation to take up any of those figures?

Sir HENRY THORNTON: I do not think we have. We have no obligation.

Mr. BELL: Any of them?

Sir HENRY THORNTON: No.

Mr. BELL: Now, the second question is, if these are owned by the public, do you pay dividends to the public, or where do the public get off at?

Sir HENRY THORNTON: The public get off. There are no dividends.

Mr. BELL: Do they keep off, or what is the ultimate object?

Sir HENRY THORNTON: I am just speaking from memory, and Mr. Galloway, or some of the other officers who are familiar with the subject, can speak for themselves.

With respect to the item of $189,500, I take it that that represents an interest on the part of individuals which originated a good many years ago and which was simply continued. There was no particular reason why we should buy them out, and we let it go on.

Mr. BELL: I suppose if their stock is worth a certain amount they can sell it to the public?

Sir HENRY THORNTON: They can do what they like with it, but we did not think there was any necessity to purchase stock and of course we did not want to add to our capital account by doing that.

The CHAIRMAN: That may be considered as a frozen asset.

Mr. BELL: You capitalize these different vessels at $10,000. I suppose that is just a matter of bookkeeping?

Sir HENRY THORNTON: Where is that?

Mr. BELL: On the same page, 34.

Sir HENRY THORNTON: That is simply a corporate holding company.

Mr. HANSON: Each ship is incorporated as a joint stock company?

Sir HENRY THORNTON: Yes.

Mr. FRASER: And you do not keep the accounts separate?

Sir HENRY THORNTON: No.

Mr. FRASER: It all goes into the general pot?

Sir HENRY THORNTON: Yes.

Mr. HANSON: If these ships cost a couple of million dollars, why do you capitalize them at $10,000?

The CHAIRMAN: It is evident that they are saving expenses by doing so. It costs so much to incorporate a company at $2,000,000, and it does not cost nearly as much to incorporate a company at $10,000. And besides that, there is a yearly fee based upon the amount of capital.

Mr. BELL: If that is so, it is apparent that this capital stock given here merely represents figures?

Sir HENRY THORNTON: It was considered, for the reasons the Chairman has given, as sound business policy to pursue that particular plan.

Mr. DUFF: I suppose you have that particular stock issued in your strong box?

Sir HENRY THORNTON: Oh, yes.

Mr. GRAY: At any rate this is not a valuation of stock?

Mr. HANSON: This is merely a schedule of the holdings of the company.

Sir HENRY THORNTON: That is right. I think $10,000 is the lowest amount at which it can be capitalized.

Mr. GEARY: If this has not been taken up and determined, at page 144 of the Proceedings of the Committee, there is a statement which I asked for in regard to radio. It is in volume No. 7?

Sir HENRY THORNTON: That question was filed in the official report.

Mr. GEARY: I am seeing it now for the first time. You ran the expenses from $10,146.06 in 1923 to $420,028.17 in 1930, and you generally progressed in the expenditure until in that year you dropped them off. You have $175,000 of capital invested. I am surprised it is so small. Is that all your three stations cost you?

Sir HENRY THORNTON: That represents our entire capital investment. It does not, of course, include anything with respect to certain newspaper broadcasting stations which we lease or rent.

Mr. GEARY: But you have three stations which you own?

Sir HENRY THORNTON: That represents that amount.

Mr. GEARY: And the stations only cost $175,000 to construct?

Sir HENRY THORNTON: That is right. It includes also equipment on trains; but I suppose the bulk of it would be the three stations. I will give you the details of that, Colonel.

Mr. GEARY: I am not concerned with that, if you tell me that that is all your three stations cost you.

Sir HENRY THORNTON: For instance, the Ottawa broadcasting equipment and furnishings located in Chateau Laurier, also transmitting equipment and aerials located on Jackson Building used under lease, $37,786.82—that is by way of example.

Mr. GEARY: Then you broadcast, I notice, every now and then over a hook-up all over the country?

Sir HENRY THORNTON: Yes.

Mr. GEARY: You use your own three stations in that, I suppose?

Sir HENRY THORNTON: Plus the stations which we lease.

Mr. GEARY: Is that a profitable thing, to lease those stations? How much do they cost you?

Mr. MACLAREN: $60,756.23.

Sir HENRY THORNTON: The rental was approximately $61,000.

Mr. GEARY: Is that on an hour basis?

Sir HENRY THORNTON: I cannot answer that offhand, but it is probably at so much an hour. But the reason we did that was because there was so much criticism of our capital investment that we were taking whatever avenues were available.

Mr. BEAUBIEN: Do you rent your own stations to outside people?

Sir HENRY THORNTON: Yes, sometimes. The revenue in 1930 from rented stations was $40,246; and we paid $61,000 rental for stations that we leased.

Mr. GEARY: What is the cost per hour of a station which you rent?

Sir HENRY THORNTON: The average cost of what you would call our broadcast is $57. I am just guessing but I should think that might cover a couple of hours or something like that.

Mr. HEAPS: Can you give us any idea of the broadcast cost on Sunday afternoon when you have a symphony orchestra?

Sir HENRY THORNTON: I am afraid I cannot answer that. I can get that for you by to-morrow, Mr. Heaps. For talent, I take it?

Mr. HEAPS: Say you broadcast a symphony concert from Toronto on a Sunday afternoon?

Mr. HANSON: A good deal of the cost is for artists, is it not?

Sir HENRY THORNTON: Yes, and I think I am safe in saying we have employed nothing but Canadian artists.

Mr. GEARY: How many stations have you had in a hook-up,—how many have you under rental?

Sir HENRY THORNTON: We only have three stations of our own, Moncton, Halifax and Victoria.

Here are the stations both owned and leased which we employ for hook-up broadcasting purposes: Halifax, Moncton, Quebec, Montreal, Ottawa, Toronto CNRT, Toronto CNRX, London, Winnipeg, Regina, Saskatoon, Edmonton, Calgary, Red Deer, Vancouver, Saint John, Fredericton, Yorkton, two stations at Hamilton, Waterloo, Detroit, Michigan, Chatham and Brandon.

Mr. GEARY: And those cost you about $57 per hour?

Sir HENRY THORNTON: That is the average, $57.47. I do not know that it is per hour; I rather think it is more nearly two hours. That includes, of course, talent and everything.

Mr. HANSON: It depends upon the power of the station, the high-powered stations are higher, and low-powered stations a good deal less?

Sir HENRY THORNTON: Naturally; if you hire a high class coach and four it costs more than an ordinary conveyance.

I think we have here now what you want, Colonel.

The CHAIRMAN: There is a motion before the chair.

Mr. GEARY: I wonder if I could follow that up, I want the information?

Mr. DUFF: Will you give us the last figures about the cost again, Colonel?

Mr. GEARY: Sir Henry said the cost of the station plus artists ran about $57.47.

Sir HENRY THORNTON: Mr. Fairweather has two samples which have been worked out.

Mr. FAIRWEATHER: Halifax, the rental of the station per broadcast was $19; and at Montreal it was $11, the difference between the two rates undoubtedly being due to the fact that in Halifax we broadcasted sixty-six times and in Montreal one hundred and twenty-seven times; but that gives you the representative average figures for the rental per broadcast.

Mr. DUFF: They find their own artists, then?

Sir HENRY THORNTON: No, that is just for the use of the station.

Mr. FAIRWEATHER: The average talent per broadcast was $24.60.

Mr. HEAPS: That is for each station?

Mr. FAIRWEATHER: No, per broadcast.

Mr. GEARY: What orchestra do you have? Do you have the Imperial Orchestra?

Sir HENRY THORNTON: I am sure that the orchestra that we have used the most has been the Toronto Symphony Orchestra, a very fine orchestra under the direction of Von Kunitz.

Mr. GEARY: I am not altogether with you there, as one music lover to another.

That is Sunday afternoon, is it?

Sir HENRY THORNTON: That is Sunday afternoon.

Mr. FAIRWEATHER: The figures I have quoted are the average figures for the year. I have quoted rental charges at Halifax and Montreal for the station

privilege in terms of dollars per broadcast. I have also quoted a talent figure for our average broadcast. I could give you the Toronto talent per broadcast —perhaps that would suit you?

Mr. GEARY: I do not want to go into the cost of the orchestra. They might not want that.

Sir HENRY THORNTON: Considering the excellence of the orchestra, we made a very satisfactory arrangement with the orchestra. Here is the answer to your Toronto question, Colonel.

Mr. FAIRWEATHER: I will have it there in a minute.

Sir HENRY THORNTON: I am sorry we are not ready to give you the answer offhand, but with about fifteen pitchers, it is somewhat difficult to tell what questions are going to come across the plate.

Mr. FAIRWEATHER: The talent for those Toronto broadcasts runs considerably higher than the average. The talent cost was $32,000 for a total number of 246 broadcasts.

Mr. HANSON: That is not so bad.

Mr. BEAUBIEN: That is a lot of money for Toronto, isn't it?

Sir HENRY THORNTON: The average is about $130. In other words, the real answer to your question is that in round figures we pay about $130 for broadcasting for an hour; and personally I think it is a very low sum.

Mr. GEARY: I was not interested in that, but what I was interested in was how much you pay out for talent and how much of the $144,929 that would account for?

Mr. FAIRWEATHER: The total amount paid for talent in 1930 was $95,073.82; for rentals, $60,756.23.

The CHAIRMAN: And the total cost?

Mr. GEARY: So that you have about $160,000 of other cost?

Mr. FAIRWEATHER: The total cost, after deducting the revenues received, is $420,000.

Sir HENRY THORNTON: What Colonel Geary asks is after we have included the charge for leases and for talents, what is the balance, what does it consist of?

Mr. FAIRWEATHER: Wages and a small amount for personal expenses, rental of telephone lines, telegraph charges and miscellaneous.

Sir HENRY THORNTON: When we give a whole Canada broadcast, we charge the radio with a proper proportion for the use of the telegraph line, which accrues to the telegraph department.

Mr. GEARY: You absorb all the charges?

Sir HENRY THORNTON: Yes.

Mr. HANSON: Shall we carry Mr. Duff's question?

Mr. DUFF: Question, Mr. Chairman.

The CHAIRMAN: Are there any more questions arising out of the Canadian National Railways Annual Report and the estimates?

Mr. GEARY: One more, if I may. At page 2 of your Estimated Financial Requirements for 1931, a third of the way down the item Central Region, you will find other stations and shelters, 6—I suppose that is six in number, $35,610?

Sir HENRY THORNTON: What letter is that, of the index?

Mr. GEARY: It is in G, page 2.

Those are specific stations, are they?

Sir HENRY THORNTON: Oh, yes.

Mr. GEARY: Now, can you switch one of those stations? Can you put another station in place of the six?

Sir HENRY THORNTON: Have we done that, Mr. Smart?

Mr. SMART: Why, yes.

Sir HENRY THORNTON: Yes, that could be done, Colonel.

Mr. GEARY: So that Watford could be in that, and Watford might not get a station, but Komoka would?

Sir HENRY THORNTON: That is a possibility. This $35,000 is made up of certain specific stations with respect to which certain things are to be done. I should say that the number of cases in which they would be any alteration would be negligible; but if you ask me the academic question, can we switch from one station to the other, the answer is yes.

Mr. GEARY: And you have $57,000 further down for a seventh station, if you want to?

Sir HENRY THORNTON: I should think the answer to that question would be yes.

Mr. GEARY: We do not know anything about these individual stations, but you can arrange those so as to include five, six or eight?

Sir HENRY THORNTON: I have the items here.

Mr. GEARY: As long as you get rid of London, I will be satisfied.

Sir HENRY THORNTON: That station is over eighty years of age.

Mr. GEARY: It is about good enough to go on your watch chain.

Sir HENRY THORNTON: It might go on yours, but I have not any watch chain.

Mr. FRASER: On Exhibit H, the second item from the top, you will notice that is for the Western Region. Look at the second line, line diversion Westfort, Ontario,—what relation has that to the Western Region?

Mr. SMART: The Western Region begins at the head of the lakes and from there West.

Mr. FRASER: Where is Westfort, then?

Sir HENRY THORNTON: It is west of Fort William, and that is why it is called Westfort.

Mr. FRASER: You have made the statement that you have made no reduction in wages during the year, talking of section men and that sort of thing. You made a reduction in the price of your ties in British Columbia. I know as a fact that your price for ties was reduced from seventy to fifty-seven cents. How do you justify reducing the wages of tie-makers and not reducing the others? Why do you reduce the tie-men and not the others?

Sir HENRY THORNTON: Because the one is a contract which you let, and the contractor can take it or leave it as he likes; and the other is an employee of the company who is working under a contract which we have made with the recognized trades union.

Mr. FRASER: It is a contract, true enough, but you do not give him much leeway in making the price.

Sir HENRY THORNTON: If you were going to buy a horse, if you could get that horse for $50, you would not go out to the proprietor and say, I would like to give you $75 for this horse.

Mr. HUNGERFORD: And we could have bought several times the number of ties we wanted for that price.

The CHAIRMAN: Is there any further question to be asked? If you carry this resolution of Mr. Duff's, this book is closed as far as we are concerned.

Sir HENRY THORNTON: I would like to say that if any member of this committee at any time wants to ask any question, whether it is at this meeting or at any time subsequent during the year, I will be only too glad to place at his disposal any information we have got.

The CHAIRMAN: But it will not be placed through the chairman.

The motion of Mr. Duff reads as follows: That the annual report of the Canadian National Railways for the year ending 1930 and the estimated expenditures for the present year be received and adopted.

Mr. GEARY: Mr. Chairman, I do not see that this committee has any power to adopt the report. They report it to the House and the House adopts it.

The CHAIRMAN: According to my recollection, that has always been what the committee has done. I do not want to depart from any rule.

Mr. HANSON: I know that has been the practice, but I think we should add to that motion, and I would ask Mr. Duff to incorporate it; that this committee very earnestly recommends to the management a reduction in the capital expenditure and the operation expenditure wherever it may be, in order to carry out the wish here, that ought to be expressed in concrete form.

Mr. HANBURY: Mr. Chairman, I would say that there is a Board of Directors and management beside the Minister, and I would be prepared to leave that with the management.

Mr. BEAUBIEN: When this report is presented to the House, any member can move an amendment to that report if he desires to do so. The House has full jurisdiction over all that we have done here.

The CHAIRMAN: As chairman of this committee, I propose to present a report to Parliament, which I propose to ask this committee to endorse, and in that report I intend to incorporate a statement of that kind, so that this resolution only partly gets rid of our work. This advances us so much, and the plan has got to come before you.

What is your pleasure regarding this motion? Will you just signify it in the usual manner? I declare the motion carried.

Mr. HANSON: Mr. Chairman, I think we ought to follow this up by reporting Bill 79 and also Bill 83. I have pleasure in moving that Bill No. 79 be reported.

Mr. DUFF: I second the motion.

Mr. GEARY: What does that mean?

Mr. HANSON: We have been discussing the budget which makes up $68,500,000, and it is a matter of importance that we report this Bill and it has been referred to us by the House for that purpose.

Mr. DUFF: And it is necessary to report it immediately, Mr. Hanson?

Mr. HANSON: I do not know that it is, but I think it is well to get it out of the way.

The CHAIRMAN: It is moved by Mr. Hanson, seconded by Mr. Duff, that Bill 79 referred to this committee by the House be reported by this committee without amendment.

Mr. DUFF: And the same thing with respect to Bill 83.

The CHAIRMAN: It should be explained, I think. The Minister has explained that they are adopting a different method this year from other years. This year they are passing Bill 79, authorizing the Canadian National Railways to make provision for these moneys; and Bill 83 authorizes the government to guarantee the securities. Do you want to make two separate motions?

Mr. DUFF: Yes.

The CHAIRMAN: Moved by Mr. Hanson, seconded by Mr. Duff, that Bill 79 referred to this committee by the House be reported to the House without amendment.

I declare that motion carried.

Mr. HANSON: I move the same motion in regard to Bill 83.

The CHAIRMAN: It has been moved by Mr. Hanson, seconded by Mr. Duff, that Bill 83 referred to this committee by the House be reported by this committee to the House without amendment.

What is your pleasure in reference to this motion?

That is carried.

Sir HENRY THORNTON: I take it, Mr. Chairman, that this committee will meet with respect to the operations of the Canadian Government Merchant Marine? The hour is a little late, but I have a statement which I would like to make, and which has to do with the railway situation but at the same time it can be just as well made to-morrow morning or some other time when this committee convenes; but I would not want the committee to disperse without my having an oportunity of making a general statement which I think has to do with the transportation situation in Canada.

Mr. HANSON: I think every opportunity ought to be available, Sir Henry.

Sir HENRY THORNTON: If you do not mind my making that statement to-morrow, it is not contentious?

The CHAIRMAN: I think there will be enough business to keep us going for another sitting.

Mr. MCGIBBON: Why not have it done to-night, and then it will be clear for to-morrow with the Merchant Marine?

Mr. BEAUBIEN: It is now six o'clock, Mr. Chairman.

Sir HENRY THORNTON: I would rather that the Minister should be here.

The CHAIRMAN: To-morrow morning at 11 o'clock.

The committee adjourned to meet on Thursday, June 25, at 11 o'clock a.m.

HOUSE OF COMMONS, ROOM 368,

THURSDAY, June 25, 1931.

The Select Standing Committee on Railways and Shipping met at 11 o'clock a.m., Hon. J. D. Chaplin, the Chairman, presiding.

The CHAIRMAN: This morning's discussion will be the Canadian National Steamships.

Sir HENRY THORNTON: Mr. Chairman, the last thing at the yesterday afternon meeting, I said that I would like to say a word or two upon the general transportation situation. The hour was late, and yourself and the committee were good enough to say that that might be postponed until this morning.

I would like to preface my remarks with the statement that what I have to say is offered purely as a suggestion. It might even seem an impertinence to make a suggestion, but I do not want it to be regarded as anything more than a suggestion which is born of a patriotic desire to see that thing done which is best for the Dominion of Canada with respect to its transportation problems.

I would also like my statement to be regarded as without prejudice of any sort, and also regarded as coming from one whose remaining days must necessarily be spent in Canada; and like the rest of you, all of us who expect to live and die in this country have at heart patriotically and sincerely the welfare of the country, irrespective of what divergence of views we may hold.

The discussion that we have had since this committee assembled and the facts which have been well known to everyone during the last year or more clearly indicate that a situation of serious importance confronts the transportation interests of Canada.

Professionally speaking, that is to say speaking for the profession of transport as a whole and with no reference to any particular company, I think I am safe in saying that those who are engaged in such activities have endeavoured to conscientiously, sincerely and intelligently execute their responsibilities in the face of very difficult times. We are all of us seized with the importance of the whole problem.

The business of transportation, in its effect on such a country as Canada, is one of its major factors, for the very simple reason that the largest activity which we have, namely agriculture and the marketing of the production from that activity, involves the carriage of the production a long way by rail before it reaches the ocean and can be exported to foreign countries.

The largest single operation which we have in Canada, from an economic point of view as well as from a financial point of view, is the raising, reaping, shipping and selling of our wheat crop. Pretty much the whole of the success of this country in each individual year turns upon how satisfactorily, how successfully that operation is carried out; and in that series of operations which commences with the planting of the seed and ends with the sale and export of the fruition of that seed, one of the large factors is transportation, and because our crop is raised largely in the interior of the country and travels a long way before it reaches the port of export, transportation must necessarily be a very large factor in the business activities and the economics of the country.

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In that respect we differ from the Argentine, where the average haul of wheat for export is perhaps not more than about 300 miles. Our haul would be several times that. The same thing is true of the activities in other lines of other countries, such as manufacturing, where the haul on the production to its point of consumption is relatively small.

The United States had at one time quite a similar problem in that most of their wheat was raised in the interior and had to be shipped almost similar distances for export; but that situation is changing because the United States, on account of the population of approximately 120,000,000 people, has established a very considerable home consumption for their own product, with a corresponding reduction in the transportation problem relating to the marketing of that production.

All of the transportation officers, irrespective of the company which happens to employ them, have, as I have said, been carrying out their responsibilities under the conditions which confront them, to the best of their ability.

In this committee and throughout Canada one frequently encounters divergence of views with respect to our transportation policy. Now, I suggest that the time has come when we should perhaps, from a national point of view, take our latitude and longitude and determine our position with respect to this large activity of transport and its relationship to the marketing of our large production, and that after determining that latitude and longitude and trying to see where we are, and taking some account of the trade winds that blow, we should endeavour from a national point of view to determine a course to be steered.

I therefore suggest, and it is only suggestive, it does not involve any action on the part of this committee whatsoever, it is only the expression of a personal thought on the part of one who has been through a good deal of anxiety and realizes, as you all do, the importance of the problem, and is trying to seek some instrumentality which will put us upon a course which will generally be recognized as sound; and I therefore purely suggest that the government should appoint a commission of men who, because of their business standing, their knowledge and experience and the confidence which the public has in them because of those attributes, to consider the transportation situation and endeavour to arrive at some definite recommendation.

That is all I have to say on the subject, gentlemen; but I would again repeat, perhaps to the point of nausea but in order that it may not be misunderstood, that in making this suggestion I have only at heart what I believe to be the welfare of the country and an earnest desire that the policies of this country with respect to transportation should be carefully, exhaustively and intelligently determined upon.

Hon. Mr. EULER: You are referring to the general transportation system?

Sir HENRY THORNTON: Yes. I may say that in the United States that country suffered very materially from having no transportation policy whatsoever, after the close of the Civil War, with respect to railways that were built west of the Mississippi river. Groups of individuals who saw opportunities to exploit the country, and perhaps at the same time to exploit investors, went into the field; railways were built with no regard one for the other; and the result of that operation was, that hit or miss fashion of doing things, that there was loss in capital and in interest; and those losses to the investing public of the United States to date reach the colossal sum of three billions of dollars. That is an example of what happens unless there is some sort of considered, orderly procedure.

Hon. Mr. EULER: Do you refer to investments in railways, Sir Henry?

Sir HENRY THORNTON: In the United States, I am referring to investments in railways; by that I mean in capital stocks and funded debts.

That is all I have to say, gentlemen; and, as I said before, it is merely suggested and does not necessitate any action upon the part of this committee; but I have felt, as one who had at heart the interests of the country, I should make that suggestion.

Hon. Mr. MANION: May I ask a question? Mr. Euler, I think, really covered it, but I would like to make sure what you have in the back of your head. Your suggestion is that a commission of business men should be appointed to look into the whole transportation question, not only of the Canadian National Railways but the Canadian Pacific Railway, all the transportation question, in this country, including both railways?

Sir HENRY THORNTON: I think, if I might be so impertinent as to suggest the terms of reference to such a committee,—and while I said business men, I did not necessarily mean business men alone; I think there should be included in such a committee economists, those who can contribute useful thought upon the subject. Business men have no monopoly of intelligence.

Hon. Mr. MANION: Those of us who are not business men will agree with that.

Sir HENRY THORNTON: One sometimes finds intelligence buried in the halls of education, and you sometimes find a lot of intelligence with the track labourer, and now and then there happens to be a friend who comes forward and accuses railway employees of having intelligence. One never can tell.

To continue with what the Minister has said, I think if anything is done the terms of reference should be sufficiently broad to permit a committee of this sort to ventilate the whole subject completely, and that they ought to have a pretty free hand to go into anything that in their judgment relates to the welfare of the country from a transportation point of view.

Mr. HANSON: Would you include in the terms of reference the cost of operating railways on this continent?

Sir HENRY THORNTON: That would have to be within the terms of such a reference. I doubt if any such committee could come to any conclusion without taking that into consideration.

The railway transportation problem is born of the fact that we in Canada produce in the aggregate the thing which represents our greatest activity in the centre of the country, an average of probably two thousand miles away from the port from which that production must move if it is to be sold to the outside world; and our success in Canada is going to depend upon the difference between what it costs us to produce and what it costs us to sell; in other words, taken as a business enterprise, the success of our business enterprise, which we will call for the moment Canada, depends upon what is the spread between our cost of production and the price at which we sell that production to the outer world; in other words, the balance of trade.

Mr. GEARY: Would you indicate any point toward which that committee should direct its efforts?

Sir HENRY THORNTON: No, Colonel.

Mr. DUFF: I would suggest that the Board of Directors of the Canadian National Railways should do that instead of appointing a committee.

Mr. FRASER: How about the Canadian Pacific Railways?

Mr. DUFF: Oh, I see,—the two railways?

Sir HENRY THORNTON: I would say, Mr. Duff, that I hope there are enough individuals in this country who would be useful and acceptable members of such a committee to perform that service as a patriotic contribution, without pay. I was not for a moment suggesting anything else.

Mr. HANBURY: That is a detail.

Sir HENRY THORNTON: As Mr. Hanbury says, that is a detail.

Mr. HANSON: Would you include in your order of reference what the activities of that committee should be?

Sir HENRY THORNTON: No.

Mr. MACMILLAN: Are the conclusions to which you have arrived due to the conditions of the railway?

Sir HENRY THORNTON: That has obviously been one of the factors.

Mr. MACMILLAN: That is the prime factor, is it not?

Sir HENRY THORNTON: I would not say it was the prime factor. As a matter of fact we find the Canadian Pacific Railway not in any opulent position at the moment. Let me say here, I defy anyone to find any public statement which I have made which has been in any way derogatory of the Canadian Pacific Railway. As railway men, like lawyers, we may fight a bit in Court, but we have some regard for the ethics of our profession, when we come to discuss it from a professional point of view, and the officers of the Canadian Pacific Railway and the officers of the Canadian National Railways are all officers in that profession, and we have a high regard for the ethics which we try to maintain.

Mr. MACMILLAN: I think possibly that men and women all over Canada to-day are very much perturbed and upset about the whole fabric—

Sir HENRY THORNTON: Precisely.

Mr. MACMILLAN: And that is one of the motives which actuated me—I do not want you to misunderstand me.

Sir HENRY THORNTON: I understand that. After all, every Canadian citizen may have his own views with respect to what should be done with this or that thing, but at bottom every Canadian citizen has at heart the welfare of his country, and if that is not true, the sooner we quit the better.

Mr. CANTLEY: How long do you think this investigation would take, as regards time?

Sir HENRY THORNTON: Well, I should not think it should be an excessive length of time. I should think—I cannot conceive, Colonel, that it would be certainly any more than—I should say twelve months would certainly be the maximum. I should be very surprised, and I am only guessing, your guess is just as good and probably better than mine, because you have had more experience with the deliberations of commissions and public bodies, so your estimate would probably be better than mine.

Mr. DUFF: Large bodies always move slowly.

Sir HENRY THORNTON: You cannot expect a steam roller to move with the same agility as a squirrel.

Mr. CANTLEY: I think it would be difficult to get competent men to spend twelve months on the job.

Sir HENRY THORNTON: I do not imagine for a minute they are going to spend eight hours a day every day for twelve months.

Mr. CANTLEY: Your idea is they report to the government?

Sir HENRY THORNTON: After all, we have a government, and that government whether it be one party or another, it is at that time, the government, and whether it be Liberal, Conservative, or Progressive—

Mr. CANTLEY: I am not referring to that.

Sir HENRY THORNTON: —it is for the time being the leaders of the country, and I might say there too, at the same time, it might be well that this committee should consider looking at the transportation on the waterways situation, which is a repercussion, or is likely to have a repercussion on the rail transport situation.

Hon. Mr. EULER: The word "transportation" will cover that.

Sir HENRY THORNTON: Yes, that is the reason why that word was chosen.

Hon. Mr. EULER: It will cover truck transportation and bus and everything else.

Sir HENRY THORNTON: If they are going to do it, they might as well do the job. When it is done, if it takes a little longer time, when it is done it ought to be done and finished, and it ought to be of such a character that the people of Canada will have sufficient confidence in the report, and if it is adopted say, "Well now, that is the policy of this country and we are going to stick to it".

Mr. HACKETT: Everything is included in it except the decalogue; I think you ought to include that.

Sir HENRY THORNTON: I have no objection to including an examination of the Bible. You will find in the Bible a number of examples of transportation. Noah was perhaps one of the greatest live stock agents the world has produced. He built the first ship and he had a keg of whisky in it, too. Here is what happened: Noah asked the Lord for two kegs of whisky, and the Lord said, "No, you cannot have two kegs of whisky." He said, "Well, I need two kegs of whisky, I want to put one on one side of the ship, and one on the other, and if I don't have two the ship will be out of balance." The Lord said, "No, you only need one keg, and you can put it in the middle."

Mr. HANSON: I think, Mr. Chairman, the suggestion was a highly constructive one, and this committee ought to give attention to it. I think we ought to go on now with something else.

Sir HENRY THORNTON: I shall have to ask your apologies for mentioning that now. As you know, it was near six o'clock when we adjourned last night, and I thought it was better to postpone it until the morning.

The CHAIRMAN: The matter can be taken up by the committee alone at another time. Let us get on now with the business.

Mr. CANTLEY: You did not indicate what that general consideration would involve?

Sir HENRY THORNTON: I have no more to say with respect to that, Colonel, than I have already said.

Mr. CANTLEY: A general consideration of the state of transportation throughout the Dominion of Canada?

Sir HENRY THORNTON: Precisely.

I really think I ought to apologize for perhaps a thing that might be regarded as almost impertinence, but I have at heart, and we all of us have at heart, the welfare of the country, and that is why I venture to make the suggestions which I have made.

Mr. MACMILLAN: That is what we employ you for.

Sir HENRY THORNTON: I shall try to earn a little bit of my salary.

We have, Mr. Chairman, to consider this morning the Canadian Government Merchant Marine.

The CHAIRMAN: Each of you, I think, has a statement of the Canadian National Steamships, which includes the Canadian Government Merchant Marine and also the Canadian National West Indies. Anybody that has not one of those may get it.

Sir HENRY THORNTON: Mr. Chairman and gentlemen: The deficit sum which has accrued as a deficit for the operation of the Canadian Government Merchant Marine, an amount that the government is being asked to contribute this year or provide on account of the total estimated deficit, is $588,000. Now,

annually for the last eight years since the present officers have been in charge of the property, we have appeared here and presented a report which has always involved a deficit. There has never been a profit and while we have endeavoured to operate those vessels as the agents and trustees for the government, and have tried to do that as efficiently as possible, there has each year been a substantial deficit.

Hon. DR. MANION: An operating deficit.

Sir HENRY THORNTON: An operating deficit. I am not speaking of interest on capital which, of course, is considerable.

Hon. Dr. MANION: Or depreciation.

Sir HENRY THORNTON: Or depreciation. We are all aware of the circumstances which led to the formation of the Canadian Government Merchant Marine and the ships which are so represented. I think the time has come when some consideration—and I think it was mentioned last year—ought to be given to what we are going to do with the Canadian Government Merchant Marine. That is to say, whether the deficits which are annually felt are measurably met by some form of advantage which the manufacturing and marketing agencies of the country experience. I say I think probably the existence of the Canadian Government Merchant Marine has been of more advantage to the Pacific coast than it may have been to other parts of Canada, and I think that advantage has been substantial.

Now, this committee, however, if I may venture the statement, I think ought to realize that the time has come when some decision should be made as to whether we are to proceed to continue the Canadian Government Merchant Marine policy, or if not, what policy is to be adopted. We have from time to time each year disposed of at such prices as could be obtained vessels which were not needed for the operation of the Merchant Marine. All of those vessels were sold at a very considerable loss. On the other hand, it is only fair to remember that when those vessels were built they were built for a specific purpose, which was one of the exigencies of the war, and built at a time when the cost of building was extremely high. But, at any rate, here is a problem of national importance, with which no doubt the committee wish to deal. We have operated those vessels simply as agents and trustees of the government, and as I said, we have tried to do it as well as we could. Now would you like to proceed with an examination of the report in detail?

Mr. GEARY: Can you tell us now what course the United States government adopted in regard to their Merchant Marine?

Sir HENRY THORNTON: The United States government embarked upon a pretty widely flung policy of constructing vessels during the war for war purposes. I think they spent a most prodigious sum for that purpose, and I have seen not hundreds of ships, but acres of ships near Norfolk in storage, so to speak. I should hate to say how many there were. You could not call them squadrons, or even convoys, they represented acres.

The CHAIRMAN: They extended for miles, not acres.

Hon. Mr. MANION: Going down the Hudson I noticed they were somewhat the same.

Sir HENRY THORNTON: Yes. So that the answer to your question, I should say, is that the United States certainly spent hundreds of millions of dollars in that adventure, if one may call it such, although they might have been justified at that time, because no one knew how long the war was going to last. At any rate, the United States government spent hundreds of millions, and has lost, I should say, hundreds of millions.

Mr. GEARY: My question is directed to this: how did they close the account?

Sir HENRY THORNTON: I do not know as to that. I should think what they did is, they simply sold their ships for what they could get and wrote it off, wrote it off as a bad debt.

Mr. HACKETT: Is it not a fact that the United States went off the shipping business in as far as operation goes in 1921?

Sir HENRY THORNTON: I think the United States did have what is known as the United States Lines. For instance, the Leviathan is still running and they are very heavily subsidized, Mr. Hackett.

Mr. HACKETT: I am not talking about passenger service; I am talking about the Merchant Marine and the freight service that was brought into existence during the war.

Sir HENRY THORNTON: I think perhaps Mr. Teakle who is in charge of the Canadian Government Merchant Marine can tell you something about that. Mr. Teakle, will you tell Mr. Hackett and the committee about that?

Mr. TEAKLE: When they first started out in their programme, they allotted the ships to various operators.

Mr. GEARY: Excuse me just a moment, would you stand up, I cannot see you?

Mr. TEAKLE: When the ships were built and turned out from the yards the United States government turned the ships over to various operators, with certain rights and so on. As time went on they found it rather a very expensive proposition and they endeavoured to sell as many ships as they could. As the president has said, the United States Lines is one of the results of that. They have given each of the systems very heavy subsidies in mails. Other ships they have operated, but they are trying to dispose of as many of their ships as they possibly can.

Hon. Mr. EULER: Including passenger boats?

Mr. TEAKLE: I do not say anything about passenger boats.

Hon. Mr. EULER: Are they trying to sell those boats?

Mr. TEAKLE: The United States Lines took over some.

Mr. HACKETT: This is a different service.

Hon. Mr. EULER: I think the United States has abandoned the shipping business—

Mr. HACKETT: My question is, is it not a fact that the United States abandoned the carriage of freight as a business in 1921? I know that they are operating the line in competition with British and German mail carrying ships.

Mr. TEAKLE: That is true in principle, but they have got around it in another way by taking care of the operators. They give heavy subsidies for the carriage of mails.

Mr. DUFF: Another reason in addition to that is they had a large number of privately owned ships in the United States, which we did not have.

Sir HENRY THORNTON: Yes.

Mr. DUFF: A large number of privately owned ships to do the business.

Sir HENRY THORNTON: Yes.

Mr. HANSON: Coming back to the subject immediately under consideration, I should like the committee to turn to the income account of the year ending 31st December, 1930 and 1929, and look those figures over. You will find on page 8 the operating revenue for 1930 was $5,164,903.11; in 1929 it was $8,371,444.23. The operating expenses for 1930 were $5,999,114; in 1929 the operating expenses were $9,250,348.44, leaving a defiicit of $834,210.89 in 1930, and $878,907.21 in 1929, including other charges, the net income deficit in 1930 was $5,844,757.39, and in 1929, $5,928,758.83. If you will turn to the Con-

solidated Balance sheet on page 7, you will observe that the profit and loss account for this company shows a deficit during those years of over $57,000,000. I think that those figures, especially the latter figure, tells its story to this committee, and apropos to Sir Henry's suggestion that we should make some recommendation, I have in mind a very definite recommendation to make, and that is that this country should get out of the shipping business as such, take our loss, sell the ships, and leave the operation of those mercantile rights to private enterprise. If you will follow the history of the routes you will observe route after route has been attempted without success, with the possible exception of some of the Pacific coast, to which reference has been made, route after route has been abandoned. But the whole story is one long story of operating losses; and I do think that this country, irrespective of the history of the project, should drop those lines, and go out of the business, especially at this time when private enterprise is finding it so hard to compete against government enterprise. Take for instance the South African route. You maintained a line, I understand, to South Africa,—

An Hon. MEMBER: Not South Africa, South America.

Mr. HANSON: Have you ever been in the South African business?

Sir HENRY THORNTON: No; you probably mean South America.

Mr. HANSON: I know about South America. I understood that you had at one time two sailings out of the city of Saint John for South Africa.

Sir HENRY THORNTON: Mr. Teakle says no.

Mr. CANTLEY: Australia and New Zealand.

Mr. HANSON: Take them. Perhaps I am not well informed as to what the routes are. I think this committee should give serious consideration to making a recommendation that these boats should be laid up and sold for whatever they will bring, and that this country should get out of the steamship business in so far as it relates to the Canadian Government Merchant Marine.

Hon. Mr. EULER: May I ask a question in connection with that? Would the abandonment of these services and the selling of these vessels have any prejudicial effect on your railway freight business?

Sir HENRY THORNTON: Well, some. I can give you a little information on that. While it is being looked up I should like to say this, which is prompted by what Mr. Hanson has said. We have from time to time abandoned routes which we find to be exceedingly unprofitable. In other words, when we found a route or certain voyages which were unprofitable and there was no detriment in our judgment to the interest of Canada, we have withdrawn from that field because we felt that that was the intelligent thing to do.

Hon. Dr. MANION: May I ask, Sir Henry, in regard to Mr. Euler's question, to carry it a little further, would you make the general statement that the steamship business has not given you sufficient traffic indirectly on the railways to make up for the loss on the steamships? That is really what you meant, Mr. Euler?

Hon. Mr. EULER: Yes.

Mr. HACKETT: Mr. Chairman,—

Sir HENRY THORNTON: Just a second; let me answer these questions, let me get a swat at one ball before you pitch the second one. In respect to inter postal service, that is to say, service which runs between Halifax and Vancouver through the Panama Canal, the total gross earnings accruing to the Canadian National Railway as a result of the existence of the Canadian Government Merchant Marine, is $600,000.

Hon. Mr. EULER: It does not amount to a hill of beans compared with the loss.

Mr. HACKETT: Should you not have added to that loss the deficit of two and a half millions on the Canada West Indies Steamship line?

Mr. CANTLEY: That is a different service altogether.

Mr. HACKETT: I understand it is a different seervice. We are dealing, as I understand it, with whether or not the government should continue in Maritime transportation?

Mr. CANTLEY: No, that is not the question.

Mr. HANSON: That is not the point.

Sir HENRY THORNTON: We are discussing now what is known as the Canadian Government Merchant Marine, which excludes the West Indies service. That is a service which came into being as a result of a treaty that was executed between the government of Canada and the British West Indies themselves.

The CHAIRMAN: To get rid of Mr. Hackett, and in reference to Mr. Hackett's remark, I would say this, that we can discuss as a committee without reference to the officers of the railroad, any matter of policy, or anything of that kind between ourselves. What we want to do here is to get out the facts.

Mr. HANSON: I would like to ask a further question. In regard to the profit and loss deficit of something over $57,000,000 shown on page 7, is it not true that that does not tell the whole story of the losses? That in addition to that as you sold the ships you wrote off, and properly so, I am not criticizing what has been done—you wrote off the complete loss of the ship, the difference between what it cost and what you got for the ship, and that does not appear in this statement?

Sir HENRY THORNTON: What is the answer to that, Mr. McLaren?

Mr. MCLAREN: In reply to Mr. Hanson, I would put it this way, the profit and loss of $57,640,000 odd, is mostly made up of depreciation of $17,700,000 odd and interest due the government on $28,400,000 odd. When a ship is sold the practice is to cancel the notes that are outstanding for the ship, it reduces that account, and reduces our investment account as well as adjusting the depreciation and the interest account.

Mr. HANSON: Seventeen millions, twenty-eight millions, and fifty-seven millions make one hundred and two million dollars, so that the losses to date so far as it has gone has been $102,000,000.

Mr. MCLAREN: No.

The CHAIRMAN: No.

Mr. MCLAREN: About $11,000,000.

The CHAIRMAN: It does not mean that at all. The difference between that and the $57,000,000 leaves the actual loss in operation, besides interest and depreciation.

Hon. Mr. EULER: What figure are you carrying the boats under?

Mr. MCLAREN: The boats now are carried at $45,500,000 odd.

Hon. Mr. EULER: Is that at cost less depreciation written off?

Mr. MCLAREN: No, that is the cost from the government.

Hon. Dr. MANION: From the government, the original cost was about $80,000,000 or $90,000,000.

Mr. MCLAREN: The original cost is $45,000,000 as of the remaining ships.

Hon. Mr. EULER: That is the cost of these boats in the first place?

Mr. MCLAREN: Yes.

Hon. Mr. EULER: Less depreciation?

Mr. MCLAREN: No, not less depreciation. Depreciation is carried on the liability side.

Hon. Mr. EULER: Would you say that the depreciation that you have written off from year to year would bring the value of your boats around the real value?

SIR HENRY THORNTON: No, nothing like it.

Hon. Dr. MANION: The original cost was $90,000,000. I have the figures here. The original cost of the whole was around $90,000,000.

Hon. Mr. EULER: Is it now on the books?

Hon. Dr. MANION: I cannot give that.

The CHAIRMAN: $46,000,000.

Hon. Dr. MANION: There is a difference of $44,000,000 right there, and that would be in addition. I presume to the $57,000,000 profit and loss account. Is not that right, Mr. McLaren? What has happened to the $90,000,000 original cost of the ships? I am just trying to get it clear. These are official figures. The original cost was around $90,000,000 in round figures, the capital account. Now, the present capital account is $46,000,000. There is a difference of $44,000,000 there.

Mr. HANSON: Where has it gone?

Hon. Dr. MANION: The boats cost $90,000,000, and it is estimated that they are worth $44,000,000 to-day, but perhaps a good deal less. That is the capital account.

Mr. HANSON: I saw a statement some place, that $44,000,000.

Hon. Dr. MANION: That is what I am trying to get at.

Mr. GEARY: When you sell a ship you charge the investment account with the cost of the ship?

SIR HENRY THORNTON: Mr. McLaren, I think it was Mr. Hanson's question, when a ship is sold that ship gives us so much money, which has invariably been less than cost. What happens to the difference; is it written off?

Mr. MCLAREN: Let me put it this way. When you set this ship out in your investment account, it is turned over to the steamship company, you get a note for it, in other words, you have the same amount in the investment account as you do in the liability account in notes payable. Now, when the boat was sold that note was cancelled and likewise your investment was cancelled and the money received for the sale of the boat was turned over to the government.

Hon. Dr. MANION: What they are trying to get at and what I am trying to get at is this; there has been a loss on depreciation, there has been a loss on interest, there has been a loss on deficit. Then, in addition to that there has been a loss between the original cost of ninety millions and the present valuation of the boats. Is that added together?

Hon. Mr. EULER: What I want to get at is this: the Minister said a moment ago that the boats cost in the neighbourhood of ninety million dollars. Now, in the first place, were they handed over to the steamship company, at that figure, and if not at that figure, at what figure were they handed over, and how are they carried on the books and what are those boats worth?

Hon. Dr. MANION: May I just suggest this, that as Mr. McLaren appears to be puzzled, we should give him time to figure it out and get the facts absolutely correct so we will not get the wrong view.

Sir HENRY THORNTON: If Mr. Roberts of the Finance Department is here, he could give a complete explanation of this matter, as between the government and the company.

Hon. Dr. MANION: Yes, he can.

Mr. ROBERTS: I have not the figures with me, but I think I can clear the matter up. The cost of these boats, as Dr. Manion said, was roughly $90,000,000. I have not the exact figures and I am just giving the rough figures. The cost was charged partly to the war appropriation, and partly to our capital expenditures at the time. You can see the factors and that that represents a total loss of about $43,000,000 to the government, because these boats represent a total loss now.

Since the boats were built, the government has paid out, leaving out interest on the original investment and leaving out depreciation on the boats, I think fourteen or fifteen million dollars—is that the figure?

Mr. FRASER: About twelve million dollars.

Mr. HANBURY: About eleven millions.

Mr. ROBERTS: That amount we have paid out and it represents cash losses, apart from depreciation and so on. Adding to that the value of the money from the time it has been paid out, you have really an estimate of the cost of maintaining the merchant marine; the item to which Mr. Hanson refers, $57,000,000, does not represent a total book loss because in that time some thirty-five ships have been lost or sold, and as they have been sold or taken out, the amount they represented has been just thrown out of the books. So that what you have here now is the loss represented by the fleet which we have to-day.

Mr. MCGIBBON: Do I understand you to say that that represents the Merchant Marine?

Mr. ROBERTS: All the boats were put in the merchant marine at the cost of the government.

Mr. GEARY: $46,000,000 represents the thirty ships which you have there and has nothing to do with the ships which are gone?

Mr. ROBERTS: No.

Mr. GEARY: When you sell them for $12,000,000, you charge the account with that $12,000,000?

Mr. ROBERTS: When they are no longer a liability, they are taken out of the books.

Mr. HANSON: Would it not be a simple way of getting at the loss if you took the cost of the boats and added to that the interest which has been paid and the losses year by year which the government has had to make up?

Hon. Mr. MANION: Plus the losses on those which have been sold and which are not in this account at all.

Mr. HANSON: If you take the original cost and what you have now, the difference must be the loss.

Hon. Mr. MANION: That is why I think Mr. MacLaren could make up a statement which he can put on the record here, giving it properly for us.

There was a question which I asked you, Sir Henry, some time ago in the melee which was going on and you did not get it. I would like if possible to get an answer to it. Do you consider that there is anything like sufficient freight coming to the railways indirectly through the steamships to make up the losses on the steamships?

Sir HENRY THORNTON: No, I do not.

Hon. Mr. MANION: Nor did I, and I thought you would agree with me.

Mr. BELL: That is the twelfth annual report of the merchant marine since its inception, and this figure which Mr. Hanson has referred to, the $57,000,000 loss, could we have a statement as to whether we are losing more each year? Or what is the condition of the merchant marine year by year?

Sir HENRY THORNTON: Our loss this year was a little less than last year. It has fluctuated up and down. Of course these boats are becoming less and less efficient; they are also becoming less and less efficient for comparative purposes, because newer and more modern types of vessels are coming into the field, motor boats, oil burners.

There has been the same progress in marine engineering that there has been made in other branches of engineering, and each year these vessels find themselves in a more disadvantageous competitive condition than they were the previous year, because newer, faster and more economical and more efficient vessels are being built and entering the field of water transport.

We have been able to do practically nothing with this merchant marine fleet. It stands to-day just about what it was when it was built, less depreciation; but do not forget that there has been a very material advance in the efficiency of ocean transport since the war, and against which we have had to struggle with quite inadequate weapons.

Mr. BELL: In other words, if we keep the merchant marine, we will have to build new vessels?

Sir HENRY THORNTON: My idea is that we should either go into the merchant marine business with effective weapons or get out of it. To go on as we are doing now is folly.

Mr. EULER: We are now getting out of it.

Sir HENRY THORNTON: We are gradually being massaged out of it with a loss each year. Now we have to make up our minds which we are going to do, either one way or the other.

Mr. MCGIBBON: Which do you recommend?

Sir HENRY THORNTON: I recommend that we get out of it.

Mr. CANTLEY: What would happen with the business that these steamers now have on the different routes?

Sir HENRY THORNTON: We have largely used our vessels for trade exploration purposes. For instance, we established a service between Maritime ports and South American ports as an adventure, merely to see if there was any trade of sizable proportions between Canada and South America; and while we have not made any money on that service, the results were surprisingly encouraging. There is undoubtedly a field for trade between Canada and South American countries; but we are not going to be able to do much with that trade with the kind of implements we are working with. All I can say is that with what we had we have made an exploration and it looks promising; but if we are going into that with any degree of efficiency or satisfaction, it cannot be done with the weapons we are now using.

As a matter of fact, I might say, generally speaking, there is a very large field, I think, for Canadian trade in South America, and I think it is a field which, in the interests of the country, although it has nothing whatever to do with this, which the manufacturers of Canada are fully justified in exploring; and I think they will find it profitable for the very simple reason that South America, and I include in that Mexico, would rather trade with Canada than with Europe or with the United States.

We are in a peculiar position with the South American countries, including Mexico, but we are the friends of all and the enemies of none. No one attributes to Canada any territorial desires or acquisitiveness. We have not offended anybody. We occupy an extraordinarily unique position with respect to South American trade; and only a few days ago I had an intimation from the Minister of Finance of Mexico that they wanted to have a reciprocal trade treaty with Canada. They want to trade with Canada because they know we covet nothing territorial which Mexico possesses.

Hon. Mr. MANION: I might say that Sir Henry brought that matter of trade with Mexico to the attention of the Department, and the Department of Trade and Commerce has been looking into it for some time.

Sir HENRY THORNTON: We have two unexplored fields which, I think, will ultimately prove very profitable to Canada, South America and the Orient. I think that could be left to private initiative.

Mr. DUFF: If you tied up those boats or sold them, could you make arrangements with private steamship lines to carry on the business which you have worked up, for the railway?

Sir HENRY THORNTON: We could perhaps arrive at some sort of an understanding, but our trouble is that we have on hand this Canadian Merchant Marine and have no mandate to let go of it; and, as some of the members of this committee have expressed it, the time has arrived when we have to determine what we should do.

Mr. FRASER: It seems to resolve into subsidies—have you anything else?

Sir HENRY THORNTON: Not necessarily.

Hon. Mr. MANION: There are quite a number of lines which run into Canada without subsidies.

Mr. GEARY: After you take out those boats—you have a balance of two or three million dollars—what would be the loss if you wound up the whole show to-day?

Hon. Mr. MANION: The vessels which have been sold, according to my recollection, have brought in the neighbourhood a little better than five per cent of the original cost. I may be a little low, but I mention that for the information of the committee.

Sir HENRY THORNTON: I cannot give Colonel Geary the answer right off the bat.

Mr. HANSON: Would it not be far cheaper for this country at this moment to lay up these ships than to operate them?

Sir HENRY THORNTON: I think it probably would, Mr. Hanson.

Mr. HANSON: My information is that private enterprise will take over the routes, and that ships are available to do it. Have you any information on that point?

Sir HENRY THORNTON: I want to give the answer to Colonel Geary's question. This is what would happen if we wound up the whole show to-day, liquidated it. It would result in our acquiring about $10,000,000 for the whole bag of tricks, that includes ships, and we have an insurance fund of about $3,500,000, and we have working capital of about $1,615,000.

Mr. HANBURY: What are the ships worth, Sir Henry?

Mr. DUFF: Ten dollars a ton, if they only bring 5 per cent.

The CHAIRMAN: I suggest that any member of the committee can make as good a guess about the value of those ships as Sir Henry can give.

Sir HENRY THORNTON: If we sold these ships, they ought to be worth about two and a half millions. If we sold the ships we might get about $2,500,000 for them. It is not an easy thing to sell these ships, because they are not modern vessels. Some of these ships would go into illicit trades, which do not interest us.

Hon. Mr. MANION: Mr. Hanson asked a question in regard to private interests offering to take over these ships. May I say for the information of the committee that I was waited upon in the last few days by people who claimed that they could look after the trade? They were responsible shipping people.

Mr. HANSON: Would they do that without subsidies?

Hon. Mr. MANION: Yes, I should think so. Many of the steamship lines coming into Canada to-day are not getting subsidies. Without giving the name of the line or the port, the Canadian National Railway was paying a subsidy on a certain line coming into a certain port in Canada, and Sir Henry discussed with me about cutting off the subsidy; he told me that they had estimated that the subsidy the Canadian National Railways was paying to this line was an absolute loss; and it was said that if we advertised that we were cutting off this subsidy we would have all sorts of protests; so Sir Henry and I decided that the subsidy be cut off without saying anything about it, and see what happened. The subsidy was cut off and nothing has been said about it and the steamships are still running.

Mr. POWER: You will hear from them later.

Mr. CANTLEY: What was the tonnage of the *Canadian Trooper,* which was sold? It is on page 9.

Sir HENRY THORNTON: Have you got that information, Mr. Teakle?

Mr. TEAKLE: 4,540.

Mr. POWER: I do not know whether this question has been asked or not: Do the Canadian National Steamships receive subsidies from the Canadian Government on certain lines?

Sir HENRY THORNTON: On the South American line we receive subsidies.

Mr. POWER: That is what interested me. I do not know whether that has been brought up or not, but I have lengthy correspondence from one of the lumber merchants in Eastern Canada, the pine men principally, protesting against the payment of a subsidy to the Canadian National Steamships, which subsidies permit this line to put British Columbia timber into Eastern Canadian ports cheaper than they can produce it.

Mr. HANBURY: That is not the Canadian National but the Canadian Transport Company.

Mr. MANION: The statement has been made, both publicly and privately, on a number of occasions to me, that the overhead cost of management of the Canadian National Steamships was very much too high; extraordinarily large estimates of excess costs were made to me at different times. In looking over this report I have underlined what I would take in a general way to be overhead costs, management and office salaries, travelling expenses, printing and stationery, advertising, office supplies and expenses—those are in a general way what I would take to be overhead costs. I would like you to discuss with the committee for a moment what you consider management costs should be and how you consider this compares with what other steamship lines pay for those costs?

Mr. TEAKLE: Although at one time with the Allan's as far as the other lines are concerned, of course we do not have any access to their records; and as far as our merchant marine is concerned, we have held our expenses to the very minimum that we could possibly go.

I think I am safe in saying that, so far as salaries are concerned, they cannot in any way be considered exorbitant.

I might further say, in reply to the Minister, that we have at the present time in view a reduction due to the laying up of vessels and curtailment of service, possibly a fairly good reduction in salaries, which I have not yet been able to convey to the President.

As a result of my trip to Australia and New Zealand, to which the President sent me, we have been able to make substantial reductions which will be apparent in 1931. And I went out to the Coast and went into that sort of thing

as well. In times of depression like this, one has to go out everywhere to try and get business; and while our gross revenue may not appear commensurate with our expenses, we have had to keep an organization intact in the hope that conditions would improve.

I can truthfully say I have never figured out what the actual percentage would be, but I can arrive at that if the Minister would like it.

Hon. Mr. MANION: I had a statement given to me by yourself or your officers some time ago, I think the statement was given me by my Deputy a month or more ago. I must confess that, without knowing anything about the running of steamships, the percentage which was worked out did strike me as being very heavy. However, I do not pretend to be a judge at all on that and I may be entirely wrong. That is why I asked if you could give the committee about the proper percentage which might be charged to overhead.

Sir HENRY THORNTON: Mr. Fairweather has this worked out here, and the percentage of overhead is 7 per cent.

Mr. FAIRWEATHER: That includes the items which you have mentioned.

Hon. Mr. MANION: This is the Canadian Government Merchant Marine; and then if you take the Canadian Government West Indies, it is the same staff, is it not?

Sir HENRY THORNTON: Yes.

Hon. Mr. MANION: It is rather complicated, but it seems to me you have to add the expenses together.

Mr. FAIRWEATHER: The percentage would be the same.

Sir HENRY THORNTON: Might I point out to the committee and the Minister that sometimes it costs as much or more to run an inefficient as an efficient machine. There is no good denying it, from a shipping point of view we have not an efficient machine; it is not a modern machine. The boats were built many years ago, and built under the stress of war.

Mr. POWER: You told us seven or eight years ago that you did not know what these boats were built for.

Sir HENRY THORNTON: When?

Mr. POWER: Seven or eight years ago you said to the committee that you did not know what these boats were built for; that when it was a question of carrying cattle, they were not cattle boats; if it was a question of carrying grain, they were not grain boats.

Sir HENRY THORNTON: I compliment you upon your memory. That is seven or eight years ago. These boats were built before and during the war, and since then the Government has tried to make the best use of them that they could. In the lapse of those seven years since the vessels were built, they have become less and less modern, and the fact is that today, and there is no use denying it, they are not modern and efficient boats. That is not a criticism of anybody, because no one could help that. We find that every steamship company is building newer and more modern boats; and you would build a more efficient boat today than you did fifteen years ago.

The CHAIRMAN: This committee, if I remember, was advised some time ago by Mr. Duff and others who knew about shipping to get out of this business because otherwise we would lose our shirt.

Mr. POWER: Mr. Duff said at one time that they were only good for boot-legging.

Mr. FRASER: What does he know about boot-legging?

Hon. Mr. EULER: The purpose for which these boats were built no longer exists. They were built for war purposes. Let that go. It is perfectly evident that we are losing large sums of money and are getting nothing in return.

It has been stated and correctly so that if you are going to carry on this service you have to build more boats. As it is now the business is gradually dying. It is a question of whether we will have a slow or quick death. I have not heard a word from any member of the committee in favour of continuing these services, and the President, Sir Henry, is in favour of abandoning the whole thing. I would like to ask him his opinion as to when and how quickly this can be done?

Mr. HANBURY: Before Sir Henry answers that question, I think we have not taken into consideration the reason for operating this service at all. As I understand it, the reason this service is being operated is for the purpose of developing trade for Canada. We have not had one figure given us yet as to what trade has been developed for Canada.

Mr. POWER: As I understand it, the whole point is that the boats are so inefficient that you cannot develop trade with them.

Sir HENRY THORNTON: That is going too far.

Mr. HANSON: I understand that the railway benefits about $600,000 from the freight.

Sir HENRY THORNTON: Take the export business to South America in the year 1930. We carried 21,436 tons from which a revenue accrued to the Canadian National Railways of $113,000. That is just to South America.

Mr. HANSON: Now the Pacific Coast?

Mr. HANBURY: What is the value of those commodities to Canada? We have not got that information.

Sir HENRY THORNTON: Perhaps this will throw some light upon it, the freight earnings which accrued to the Railway Company because of the following services are represented by the amounts that I will give you:

Australia	$208,000
New Zealand	223,000
South America	113,000

That is only from the exports. Now the imports—

Mr. DUFF: That is $544,000 of exports.

Sir HENRY THORNTON: Australia $41,000; the Far East, $5,000. The whole thing runs up to about the figure which has been given you of about $600,000.

Mr. HANSON: Will you give us the sort of imports from South America.

Hon. Mr. MANION: That is the gross returns, of course?

Sir HENRY THORNTON: The imports from South America are mostly corn and linseed, which mostly goes into elevators, and we cannot trace it from that. We do not know whether we get it or the Canadian Pacific Railway gets it.

Hon. Mr. MANION: Two minutes ago Sir Henry was speaking of the business men, and he admitted that business men did not have all the brains. I was a member of the House of Commons when this whole steamship business went into being, and the whole thing was done upon the recommendation of one big business man in this country, and it was opposed by most of the back benchers in the House.

Mr. POWER: We sat up all night then.

Mr. HANBURY: But some of those back benchers are not now back benchers.

Mr. HANSON: If you go back previously to 1917, you will recall that Mr. Pugsley was the sponsor of this idea.

Hon. Mr. MANION: I cannot go back that far.

The CHAIRMAN: Mr. Euler asked a question. Would you repeat your question, please?

Mr. EULER: I was trying to find out if this Committee determined that the thing should be discontinued, how soon could it be done,—in twelve months?

Sir HENRY THORNTON: You might say twelve months, although I am not at all sure that all the ships could be sold in twelve months.

Mr. HANBURY: You could sink them, though.

Sir HENRY THORNTON: Yes, they might be sunk. We might insure them in some outside agency and then send them up to Hudson Bay.

Mr. GRAY: How many are laid up now?

Sir HENRY THORNTON: Sixteen are operating and thirteen laid up.

Mr. POWER: Have you any commitments which would prevent you from laying them up right away?

Mr. TEAKLE: This has rather been my baby—if the Chairman and the Minister will permit me to say a few words, as a steamship man—not that I am afraid of my job.

Sir Henry has stated correctly that we have been working with obsolete tonnage. I give great credit to the Canadian Yards for the way in which they built the ships; they were well built and well found; and I am very proud of the deck officers and engineers of the Canadian Government Merchant Marine. But the President and ourselves have been up against an impossible task from the beginning.

It is only in the last two or three weeks that I have been trying to assist in the carriage of cattle. The ships are not suitable for the shipment of cattle, and the best we can do is to go out and help the Department of the Government to find space.

Referring to Australia, if we were to take that service off, I doubt whether we could get a company to take it up. We have joint Australian and New Zealand services, and by reducing the sailings from twenty-six to fourteen I think we may do something with them.

In South America we are pioneers, and I can confirm everything the President has said as to the possibility of trade. We have just had a goodwill ship and a goodwill party go down there. What would be the effect if we took that service off, I am not competent to say.

When I was out at Vancouver in April, talking to some of the gentlemen out there, they said, that service must continue. We could tidy everything up, I suppose, in three months,—I do not know what our commitments are,—and we could eventually liquidate it in a year or a year and a half. Having no fear about my job at all—I suppose something else would be provided for me—I think it would be a mistake until we get somebody to take up the routes we have got in order to preserve Canadian trade.

Mr. HANSON: You think it cannot be done precipitately?

Mr. TEAKLE: No, as I have said, at the present time we have either to go out of the business or get new ships.

Mr. MCGIBBON: Haven't you now enough experience in the business?

Mr. TEAKLE: We cannot compete against the faster liners.

Mr. GRAY: The thing he says is that he does not want to see the trade routes dropped.

Sir HENRY THORNTON: I assume, when we speak of going out of the business, that we are going to do it with some exhibition of judgment.

Hon. Mr. MANION: This is a recommendation to the Government, and I have thoroughly enjoyed the discussion. I just mention that in the end it will

have to be up to the Government to decide on the policy, and the Government would have to look into the trade with other countries.

Mr. POWER: We could not and we should not make a recommendation that this business should be closed up right away. We would at least have to leave that to the discretion of the government.

Hon. Mr. MANION: If you make any recommendation along that line, it should be that the government should consider it.

Mr. HACKETT: Do you suggest, Sir Henry, that we should get out of the West Indies?

Sir HENRY THORNTON: That is a treaty obligation.

Mr. HANBURY: Of the over head expenses of operating the Canadian Government Merchant Marine, would any proportion of those expenses be put on the Canadian National Railways, if that were done away with?

Sir HENRY THORNTON: No, it would not be a transfer of obligation. If we went out of the business it would not involve an increased expense to the Canadian National Railways.

Mr. HANBURY: There is no proportion of the expenses of the offices in those countries which would fall upon the Canadian National Railways.

Mr. TEAKLE: In New Zealand and Australia we have our own offices, reorganized during my trip down there. We have agents in the West Indies Islands and other countries. With our West Indian representatives, I consider we have a very good agreement; we pay them on a certain basis and I think Mr. Duff is familiar with that.

Mr. Duff: What do you pay them?

Mr. TEAKLE: I would not want to give that in public; I would rather give that in private. I flatter myself that we made a fairly good deal. With the approval of the Chairman, I would not mind telling you.

Mr. DUFF: If it is less than two and one-half per cent, it is good.

Mr. TEAKLE: I can assure you it is.

I would like to go on with what I was saying. Going to Australia and New Zealand, we found that the service which we were operating at that time could not take care of all the business, and we were approached by business men to come in and assist. At the time the Dominion of Canada was paying subsidies of $140,000 a year for the monthly service to Australia and New Zealand, and those ships did not come back to Canada, and we brought the ships back to Canada and Canada immediately and promptly cleaned out that subsidy of $140,000.

As to South America—I cannot say as clearly and distinctly as to Australia —I think there was a line which was getting a subsidy, but I cannot say that we are giving an absolutely definite service to and from South America once a month.

Mr. HANSON: I would like to ask a question as to the coastal service. I think you said that the Canada West Coast interest had assured you that they thought that service ought to go on. May I say to you that the East Coast service are as definitely against that as the West Coast are in favour of it. You carry freight and you come definitely in conflict with the Eastern timber markets.

Mr. TEAKLE: At one time I served in Saint John, New Brunswick, and at that time you could get almost any quantity of spruce lumber. At the present time it is not possible to get that.

Mr. HANSON: I think Mr. Snowden prefers to trade with the Bosphorus.

Mr. POWER: I think Mr. Hanson's objection is that you are dumping West Coast lumber into the East Coast market.

Mr. HANBURY: In response to Mr. Hanson's objection about the dumping of Western Canada lumber into Eastern Canada, I would say that if the Canadian Merchant Marine does withdraw that service, there are private interests which will offer the same service from the West Coast to the Maritimes.

Mr. HANSON: All right, but we should not put on a service by the Canadian Government which will go into competition with the men who are the best customers of the Canadian National Railways in Eastern Canada. The firm of which I am speaking ships 25,000 carloads on the Canadian National Railways. That firm's business is nearly all on the Canadian National Railways, and they object to this competition.

Mr. MCGIBBON: What is the present loss on this service?

Mr. TEAKLE: $97,627. Last year there was a loss of $97,627.74.

Mr. MCGIBBON: That was poor business.

Sir HENRY THORNTON: The answer to your question is the figure which was given, an operating loss of practically $97,000. There is no subsidy on the intercoastal service.

Hon. Mr. MANION: Not according to the figures which we have here, which show a profit of $79,000. I think that is correct.

Sir HENRY THORNTON: We want to know what the operating profit or loss was on the intercoastal service last year?

Mr. TEAKLE: That was last year, but the previous year, that is 1929, the profit was $164,854.70.

Mr. SMART: This figure here gives $224,000.

Hon. Mr. MANION: These are figures prepared by your own organization.

Mr. FAIRWEATHER: They are marked approximate, as the books were not closed at that time.

Hon. Mr. MANION: That is a very vast difference.

Sir HENRY THORNTON: I think those figures should have close examination.

Hon. Mr. MANION: I brought it up because of the difference in the figures. Last year they showed a profit of $224,000. That for 1929 is actual.

Mr. HANBURY: I think that is correct.

Sir HENRY THORNTON: I think we have got mixed up on those figures somewhere.

Hon. Mr. MANION: What do you say was the profit in 1929, Mr. McLaren?

Mr. MCLAREN: Apparently the difference between the $79,000 profit and the loss of $97,000—that $79,000 does not include the overhaul expense and the lay-up expense.

Hon. Mr. MANION: That is alright for 1930, but what about 1929?

Sir HENRY THORNTON: We have an operating profit for 1929 of $224,000.

Mr. MCLAREN: $164,000. The difference must be, as I stated before, the voyage profit, not taking in the lay-up expense or the overhaul. I do not know why those figures were given.

Hon. Mr. MANION: This says earnings and disbursements, and Sir Henry has the same figures.

Mr. HANBURY: I think it is very important, Mr. Chairman, that we should have those figures correctly.

SIR HENRY THORNTON: We will have to have these figures examined. Dr. Manion wants to know what is the operating profit or loss of the coastal service in years 1929 and 1930. Now, we want that answered.

Mr. FRASER: And the tonnages too?

Mr. HANBURY: Following up the question about the intercoastal service, I would like to ask if the operation of that intercoastal line does not affect the freight revenues of the railway itself, because there will always be a certain amount of heavy timber brought into Eastern Canada? Would you not by this lose the revenue which the railway would otherwise get?

Mr. TEAKLE: May I answer that, Mr Chairman, by stating that before we went into the intercoastal service, we had a meeting in the Traffic Vice Presidents' office of the Canadian National Railways, at which were present two officers of the Canadian Pacific Railway and Mr. Walsh, the General Manager of the Canadian Manufacturers, and our Traffic Manager, Mr. Dalrymple, Mr. Wood and myself; and the whole thing was thrashed out and the railways came to the conclusion that as the Panama Canal was then open for traffic, steamer traffic would come through it and they might as well face it and try to get a company which would work harmoniously with the railways and try to work successfully. The railways thought that through the Panama Canal steamer traffic would come around.

SIR HENRY THORNTON: We realize that the opening of the Panama Canal would establish freight competition between the Pacific and the Atlantic Coasts, and our idea was that if we were to experience that competition it would be better to maintain it with our own transportation than to have an outside competitor come in and do as he chose.

Mr. FRASER: Has any business developed from the East to the West? Have you return cargoes?

SIR HENRY THORNTON: Yes, the business has become comparatively satisfactory.

Mr. POWER: What does the business comprise?

Mr. TEAKLE: It comprises everything from a needle to an anchor. I consider Saint John a sort of a second home of mine, and the men from Quebec and the West have been very sympathetic to this service, and we have on record in the office at Montreal information to the effect that by putting this service on they have been able to send traffic around in competition with the American manufacturers. I would like to come back to the question of lumber. The point arises in my own mind—and I am not a lumber man, but we get roughly the large cuts of British Columbia fir, and it has always been told me that if we did not bring in British Columbia fir we had not anything to measure up in the East and it would result in United States pine coming into Canada. We with this service have done our very best to look after Canadian interest, so that we got British Columbia fir into Eastern Canada as far as we could.

Sir HENRY THORNTON: In other words, what you did was that you kept out of Eastern Canada American lumber and introduced British Columbia lumber?

Mr. TEAKLE: Yes, sir.

Mr. POWER: I think a distinction has to be made there, that a certain class of British Columbia square timber is absolutely necessary for the construction of wharves and so on in Eastern Canada, but the objection taken by Eastern Canada lumber men is that you have been taking cargoes of lumber which compete with their spruce.

Mr. HANSON: Yes, that they have been subsidizing a service which hurts the Eastern Canada lumbermen's trade.

Mr. HANBURY: At the present time the Canadian Government Merchant Marine is operating a stable service, and if that is taken away we will have a distress service. And if this is done away with, instead of having a stable service, you will have an unstable service.

Mr. DUFF: If the committee decides to lay up these boats, I wonder if Mr. Teakle or Sir Henry will inform us how it will affect freight rates?

Mr. TEAKLE: In so far as freight rates are concerned, and going back to the time I came into the service in 1919, I have always claimed, and I think rightly, that we have been a balancing influence. I think the private lines will agree that none of us has tried to injure them deliberately. We have agreed that we have had a very influential effect on freight rates. At times we have had many discussions and conferences. I am a private line man and I believe in conferences. We can discuss our problems at conferences. I do not get the credit, but our traffic men get the credit of holding the freight rates. We have agreed that the Canadian manufacturer should not be penalized and that the small man should get the same chance as the big man.

Mr. DUFF: That is partly an answer to my question. If these boats were disposed of or laid up and a private line took over the business, would the private line raise the freight rates?

Sir HENRY THORNTON: That is a good deal of a gamble. That is pretty hard to say. Undoubtedly the presence of the Canadian Government Merchant Marine on certain rates has had the effect of stabilizing freight rates, and had there been any disposition on the part of private lines to combine for the purpose of raising the freight rates to the disadvantage of the Canadian manufacturer, the fact that we were there and would not agree to that prevented that raise.

Mr. HACKETT: To what extent would operating expenses on the West Indian service be increased if the Canadian Government Merchant Marine ceased operation?

Mr. TEAKLE: There would be no effect. If it were closed we would have to discharge the staff we now have handling our other business and close up certain offices and simply carry on as a smaller company.

Sir HENRY THORNTON: I think the direct answer would be that the effect would be negligible.

Mr. POWER: How many of the staff would be laid off, firstly of the office staff, and secondly in the crews?

Hon. Mr. MANION: When you say there would not be any change in the expenses, let us get it clearly. I take it that Mr. Teakle is the head of the Canadian Government Merchant Marine and also of the West Indies service—that is correct?

Mr. TEAKLE: Yes, sir.

Hon. Mr. MANION: Then I take it that Mr. Teakle's salary is divided between the two services. If you cut off the one, how could you say it would not make any difference in the costs?

Mr. TEAKLE: I think the president's remark was that it would not make any great difference. We would no doubt have to get rid of a lot of men, but what it would mean one would have to think out.

Mr. HANSON: How much of the expense of the Canadian National West Indies service is loaded into the Canadian Government Merchant Marine?

Mr. TEAKLE: They are divided in the accounts.

Mr. HACKETT: What proportion of your own salary is borne by the Canadian Government Merchant Marine and how much by the West Indies service?

Mr. TEAKLE: My own salary is 50-50.

Hon. Mr. MANION: You mentioned a while ago that you used to be with the Allan Line. I have heard comparisons made about the expenses of the steamship lines, that the Allan Line when it ran, in proportion to the business which it did, that its overhead and management expenses were proportion-

ately very much less than you have now. Can you give an estimate of that statement?

Mr. TEAKLE: Yes. We are not living to-day on the same standard as we were then. To-day in Canada we are on a higher standard of living. I think as far as salaries are concerned we would naturally be higher in the Merchant Marine on account of present day expenses.

In the operating expenses of ships, my recollection is that we used to pay our firemen £4 10s.; to-day we pay them $50. We used to pay our sailors £4 and now we pay them $50.

Hon. Mr. MANION: Let us get away from salaries, and what about the overhead expenses in proportion?

Mr. TEAKLE: For instance, I know a good deal about traffic matters. I was reared up in the traffic department. Take the Liverpool service of the old Allan Company, and we did not handle one-fifth of the paper which we have on our Australian service. A lot of that work has come in as a result of the war service.

Sir HENRY THORNTON: What do you mean by paper?

Mr. TEAKLE: Bills of lading and manifests, sir.

Sir HENRY THORNTON: I was not sure whether Mr. Hackett's question has been properly answered. I think we gave him the impression that if the Canadian Government Merchant Marine were abandoned it would not have a material effect upon the expenses of the West Indies service. I think it would be more than negligible.

Mr. TEAKLE: I think I said, sir, that there would be an increase.

Mr. HACKETT: My suggestion is, sir, that the cessation of the Canadian Government Merchant Marine would materially reduce the operating expenses of the West Indies Service?

Sir HENRY THORNTON: That the abandonment of the Canadian Government Merchant Marine would materially reduce the West Indies expenses?

Mr. HACKETT: Let us take the instance of Mr. Teakle. His salary is borne half by one service and half by the other. Now if the volume of business done by the Canadian Government Merchant Marine is greater than the volume of business that is done by the West Indies service, the division of that expense is, I submit, out of proportion and unfair to the West Indies service.

Mr. POWER: I do not think that is a fair statement to make. The West Indies service wants a good man as manager and they are profiting by the fact that Mr. Teakle happens to be employed in an allied company.

Mr. HACKETT: Mine was a question relating to the mathematics.

Sir HENRY THORNTON: I am afraid you are propounding a question in calculus to one who has an insufficient knowledge of geometry, as far as I am concerned.

Mr. GEARY: If you look at the statement of the West Indies, on page 20, you have management and office salaries and office supplies and expenses. Similarly, looking at the account of the Canadian Government Merchant Marine, on page 8, we find management and office salaries and the corresponding item of office supplies and expenses are about equal. A good deal of those two items on page 8 would be transferred to the West Indies, which would increase the cost to the West Indies.

Sir HENRY THORNTON: Yes, that is right, Colonel.

Mr. HANSON: That is the way I read it. I think if you drop the operations of the Merchant Marine, you will increase the deficit of the West Indies.

Mr. GEARY: The half million dollars of insurance, is that a cash account?

Sir HENRY THORNTON: Yes. it is represented by cash or securities.

The Committee adjourned until 4 o'clock p.m.

On resuming at four o'clock.

The CHAIRMAN: We were discussing the Canadian National Steamship Merchant Marine division, and if there are other questions to be asked in this matter, now is the time to ask them.

Mr. GEARY: May I ask one or two, Mr. Chairman. In your assets or investment account.—take your consolidated balance sheet at page 6. The investment account shows vessels as at December 31, 1929. You have credited that with the deductions during the year?

Sir HENRY THORNTON: Yes.

Mr. GEARY: Your deductions during the year are, I take it, shown on the profit and loss account on page 9. Did you get $1,300,000 for that ship?

Sir HENRY THORNTON: No.

Mr. GEARY: What are those deductions? Is that the ship you sold and what else?

Sir HENRY THORNTON: Mr. McLaren, will you answer that question?

Mr. MCLAREN: Is that the deductions, Colonel?

Mr. GEARY: You credit investment with about $1,300,000. Can you tell me what the figures are, what the items are?

Mr. MCLAREN: $999,262.45 is the amount of the Canadian Trooper sold. We reduced notes by $989,262.45, and cancelled the capital stock on $10,000, and retired equipment on the Pathfinder, $11,166.62, also on the Skirmisher, $9,001.22, and transferred to Discount and Capital Stock $300,000, that makes up the $1,319,000.

Mr. GEARY: These are investments, and you are crediting that with the notes retired?

Mr. MCLAREN: Yes. Well, it is just a matter of eliminating it out of the investment account as well as out of the liability account.

Mr. GEARY: I understand—

Mr. MCLAREN: Of the Dominion of Canada.

Mr. GEARY: I know how it is balanced on the other side, but the $989,-262·45 consists of the purchase price, apparently, of the Trooper?

Mr. MCLAREN: Right.

Mr. GEARY: Or the book cost of the Trooper, which would it be? It would be the book cost?

Mr. MCLAREN: The book cost.

Mr. GEARY: What was the book cost of that ship?

Mr. BOTHWELL: $926,000.

Mr. GEARY. Where did you get that?

Mr. McLAREN: $989,000.

Mr. GEARY: Would you have some more book values?

Mr. McLAREN: Discount on capital stock, down at the bottom of page 6, take it out of the investment account.

Mr. GEARY: I do not see that, Mr. McLaren. You mean you charge the assets against that $300,000 discount afterwards, is that what you do?

Mr. McLAREN: Reduce the investment account and cancel the original note, cancel the account, would take it out of the investment account, and set it down as a discount on the capital stock.

Mr. HANBURY: An actual loss, is it?

Mr. McLAREN: It is the capital stock set up on the liability side, you do not have to make a value, and it was previously in the investment account, so we take it out of the investment account and put it down in the discount.

Mr. HANBURY: We do not know how it is done yet. You sold this vessel at a loss. Then you carried it in your books and you had a losss. We do not know how you carried that loss in your books. What did you do with it?

Mr. McLAREN: The loss?

Hr. HANBURY: Yes, that you have on selling the vessel?

The CHAIRMAN: The loss is taken up by the reduction in investment account.

Mr. HANBURY: That is a cross entry or a book entry only.

Mr. McLAREN: I think I explained this morning that the amount of the note for the value of the boat was set up in the investment account, and when the vessel is sold the note is cancelled and automatically the investment account is reduced. The money that we receive for the sale of a vessel is handed over to the Government and they take care of the loss between the selling price and the cost price to them. That is up to them.

Mr. HANBURY: That is not part of your accounting at all?

Mr. McLAREN: No.

Mr. GEARY: You carry part of it on notes and you also write off depreciation and that goes into your profit and loss account. Where does the Government come in there? You cancel certain debts or notes and write off depreciation, and $900,000 of that goes into the profit and loss account?

Mr. McLAREN: Yes, profit and loss was originally charged with the depreciation and with the interest; and when the boat is sold the adjustment is made in both those accounts and in profit and loss.

Mr. HANBURY: In other words, if you have a profit in that, you have that; but if you make a loss the Government stands the loss?

Mr. McLAREN: The loss between the cost and the sale.

Mr. GEARY: The capital loss is the difference between the cost and the sale price.

Mr. McLAREN: Yes. All we would have in our profit and loss would be the operating loss on vessels as sold.

Mr. HANBURY: Plus depreciation.

Mr. McLAREN: The interest is taken out and depreciation.

Hon. Mr. MANION: But you have, Mr. McLaren, the material from which to make the statement? He is going to try and prepare a statement to be put on the record, showing the total capital loss.

Outstanding Notes on Vessels	$ 44,996,242 95
Advances on account of Capital	552,919 04
Working Capital and Advances	12,654,769 65
Total	$ 58,203,931 54
Plus difference between amount of Notes cancelled and amount of sales, salvaged or transferred and vessels disposed of, totalling	30,258,029 28
Total	$ 88,461,960 82
Less estimated value of vessels in service	$ 2,500,000 00
Insurance Reserve	3,547,170 06
Working Capital	1,192,020 86
Total	$ 7,239,190 92
Leaving approximate loss of if the enterprise were wound up.	$ 81,222,769 90

NOTE.—These figures do not include any interest the Government gave up.

Mr. BOTHWELL: There is a statement showing insurance reserves. On what basis is that insurance reserve built?

Mr. MCLAREN: The insurance reserve is built up on the basis of charging the operating expenses; the premiums I could not say.

Sir HENRY THORNTON: I could explain that, and Mr. Grant had better follow me and check me if I am wrong. The fund has been built up by charging expenses with a certain amount of premium and this represents the amount by which the charge on account of premiums was greater than the actual losses, plus the accumulated interest. This $3,500,000 is represented by Government bonds and other securities.

Hon. Mr. MANION: It is part of your $14,000,000 fund?

Sir HENRY THORNTON: It was built up in that way. We really charged ourselves with larger premiums than the actual losses.

Mr. BOTHWELL: That is you carry your own insurance and you fixed your own rates, according to the standard rates?

Sir HENRY THORNTON: We built up a reserve fund.

Mr. BOTHWELL: How did you arrive at that insurance premium?

Sir HENRY THORNTON: It is built up by using the commercial rates.

Mr. CANTLEY: That is the most satisfactory showing on the whole sheet.

Sir HENRY THORNTON: Yes. It is all part of the one fund and it is handled as one fund, excepting that the three and a half millions are allocated.

Hon. Mr. MANION: It is part of the $14,000,000 fund?

Sir HENRY THORNTON: Yes.

Mr. CANTLEY: Less the losses?

Sir HENRY THORNTON: Yes.

Mr. GEARY: What do you mean by part of the $14,000,000?

Hon. Mr. MANION: In a fund which they have built up by carrying their own insurance (they have been paying the premiums into that fund) and it has gradually been built up to, in a round sum, $14,000,000. Part of it is allocated to the steamships, which is some $3,500,000, and the other ten or eleven million dollars odd is allocated to the railways.

Mr. BOTHWELL: On what basis is the loss charged against the fund?

Mr. MCLAREN: This includes the portion allowed to the railroad. The steamships balance sheet here shows the proportion which belongs to them. In other words in the railways balance sheet you have $10,000,000 odd, and you have in the Merchant Marine here $3,500,000 odd; and you have in the West Indies $353,599.

Hon. Mr. MANION: In the regular balance sheet of the railway it shows $10,568,000.

Mr. GEARY: Where does the $14,000,000 show?

Hon. Mr. MANION: No place.

Sir HENRY THORNTON: That was just the general statement that the whole fund amounted to about that.

Mr. KENNEDY: How do you arrive at the amount of the fixed charge?

Mr. MCLAREN: That will be governed by the basis of the insurance.

Mr. FAIRWEATHER: As I understand it, Mr. Teakle has just told me that the Canadian Government Merchant Marine boats are insured at $50 a ton, and any losses would be paid out of the insurance fund. If it were less than a total loss, it would be based on an appraisal. If it were more than $50 a ton, then the insurance fund would pay $50 and the balance would just be a loss.

Mr. DUFF: And commercial losses are taken out of this fund?

Sir HENRY THORNTON: Yes.

Mr. HANBURY: I do not understand the accounting between the Merchant Marine and the Government when a vessel is disposed of. I would like to ask Mr. McLaren if when a vessel is disposed of and the Government absorbs a loss, they hand over the note,—is that part of your liability to the Government?

The CHAIRMAN: There is no liability there.

Mr. GEARY: Yes, the liability is the note payable, secured by a mortgage on a vessel. That is charged with the amount and it is reduced, and that is what you mean by your cross entry.

Mr. HACKETT: It has to be charged somewhere.

Mr. HANBURY: When you purchase a vessel you issue a note to the government for the purchase price?

Mr. MCLAREN: I presume so.

Mr. HANBURY: When you dispose of a vessel that note for the full value is cancelled by the government?

Mr. MCLAREN: Yes.

Mr. HANBURY: Now, supposing that boat is disposed of at less than the cost value to the Merchant Marine, there must be a loss. Who stands that loss?

Mr. MCLAREN: That would be the government.

Mr. HANBURY: If the government stands that loss, is that part of the Merchant Marine or the Canadian National liability to the government?

Sir HENRY THORNTON: No.

Mr. MCLAREN: I would say it is not a liability of the Merchant Marine.

Sir HENRY THORNTON: What do we do with that, do you know, Mr. Roberts? I see Mr. Roberts is not here.

Mr. GEARY: You have one sale here of the *Canadian Trooper*, on page 9, for $543,000, which we can go by, and you said your book value was $990,000. When that vessel disappeared from your ownership, you credited this investment account with its book value?

Mr. MCLAREN: Yes.

Mr. GEARY: On the other side of the ledger you have a note, and that note was written off?

Mr. MCLAREN: Yes.

Mr. GEARY: Now you have an interest charge also unpaid and you have a depreciation reserve and you write off each?

Mr. MCLAREN: Through profit and loss.

Mr. GEARY: In other words, through profit and loss you charge practically the whole amount in the account, so that the note in its whole amount practically is wiped off by the government?

Mr. MCLAREN: The liability is cancelled.

Mr. DUFF: And the government gets the amount you received for the boat?

Mr. MCLAREN: Yes.

Mr. HANBURY: We were told that this $57,000,000 was really an operating loss, and now we are told that that total loss was reduced by the value of the vessels as sold.

Mr. MCGIBBON: If that is so, let us get at the total.

Sir HENRY THORNTON: What happens is that we are the trustees for these boats. If we sold all the boats, our trusteeship would cease and this amount would disappear.

Mr. HANBURY: And the government would have to absorb it in some way.

Sir HENRY THORNTON: Certainly.

Mr. HANBURY: And you do not know how they absorb it?

Sir HENRY THORNTON: No.

Mr. HACKETT: Then the loss through operation is not entirely reflected in the accounts of the company?

Sir HENRY THORNTON: I think that is probably correct.

Mr. HACKETT: It would probably reach a hundred millions?

Sir HENRY THORNTON: I think that is probably true.

Mr. CANTLEY: If you take the *Canadian Trooper*, she was sold for $543,000 odd, then the cancellation and the depreciation with that item would make up $876,510. She cost $889,000. So that the two amounts of what she sold for and the depreciation account would not reach her original amount by $113,000. How was that reflected?

Mr. MCLAREN: Will you let me explain that to you, Colonel? The *Canadian Trooper* was not sold for $543,000. The *Trooper* was sold for $50,000. As I explained, there was the *Trooper's* note and investment; as I explained to Colonel Geary that was cancelled in the investment account, $999,000, taking in the stock. That cancelled the investment account and the liability account; and the two amounts the Colonel is speaking about, the interest and the depreciation, are taken out of the deficit.

Mr. HACKETT: That means that your account stands as if you had never owned the *Trooper?*

Mr. MCLAREN: That is correct.

Mr. HACKETT: And the burden fell entirely on the Government? Is that correct?

Sir HENRY THORNTON: Yes, that is right.

The CHAIRMAN: That is where it belongs, too.

Mr. GEARY: What became of the $50,000?

Mr. MCLAREN: That was turned over to the government.

Mr. GEARY: The salvage, whatever it was, was handed over to the government and what they did with it you do not know, and they had your note and they credited the amount received, and that is the whole picture?

Sir HENRY THORNTON: Yes.

Mr. HANBURY: I think it would be very interesting if we could have Mr. Roberts, of the Finance Department, to tell us what they do with the losses.

The CHAIRMAN: I do not think they do very much with it. You may be certain they do not put those losses in the bank.

Mr. FRASER: Mr. Roberts is here now.

The CHAIRMAN: Mr. Roberts, we are interested in knowing how you take care of these accounts in the merchant shipping, these ships accounts. We had the case of the *Canadian Trooper* which was recently sold and for which the government received $50,000, which they paid you. Now what we are interested in knowing is what you do, not with the $50,000, but with the loss you make from the original cost of these ships?

Mr. MCGIBBON: Pay off the national debt.

Mr. ROBERTS: In the first instance, these ships were charged to the general fund of the Dominion. They went in as an expense, the whole amount; and if there is any recovery in respect to that sale, it will be just the same as if we sold the Parliament Buildings and got back a certain amount, and it is credited as a return on account of previous years' expenditures, in the public accounts so that it offsets to a certain extent the expenditures for the year, although it is kept separately. It is simply a return on account of previous years' expenses.

The CHAIRMAN: You have no account in your books of the cost of these steamships?

Mr. ROBERTS: We have.

Hon. Mr. MANION: In the non-active assets?

Mr. ROBERTS: Of the capital account, and part of it was paid out of war appropriations.

Mr. HANBURY: 50-50, wasn't it?

Mr. ROBERTS: No, I think not. The total expenses were $79,000,000.

Mr. DUFF: My recollection is that it was $93,000,000.

Mr. ROBERTS: $79,511,659 was the original amount of the notes given by the Merchant Marine to the government as representing the actual out-of-pocket cost to the government of those ships at the time of the transfer.

Mr. DUFF: Without interest?

Mr. ROBERTS: There was no interest involved.

Mr. BOTHWELL: How much was carried to the war appropriations?

Mr. ROBERTS: $19,983,000; ship-building capital account, $58,000,000; and there were transferred to the Merchant Marine at the time some three small vessels, I think which previously had been purchased by the Canadian Government Railways, costing $1,222,000, which went to make up the total of $79,000,000.

Mr. HANBURY: You have a capital account of $59,000,000, is that an active account of the government?

Mr. ROBERTS: No, it is just kept record of in that way; and any monies recovered are simply turned in as previous years' capital expenditure or a war expenditure, depending upon whether the ship was purchased out of the war appropriations or capital account.. It goes in as a special revenue deduction against the capital expenditure of the current year, under the item of "Refund of previous years' capital expenditure" or "Refund of war account."

Mr. MCGIBBON: What is the total of those refunds?

Mr. ROBERTS: The total refund, I think, was two or three million dollars.

Hon. Mr. MANION: There were two or three ships lost or burned, weren't there?

Mr. ROBERTS: We have recovered $3,800,000, $2,000,000 odd on account of ships lost, $1,700,000 on account of ships sold; and there were seven ships, I think, transferred to the West Indies service at values amounting to $577,000. That makes $4,400,000 nominally recovered, of which $3,800,000 is cash recovered out of a total of $79,000,000.

Hon. Mr. MANION: What was the original cost of the vessels transferred to the West Indies service?

Mr. ROBERTS: The original cost was $6,800,000, and the value at the time of the transfer, as estimated by marine experts, was $577,000.

Mr. GEARY: The monies dispersed by the Dominion to make up the deficits is shown where?

Mr. ROBERTS: As a non-active account, you are probably referring to one item in the account. Our figures would be on the whole; making altogether about $90,000,000.

Mr. HANBURY: Is it a fact that the Canadian people owning the Merchant Marine and the Government of Canada are not showing as an asset one dollar of the value of the boats operated by the Merchant Marine?

Mr. ROBERTS: They are not shown as a cash asset or a revenue producing asset, because it is neither.

Mr. GEARY: There is that $90,000,000, and you think out of the balance of the ships you could clear up about $7,000,000 if you sold them out?

Sir HENRY THORNTON: That is substantially right.

Mr. HANBURY: I would like if the committee would review this for a few minutes. We have been viewing it as a $79,000,000 investment with a loss of so much, and also from the standpoint of seven and a half million dollars recovered. I would like the committee now to consider it that it represents an actual value, outside of the current assets, in vessels, of $2,500,000. Forget that we have been in the business and that we have had a loss. Our position to-day is that we have these vessels on hand and they represent a value that we might realize on of $2,500,000. I would like the committee to consider whether it would be advisable that these vessels, representing two and a half million dollars should be continued in the endeavour to develop trade for Canada. What we have to take into consideration is the actual loss per annum in operating. Last year it was $1,343,000.

Mr. GEARY: No. $834,000.

Sir HENRY THORNTON: $834,000, Mr. Hanbury.

Mr. HANBURY: Last year the loss was $834,000. It is reasonable and fair to assume that the loss of $834,000 did develop business for this country; and it is also reasonable to assume that if this service was discontinued it will add to the loss, and also that if this is discontinued it will be necessary for this country to subsidize another shipping company to make up the loss of the Canadian Merchant Marine. I would like us to forget this sixty or seventy or eighty million dollars and get back today to the actual investment—

Mr. HACKETT: Was it not said that the system could not be operated becaues the ships are obsolete?

Mr. HANBURY: Whether or not they are obsolete, they operated last year in the shipment and transfer of goods to and from Canada, and the loss last year was some $834,000.

Mr. KENNEDY: That would be true; it could not be otherwise.

Mr. McGIBBON: What about the taxpayers of Canada?

Mr. HANBURY: I am seeing if it is good business. We are taking up the position today as it is.

Mr. DUFF: That is a very good argument, I agree with Mr. Hanbury, and it is a matter which should be taken up by us in camera.

Mr. HANBURY: We have to consider the development of our trade, and I think that is the only reason we have any merchant marine at all. If we do not develop trade, we are darned fools to have a merchant marine.

Mr. McGIBBON: Sir Henry disposed of that this morning.

Mr. HANBURY: Sir Henry was speaking of the freight from exports and imports.

Mr. GEARY: I think we could start off by cutting our losses and start off with $2,500,000 and then see if we want to run that service at a loss of $800,000 a year.

Sir HENRY THORNTON: I think the larger question is that of commercial strategy, and that is entirely a matter of policy.

Mr. MCGIBBON: What about the boats that Sir Henry says are obsolete?

Sir HENRY THORNTON: While it is true, doctor, that the boats are obsolete, and because they are not modern in character, are expensive to operate, at the same time we have used those boats for trade exploration purposes. I would not like to say that they are totally useless for that purpose.

Mr. MCGIBBON: No, but the inference was that they were useless for commercial purposes in competition with modern vessels.

Sir HENRY THORNTON: Yes, in a competitive field. For instance, we have been using these boats for the South American trade, unsatisfactory as the employment may be; the result of that exploration is indicative of the possibility of good trade with South America.

Mr. DUFF: How far South do the South American boats go?

Sir HENRY THORNTON: To Buenos Aires.

Mr. HANSON: Last year you operated considerably less boats than the year before?

Sir HENRY THORNTON: Yes.

Mr. HANSON: How many less?

Sir HENRY THORNTON: Mr. Hanson wants to know the difference in the number of ships we had in service. I think it is accounted for by the fact that we abandoned certain trade routes. For instance, we operated a couple of trade services to Europe at a considerable loss, and we felt, in view of the excellent facilities offered by private lines on the North Atlantic, that there was no particular value in our continuing that loss; so we withdrew and left the field to the private activities.

Mr. KENNEDY: How would you view that, as to South America, leaving it to private lines?

Sir HENRY THORNTON: It is conceivable that if we withdrew our vessels from that service and were able to put at the disposal of some private company the results of our services they might find it attractive to go into the field. I do not know. It is almost impossible for me to give an assurance.

Hon. Mr. EULER: Would you care to hazard an opinion whether it would be profitable?

Sir HENRY THORNTON: For the past eight years the officers and myself have been coming here and answering questions and revealing conditions which have shown deficits. As loyal trustees of the company, we have tried to make those clear; but we have now got to the point where we feel that in the interests of the people of Canada as a whole the government ought to say whether we are going on with this marine activity or are going to quit. We do not want any more to assume the responsibility for this continued deficit, unless there is a mandate from the government.

Hon. Mr. EULER: Is not what Mr. Hanbury suggests really a matter for the Department of Trade and Commerce?

Mr. HANBURY: They might want a recommendation from this committee.

Hon. Mr. MANION: How many of these routes which we are serving at the present time by the Canadian Government Merchant Marine are also being served by competitive private lines?

Mr. TEAKLE: None of them, not from Canada. I want to qualify that, that one service, the Houston Line, was putting on some steamers to South America, and we do not know how that will affect it. To Australia and New Zealand we are alone in the service.

Mr. HANBURY: What would be the effect of the Australian Treaty, supposing it developed a lumber service? Would there be any vessels to take care of it?

Mr. TEAKLE: I understand there is one provided for by a subsidy.

Mr. HANBURY: But that is a subsidy which the Canadian people would have to pay.

Mr. TEAKLE: Quite so.

Mr. GEARY: After all, Mr. Chairman, the government has to take the responsibility, and it does not prejudice the case at all to approve this report and send it on.

Mr. HANSON: I understand that last year, 1930, you had twenty-six ships in operation. On page 10 of the report you give the disposition of fleet during the year 1930, and you give the number on each route; and you laid up four, as shown on page 10. If you will give me the comparative figures for the year before, I would like to call your attention to something arising out of that, in the matter of operation.

Mr. TEAKLE: We had thirty-five as against twenty-six. In 1929 we had thirty-five, and in 1930 we had twenty-six.

Mr. HANSON: That is nine less?

Mr. TEAKLE: Yes.

Mr. HANSON: Now I call your attention to the operating deficit for 1929, which was $878,000 on an operation of thirty-five ships; and the operating deficit in 1930 was $834,000 for the operation of twenty-six ships; so that without question the ratio of your operating deficit has increased. I have not worked it out mathematically, but there is no doubt about that.

Mr. TEAKLE: That is entirely due to business conditions.

Mr. HANSON: Quite so, but is that not, roughly speaking, the result of all the years' operations?

Sir HENRY THORNTON: Do you mean have we always had a deficit?

Mr. HANSON: You have always had a deficit, but progressively increasing. The operating ratio is against the policy and against the system, increasing every year, and when you get down to ten ships the ratio would be enormous.

Mr. DUFF: Operating thirty-five ships last year, they earned an average of $24,000 each for freight, gross. This year, operating twenty-six vessels, they would average about $18,000 each.

Mr. HANSON: He says that is due to business conditions.

Sir HENRY THORNTON: I think what Mr. Hanson has in his mind is that the marine activities of the Canadian Government Merchant Marine have not been progressively improving.

Mr. HANSON: They have been progressively receding.

Sir HENRY THORNTON: Quite so, and that is one of the things which is bothering us.

Mr. TEAKLE: In 1928, sir, the operating loss was $1,209,083; in 1929 it was $878,907.21; in 1930, it was $834,210.89. We are coming down in our losses.

Mr. HANSON: No doubt, but you are operating less ships.

Sir HENRY THORNTON: In other words, the fewer ships we have the less the loss.

Mr. HANSON: But the greater the loss per ship or per voyage.

Hon. Mr. MANION: So that if you wipe out the ships, you wipe out the loss.

Mr. HANSON: Yes.

Mr. MCGIBBON: As these vessels were operated chiefly for exploration purposes, how many ships were operated for that purpose?

Mr. DUFF: When operating thirty-five ships?

Sir HENRY THORNTON: I think from the point of view of what is straight trade exploration, the only vessels in that now are those engaged in the South American service, four ships.

Mr. HANSON: And the private line, the Houston Line, is undertaking now to do that work.

Mr. TEAKLE: They have only had one trip.

Sir HENRY THORNTON: The New Zealand and Australian services, while they represent the only service between Canada and Australia, can hardly be described as an experimental service, because they have been running for some time.

Mr. HANSON: The Houston Line was advertising regular services from Montreal to Montevideo and Buenos Aires; and if they are willing to take on this business, why not leave it to them? They are not getting a subsidy from the government.

Mr. DUFF: What are the ports of call?

Sir HENRY THORNTON: We call at Montevideo and Buenos Aires and wherever trade is offered on the way home.

Mr. HANBURY: Is it pretty well a one-way service, or are there return cargoes?

Mr. TEAKLE: There are return cargoes. I may say that the Houston Line was once before in this service and gave it up. We have been regularly in it.

Sir HENRY THORNTON: The Houston Line have been in and out of this service. They have been in it once before and went out of it. They also called at New York. That is, the Houston Line in the past have not maintained a constant service.

Mr. DUFF: We ought to get some Norwegian interested in it.

Mr. HANSON: What is the loss on the South American service per voyage or whatever other measure you have handy, per year?

Sir HENRY THORNTON: The net loss last year, Mr. Hanson, was $78,000.

Mr. HANSON: How many voyages?

Sir HENRY THORNTON: Twelve voyages. In 1929 we had eleven voyages with a profit of $51,000.

Mr. HANBURY: Mr. Chairman, I wonder if the officials have any information showing the values of the commodities and articles imported and exported by this service?

Sir HENRY THORNTON: I am afraid we have not.

Mr. HANBURY: I think that is important. If this Merchant Marine service is important for the purpose of developing trade, I think we ought to know what trade they are developing.

Mr. TEAKLE: We have the tonnages, if that would be of any value.

Sir HENRY THORNTON: I think the Department of Trade and Commerce have that, Mr. Hanbury.

Mr. HANBURY: On this service?

Sir HENRY THORNTON: I think so.

Mr. BOTHWELL: I think you can get that from the Bureau of Statistics.

Sir HENRY THORNTON: We can make a note of that and see if it can be found.

Mr. DUFF: I would move that the report of the Canadian Government Merchant Marine, Limited, and subsidiary companies be received and adopted.

Mr. HANSON: With the reservation that we make the same representation?

Mr. DUFF: Absolutely.

Mr. HANBURY: I will second the motion.

The CHAIRMAN: Are there any more questions to be asked in respect to the Canadian Government Merchant Marine?

The motion is carried.

Now, the West Indies lines.

Mr. GEARY: This is a good report, Sir Henry, you tell us exactly who are going to be elected at the annual meeting.

Sir HENRY THORNTON: Seeing that all the shares are held by one shareholder, there is not much difficulty in prophesying what he will do.

Mr. GEARY: It is just about what could be said of any other company, if they wanted to do so.

Sir HENRY THORNTON: You want to start with the consolidated balance sheet, I take it. Will you read that, please, Mr. Fairweather?

Mr. FAIRWEATHER (Reading):

Consolidated Balance Sheet, as at 31st December, 1930, of the Canadian National (West Indies) Steamships Limited and Subsidiary Companies:

ASSETS:

Investment:

Vessels as at 31st December, 1929..	$ 9,633,306 33
Additions during Year..	171,408 71
	$ 9,804,715 04
Cash in Bank..	191,096 65
Insurance Fund..	353,599 70
Discount on Funded Debt..	74,783 27
Discount on Capital Stock..	40,000 00
Total..	$10,464,194 66

Mr. HANSON: I can understand the discount on funded debt. I suppose the bonds issued were sold at a slight loss?

Sir HENRY THORNTON: Yes.

Mr. HANSON: But the discount on capital stock?

Mr. GEARY: That is just a cross entry.

Mr. HANSON: Go ahead.

Mr. FAIRWEATHER (Reading):

LIABILITIES

Capital Stock:	
Authorized and issued: 400 Shares of $100 each..	$ 40,000
Funded Debt:	
25 Year 5 per Dominion of Canada Guaranteed Gold Bonds..	9,400,000
Dominion of Canada Account:	
Notes Payable Secured by Mortgage on Vessels..	577,315 80
Advances—Deficit..	1,674,636 49
Interest Accrued Unpaid..	106,658 13
Total..	$2,358,610 42

Mr. GEARY: You run this a little differently from the Canadian Government Merchant Marine. You have your money provided by bonds and you carry some notes as well. Have those notes any relation to the value of the ship, or are they advances?

Mr. MCLAREN: They are vessels transferred.

Mr. GEARY: All right. Then the Advances—Deficit represent cash advances for deficits incurred.

Mr. FAIRWEATHER (Reading):

Canadian Government Merchant Marine, Limited—Advance Account..	$ 88,605 98
Unmatured Interest Accrued..	156,666 67
Unadjusted Credits..	30,949 28
Accrued Depreciation—Vessels..	516,314 68
Insurance Reserve..	353,599 70
Profit and Loss Account—Deficit..	2,480,522 07
Contingent Liabilities—None ascertained.	
Total..	$ 10,464,194 66

Mr. HANSON: How long has that deficit been building up,—over what period of time?

Mr. MCLAREN: Two years.

Mr. GEARY: That kitten was born with a stone around its neck.

Mr. HANSON: Two full years?

Mr. MCLAREN: Yes, two full years.

Mr. HANSON: Mr. President, I had the privilege of visiting the West Indies last year on one of these ships, and on the way down I had the opportunity of talking over trade conditions, as affecting the steamships, with a prominent man, whose name I will not mention, but he is the Managing Director of probably one of the largest houses in Trinidad, and he pointed out to me that while this service was a magnificent service, with which I fully concur, this service was being bedeviled by competition by the very cheapest kind of foreign vessels, and that the shipping of the British West Indies, notwithstanding the magnificent gesture of the Dominion of Canada in putting this line of steamships on this route in furtherance of Empire trade, was not getting the support of the shippers in the colony. Now, that is reflected in your balance sheet.

If you observe the cargoes carried by the respective lines, you will notice that practically all the sugar coming into Canada—perhaps not all, but a very substantial part of it—is being carried by those foreign bottoms underchartered to the Ocean Dominion Line, which I believe is the Aluminum Line of Quebec.

Whether a mistake was made at the time the West Indies Treaty was negotiated, or not, I do not know, and I do not wish to place any blame which I cannot back up; but the fact remains that there is no obligation on the part of the British West Indies Colonies to support this line with their freights, and consequently huge deficits are being incurred every year in operations, not to speak of depreciation and interest on the funded debt.

It seemed to me that something ought to be done to remedy that situation.

If you take the Island of Barbadoes, the principal production of that island is sugar; it is not a large production as compared with Cuba or Port of Spain, but it will run from 80,000 to 100,000 tons a year, and practically all of that production is sold to the Canadian Sugar refiners; and yet scarcely an ounce of that sugar this year is being shipped over this line, simply for the reason that these foreign vessels underquote rates quoted by our steamship lines.

I want to bring this before the committee because I think some representation ought to be made to the governments of these colonies. If they expect Canada to carry out not only the letter but the spirit of the trade treaty, they must do their part. They are, I suppose, fulfilling the letter of the contract, but I do submit to the consideration of this committee and the public that they are not fulfilling the spirit of the undertaking which this country entered into in 1928.

Mr. KENNEDY: The trouble is that the sugar men down there are in a very distressed condition.

Mr. HANSON: There is no doubt that the sugar producers down there are in a very distressed condition. The production costs exceed the sugar price by about six-tenths of a cent per pound. Nevertheless they have to market their product because it is practically the only product that they have.

Would it not be feasible, in that connection, for this line to consider,—I am not an expert and do not pretend to be, but the situation is staring us in the face and the line is losing money while the trade is going to somebody else,—what can be done to try and meet that competition? That is one consideration; but the main consideration, in my mind, is to see if something could not be done with the governments of these various colonies whereby they would fulfil the intent of this agreement so that we would get that trade which is now going to foreign bottoms. It seems to me that it is a shame if something cannot be done to meet that situation. In the meantime the Canadian taxpayer is paying a deficit in cash to the extent of a million and a quarter a year, not to say anything about the carrying of the trade.

Mr. GEARY: What do you think the Government can do?

Mr. HACKETT: Who determines by what line that freight shall travel?

SIR HENRY THORNTON: The shippers, Mr. Hackett, up to this point that we, of course, maintain a soliciting organization.

Mr. POWER: Those vessels are practically carrying cargoes as ballast?

SIR HENRY THORNTON: There is a good deal of truth in what Mr. Hanson says. Take, for example, the Aluminum Company, which operates a service fundamentally for the purpose of transporting boxite, the ore from which they manufacture aluminum, to their plant in Arvida.

The Aluminum company maintain that they must control the vessels, the implement by which that shipment is made, because they did not dare leave it to private hands. That being the case, they regard the operation of their vessels as primarily part of their operating costs in the production of aluminum; and they fill out their vessels with any cargo that they can get, at almost any price.

Hr. HANSON: Inwards and outwards?

Mr. CANTLEY: No, going south?

SIR HENRY THORNTON: In other words, the cargo space which is not occupied by boxite on the way up, and which is empty going down, they regard as an incident, and they fill their vessels up with such freight as they can get at any price at all, and they regard whatever they do get outside of their boxite as so much salvage on the operation; and we are, of course, competing with a competitor who is able, for that reason, to carry freight at any price whatsoever.

Mr. HANSON: On sugar, I understand your rate is eighteen cents and theirs is fourteen cents a hundred-weight.

I was further told by this gentleman that if the Canadian National had met that rate this year the competitor would have been out of business.

SIR HENRY THORNTON: Of course it gets to the point of just how far you are going to cut rates.

Mr. HANSON: Of course. I am not saying you should cut rates.

Sir HENRY THORNTON: We have been aware of the situation and it has given us a great deal of anxiety. The people of Canada, through their Government and in fulfilment of a negotiated trade treaty, is maintaining at considerable expense an admirable service which is not having the support it ought to have from our cousins in the British West Indies. One of the reasons why we went into that service was to prevent any further American penetration of the British West Indies trade and possible the ultimate acquisition of those islands by the United States. That was really what was back of the whole thing. We have not had the response to that gesture which the people of Canada made which I think we had every right to expect.

Mr. HANSON: There is a solution of this, which I think could be obtained by negotiations between the Government of the Dominion of Canada and the Governments of the Colonies, and that is that the preference which we give on the imports from those colonies should be limited to imports in Canadian or British bottoms. That is a suggestion which I would make in that regard.

Sir HENRY THORNTON: Are the ships used by the Aluminum Company of British registry?

Mr. MCLAREN: No, sir.

Hon. Mr. MANION: I suppose that depends upon the terms of the original treaty.

Mr. HANSON: It seems to me that somebody slipped when we were putting a capital investment of $10,000,000 into a splendid line of steamers, in not making a provision that when we made that expenditure we should get that business.

The CHAIRMAN: We are giving them a preference on the sugar, all the benefit of which they take to themselves and none of which we can get.

Mr. DUFF: If they can get a cargo of sugar carried for nothing, why should they be penalized?

Sir HENRY THORNTON: The shipper always chooses the route of least resistance.

Mr. HANSON: We give them a 10 per cent advantage. It does seem to me that consideration ought to be given to this problem, along the line which I have suggested.

Mr. DUFF: How is that sugar bought? Is it bought f.o.b. West Indian ports, or c.i.f.?

Sir HENRY THORNTON: F.o.b.

Mr. GEARY: My recollection of the treaty is that it sets out what is to be done, and for a period of years.

Mr. HANSON: But it did not cover this point. It obligated us to put in a line of ships which cost us $10,000,000.

Mr. GEARY: I agree that something has been left out. Now, the point is can we put it in?

Mr. HANSON: It seems to me something might be done by negotiations. We have a wedge in the preferential tariff.

Mr. DUFF: You cannot do that. Supposing one of my little vessels goes to Barbados and brings a cargo of West Indian molasses, would you stop me from doing that?

Mr. HANSON: No; you are a Canadian.

Mr. MCGIBBON: Do we not give a preference to goods coming to Maritime or Canadian ports? We would apply the same principle.

Mr. POWER: Your point is that it would be very easy, all other things being equal, for the Boxite or Aluminum Company to register their vessels as British vessels?

Sir HENRY THORNTON: We have been conducting two or three conferences with the Aluminum Company on this very question, to see if we could not come to some conclusion with them for the purpose of stabilizing freight rates at a figure which would permit us both to make some money. We have not got far enough as yet with those conferences to develop anything of a definite character, but that subject is under consideration. I am not making any prophesy as to what the results are going to be, but we are trying to work out some sort of an arrangement with the Aluminum Company in the matter of freight rates which will help us.

Mr. KENNEDY: Is that the chief business, the Boxite?

Sir HENRY THORNTON: That is the chief business of the Aluminum Company and they are the chief competitors.

Mr. GEARY: They carry very little West Indies goods?

Sir HENRY THORNTON: They call at British West Indies ports and carry freight to Canada, in connection with their boxite, and the opposite way as well.

Hon. Mr. MANION: Is it not true that in all the West Indies services there are freight boats competing?

Sir HENRY THORNTON: The Aluminum Company are the principal competitors and the only one which gives us any trouble.

Mr. GEARY: What about the United Fruit?

Sir HENRY THORNTON: I was speaking of from Canada.

Hon. Mr. MANION: I have been informed, Mr. Teakle, that if we did not have the freight boats on the West Indies service, that companies like Pickford and Black and the Aluminum Company and others would take up the surplus and carry the freight?

Mr. TEAKLE: That of course I cannot answer, but according to the trade agreement it is all called for what the service shall be; and in the constitution of the Canadian National Steamships, the Governor General in Council has put it up to the Canadian National West Indies Steamships to fulfil that.

Hon. Mr. MANION: But the treaty could be carried out if we could arrange with a private company to do the work?

Mr. TEAKLE: And if the necessary alterations were made in the legislation, I think.

Mr. HACKETT: I believe Mr. Hanson said the Canadian Merchant Marine rate was eighteen cents per hundred pounds from Barbadoes and that the Aluminum Company's rate was fourteen cents.

Mr. HANSON: I may be wrong in that.

Mr. HACKETT: Let us assume that the treaty was revamped and the rate was eighteen cents, would not that result in what would be the equivalent of a

subsidy to the beet sugar industry here? Might it result also in a curtailment of the export from those islands?

Mr. DUFF: And an increase of four cents on sugar?

Sir HENRY THORNTON: We have not completed our negotiations with our competitors. They have been competing with us in the fashion which I have described, and we are now trying to get them to a point where we can stop this cut-throat competition.

Mr. HACKETT: But the higher the freight rate, the greater the protection to the local source of supply; that is the beet grower, who is in competition with the cane grower of the islands.

Sir HENRY THORNTON: Of course I do not know much about beet or cane growing, but from what you say I think that is the natural deduction.

Mr. HACKETT: I think that confirms what was said a few moments ago that fixing the rate might result in something which was not considered.

Mr. GEARY: And if you reduce the consumption of cane sugar you lose your income also.

Mr. DUFF: What subsidy do you get from the West Indies?

Sir HENRY THORNTON: $219,229.89.

Mr. DUFF: Is that on the both services, windward and leeward?

Sir HENRY THORNTON: Yes, sir.

Hon. Mr. MANION: Is that the total from all the islands?

Hon. Mr. MANION: What is the total subsidy which you get from the islands?

Sir HENRY THORNTON: $219,229.

Mr. DUFF: Is that included in your Operating Revenue, Closed Voyages?

Sir HENRY THORNTON: Yes.

Mr. DUFF: I think it would be better if that were put in separately in your next statement, it is not a real freight earning.

Mr. MCGIBBON: What was the subsidy paid to the Royal Mail Packet?

Sir HENRY THORNTON: For a fortnightly trip it was $400,000 odd.

Mr. HANSON: And I would like to say that the service which they gave was not comparable with the service given by this company.

Sir HENRY THORNTON: Yes, thank you.

Mr. DUFF: The subsidy was what?

Sir HENRY THORNTON: $219,229.

Mr. DUFF: I mean the subsidy which was paid to the old Royal Mail.

Sir HENRY THORNTON: Some $347,000.

Mr. DUFF: Was that only for the one service, to the Windward Islands?

Sir HENRY THORNTON: No, do you remember the fortnightly service from Saint John and Halifax to the Windward and Leeward and to Demerara. They went fortnightly.

Mr. CANTLEY: Four boats?

Sir HENRY THORNTON: Four boats.

Mr. DUFF: We are saving money there.

Mr. MCGIBBON: Your statement as to the giving up of the service did not apply to this service, Sir Henry?

Sir HENRY THORNTON: Oh, no, this is entirely the result of the trade treaty.

Mr. HANBURY: When is the termination of the trade treaty?

Mr. TEAKLE: I think it has ten years to run.

Mr. McGIBBON: In view of the fact that you have modern vessels, it is surely unfair to take this year of depression as an indication of what you may expect.

Sir HENRY THORNTON: I think that is true.

Mr. POWER: How did that passenger traffic stand up this year?

Mr. HANBURY: That is on page 17.

Mr. POWER: You were pretty well booked up all during the tourist season?

Sir HENRY THORNTON: Yes, pretty well, Major.

Mr. DUFF: How is the Boston service standing up?

Sir HENRY THORNTON: Admirably. The passenger traffic moving in 1930 was $746,000 odd.

Mr. DUFF: From Boston?

Sir HENRY THORNTON: Oh, no. In 1929 it was $653,000.

Mr. HANSON: For the first three months of this year?

Mr. McGIBBON: Can you get the figures from Boston?

Mr. McLAREN: The first four months of 1931 amounts to $360,000 odd, as against the figures of 1930 of $317,000 odd.

Mr. FRASER: That is an increase.

Mr. GEARY: We have heard a lot about bananas. I was going to ask about the banana trade, which was talked about a great deal at the inception of this business. Did that come up to expectations? You say it was fairly satisfactory.

Sir HENRY THORNTON: In 1930 we handled 1,872,000 stems of bananas. In 1929 we handled 1,522,000 stems.

Mr. DUFF: Those are all handled on the Rodney and the Somers?

Mr. McLAREN: No, on the four boats.

Sir HENRY THORNTON: The United Fruit Company carried in 1930, 1,227,000 stems; and the previous year, in 1929, the United Fruit Company handled 1,067,000 stems.

Mr. DUFF: Where to?

Sir HENRY THORNTON: To Saint John.

Mr. HANSON: They do not intend to give up the Canadian trade without a struggle.

Sir HENRY THORNTON: They have shown no great signs of it so far, although the United Fruit Company have suggested to us that we undertake to handle, on some agreed rate, their Canadian banana business. The difficulty there is with the Jamaica Government. There is a certain feeling of fear amongst the banana planters of Jamaica with respect to the United Fruit Company, and one of the things which I think brought Jamaica into this steamship proposal was the establishment of some competition with respect to the United Fruit Company.

Mr. KENNEDY: Are your rates the same?

Sir HENRY THORNTON: We do not know. As I recall the terms of the treaty, the space from Jamaica is allocated by the Government of Jamaica and the Government of Canada; and the Jamaica Government has not been particularly favourable, so far, toward permitting the United Fruit Company to handle her bananas on these ships of ours; and that is in course of discussion now to see if we cannot come to some arrangement which will enable the United Fruit Company to use our vessels for their banana shipments, supplementing it with their own only when our space is entirely consumed and they require additional space for their shipments.

Mr. KENNEDY: What control have the Jamaica Government got over this?

Sir HENRY THORNTON: That is one of the provisions of the treaty.

Mr. MCGIBBON: What is the objection of the Jamaica Government to our ships?

Sir HENRY THORNTON: They do not object to our ships at all, but they do not want the United Fruit Company to use our ships. Speaking now on a guess, I rather imagine that they are fearful that it might result in the independent producer in Jamaica being crowded out of space on our ships, because these ships were provided primarily, as far as the Jamaica Government was concerned, to protect the rights of the independent grower.

Mr. KENNEDY: Do you mean that the Jamaica Government can object to others shipping fruit in your boats?

Sir HENRY THORNTON: This Article 14 of the Treaty provides that on representations made by the respective Governments of Canada and Jamaica, such Governments shall have the control and allocation of space for the carriage of bananas. That paragraph represents the position.

Mr. HANSON: That is interpreted to mean that you shall take so and so's bananas but not take those of somebody else?

Sir HENRY THORNTON: That is what it was intended to mean.

Mr. MCGIBBON: Evidently the United Fruit Company was looked upon as a monopoly down there?

Sir HENRY THORNTON: Undoubtedly.

Mr. MCGIBBON: The United Fruit Company are the biggest growers and exporters of fruit in the world, and use their own bottoms; and the independent growers of Jamaica were dependent upon the United Fruit Company for the disposal of their crop, and had to take whatever the United Fruit Company would offer.

Sir HENRY THORNTON: And that was what induced the Jamaica Government to go into this bargain.

Mr. MCGIBBON: And it made bananas cheaper to the Canadian consumer.

Sir HENRY THORNTON: I should think so undoubtedly.

Mr. FRASER: I find in the Trade Return for the calendar year of 1930 the number of bananas imported into Canada via the United States decreased by 650,000 stems; and via our own vessels, that is from West Indies shipments, I presume, increased 650,000. Now the price of those that were imported to Canada via the United States cost us $1.67 a bunch; and those that were imported direct cost us 40 cents a bunch.

Mr. DUFF: Where do you get that?

Mr. FRASER: This is from the trade returns for 1930.

Sir HENRY THORNTON: The balance is probably rail haul and duty.

Mr. POWER: But that has no relation to what we are discussing at the present time. Bananas may be coming in from all parts of the United States into Canada. We are only discussing those coming in through the Atlantic gateway or the St. Lawrence route.

Mr. FRASER: I look upon that as something which should be credited to the West Indian service.

Sir HENRY THORNTON: There is not any doubt but that the establishment of the banana service did have the effect of materially reducing the cost to the Canadian consumer.

Hon. Mr. EULER: I think I understood you to say that you were negotiating with the United Fruit Company to carry their fruit on your boats and that the

Jamaican Government objected to that. Surely they cannot object if the Canadian boats carry the fruit of anybody else or of the United Fruit Company itself. I cannot understand the object of that objection.

Sir HENRY THORNTON: I thought if we could come to some satisfactory understanding with the United Fruit Company, we could make an arrangement with the Canadian Government and, more particularly, with the Jamaican Government to permit us to do that. As we interpret the trade treaty, the Government of Jamaica can object to our handling the products of the United Fruit Company on our vessels.

Hon. Mr. MANION: That clause says "On representations being made by the respective Governments of Canada and Jamaica"—in other words they might take different ideas altogether, and where would you be supposing one insisted upon one thing and the other insisted upon a different thing?

Sir HENRY THORNTON: We cannot dictate to them. I cannot say. But we are trying to come to some arrangement which will commend itself to the Governments of both Canada and Jamaica, so as to enable us to handle the fruit of the United Fruit Company on our vessels. We have not presented this to the Canadian Government because we have not yet made the arrangement. We are going to try to convince the Jamaican Government that they really have nothing in particular to worry about, and that we will always take care of the independent fruit growers.

Hon. Mr. EULER: Is it not a fact that there will be room enough for the independent shippers?

Sir HENRY THORNTON: Undoubtedly.

Mr. HANSON: Sir Henry, you made the statement a little while ago that the price of bananas had been reduced since the entering into of this trade treaty and the establishment of the line of boats; and I think perhaps you inadvertently led the committee to think that that perhaps was due to a single factor. Might I call your attention to the fact that, as I understand the banana trade, the bananas are not sold when they are brought in here, but they are brought in here and auctioned?

Mr. ALLAN: The first year of the treaty, they were auctioned on arrival; but this year and last year they have dropped the auction and are selling them on the same basis as the United Fruit Company.

Mr. HANSON: You organized a fruit company, did you not, and built a big fruit warehouse at a cost of some $900,000?

Sir HENRY THORNTON: No, you are mistaken; we did not organize any fruit company.

Mr. HANSON: I understood that you organized the fruit company?

Sir HENRY THORNTON: No, we had nothing to do with it and have no money in it.

Mr. HANSON: You have built or are building a warehouse in Montreal, costing about $900,000, have you not?

Sir HENRY THORNTON: That includes the general fruit and vegetable trade, and includes fruit and vegetables from all over Ontario and all over the country. That is not for bananas at all, exclusively, but is for fruit and vegetables.

Mr. GEARY: You have a similar space in Toronto?

Sir HENRY THORNTON: Yes.

Mr. KENNEDY: And in Port Credit?

Sir HENRY THORNTON: For the handling of fruit and perishable commodities, you have to have special facilities.

Mr. HANSON: Is it not true that after the establishment of your line of steamers the United Fruit Company, which formerly had the whole of the banana trade with Canada, said that they did not intend to give that up without a struggle, and they established this line of boats to Saint John in co-operation with the Canadian Pacific Railway, which delivers their stuff in Western Canada, and that there has been the fiercest kind of competition between the independent producers in Jamaica and the United Fruit Company, which has caused the price of that fruit to fall?

Sir HENRY THORNTON: I think that is true, but if this company had not been established by the trade treaty we would not have had the competition.

Mr. HANSON: You have to have all the factors.

Mr. DUFF: I notice the cost of advertising is $88,000, instead of $32,000, as in 1929. Why the increase?

Sir HENRY THORNTON: It was the result of more intensive passenger solicitation for the West Indies route, Mr. Duff. We have gone after the passenger business as hard as we knew how. That is really a result of a more intensive passenger solicitation.

Mr. POWER: That cost you $50,000 more, and you got $50,000 more from passenger traffic?

Sir HENRY THORNTON: And having established that position, we probably will not have to spend that much money next year.

Mr. CANTLEY: And every passenger who goes down to the West Indies will be an advertiser for the route when he comes back.

Mr. HANSON: I have some figures here from the Bureau of Statistics with regard to the trade of Canada with the British West Indies, and having regard to the prognostications made in the House of Commons at the time this treaty was promoted, they are very illuminating. I would like to have this memorandum in and put upon the record. If this committee is in agreement, I will read it.

DOMINION BUREAU OF STATISTICS

EXTERNAL TRADE BRANCH

Memorandum Showing—
(1) Total Trade of Canada with the British West India Colonies
(Years ended March 31, 1930 and 1931)

Colonies	Imports into Canada from		Domestic Exports from Canada to	
	1930	1931	1930	1931
	$	$	$	$
Bermuda	93,460	297,004	2,287,280	2,492,260
British Guiana	3,982,493	4,288,157	1,661,332	1,139,915
British Honduras	340,577	207,186	892,518	1,742,464
British West Indies—				
Barbados	4,675,158	4,264,508	1,324,569	1,118,603
Jamaica	5,194,973	4,792,599	5,138,757	3,749,394
Trinidad and Tobago	2,590,157	2,321,007	3,998,197	3,286,070
Other Br. West Indies	1,210,625	2,571,816	4,567,639	4,273,905
Total Trade	18,078,443	18,742,277	19,870,292	17,802,611

(2) Total Trade of Canada with the British West India Colonies via the United States
(Year ended March 31, 1930)

—	Imports via U.S.		Exports via U.S.	
	Amount	% of Total	Amount	% of Total
	$	%	$	%
Bermuda	537	0·57	90,308	3·93
Brltish Guiana	.....	.....	139,558	8·37
British Honduras	141,517	41·56	9,670	1·08
British West Indies—				
Barbados	.....	.....	75,600	5·66
Jamaica	3,426	0·06	1,529,524	29·76
Trinidad and Tobago	.....	.....	672,576	16·81
Other Br. West Indies	11,021	0·91	280,142	6·13
Total Br. West Indies	14,447	0·11	2,557,842	17·02
Total Br. West India Colonies	156,501	0·86	2,797,378	14·07

(3) Total Trade of the United States with the British West India Colonies
(Year ended December 31, 1930)

—	Imports from		Exports to	
	1929	1930	1929	1930
	$	$	$	$
Bermuda	773,456	659,103	4,000,140	4,697,803
British Guiana	829,595	738,913	1,099,329	1,044,544
British Honduras	3,335,603	2,682,148	1,893,156	1,653,112
British West Indies—				
Barbados	493,353	498,868	1,387,633	1,358,010
Jamaica	7,528,409	7,763,229	9,131,010	8,374,166
Trinidad and Tobago	10,823,322	8,373,886	6,735,923	6,239,438
Other Br. West Indies	2,404,984	1,659,774	6,002,149	4,704,522
Total Trade	26,188,722	22,375,921	30,249,340	28,071,595

Mr. HANBURY: A drop in exports means less purchasing power. Because we are getting bananas more cheaply, the growers have less purchasing power.

Mr. HANSON: There was a drop of about $2,000,000 in the domestic exports from Canada in 1931 to the British West Indian Colonies.

Mr. BOTHWELL: I think it would be a good idea to take the whole committee down to the West Indies on a trip.

Sir HENRY THORNTON: I think that motion is carried.

Mr. HANSON: I would ask to have this sheet put in the minutes?

Mr. DUFF: I will second that.

Hon. MEMBERS: Carried.

Mr. HANSON: There is no doubt about it that Canada made the most expensive agreement with the British West Indies, and these figures tell the story.

Mr. MCGIBBON: But that has saved the Maritime Provinces.

Mr. EULER: Mr. Chairman, I again move the adoption of the report.

Mr. DUFF: I second Mr. Euler's motion.

Carried.

Mr. FRASER: Mr. Chairman, before you close up, I want to ask one question. I made a request yesterday for the revenue and expenditure in connection

with the tri-city, if you like to call it such, service of the Canadian National Steamships between the three cities on the Coast, Vancouver, Victoria and Seattle. The reply which I got was that it was a pretty difficult matter, as I understood it,—I have not seen the record—to segregate those expenses and revenues. I would like to ask the President of the road if it would not be possible to file with the committee a detailed statement of the services.

Mr. Chairman, I know perfectly well I am out of order, because the thing is passed.

The CHAIRMAN: As far as I am concerned, I told you that would not be opened again. Sir Henry Thornton was good enough to say that any question which any one asked would be answered. I look to him to carry out his promise.

Sir HENRY THORNTON: We have a detailed statement here, Mr. Fraser, and I think if you look this over, and take a copy of it, if you like, that that will give you the information you want. Might I ask you if, after the meeting is over, you would look it over and see if that is satisfactory?

Mr. DUFF: Do you want to have it on the record?

Mr. FRASER: Yes, I would like it on the record because when we are discussing this in the House, it might be helpful.

CANADIAN NATIONAL STEAMSHIPS (PACIFIC)

INCOME STATEMENT—YEAR 1930

—	Operation of Vessels						Operation of Docks				Grand Total
	Vancouver, Prince Rupert, Anyox, Stewart and Ketchikan	Vancouver and Alaska	Vancouver, Prince Rupert, Queen Charlotte Islands	Tri-City Service	Special Excursions	Total	Seattle	Victoria	Vancouver	Total	
REVENUE—	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Freight	145,457 10	35,352 07	102,967 10	7,905 53		291,681 80					291,681 80
Passenger	280,539 57	289,548 65	79,915 26	82,940 63	17,070 54	751,014 65					751,014 65
Rail	12,300 00	1,500 00	30,650 00			44,450 00					44,450 00
Rents of Buildings and Other Property							42,079 50	1,790 00	11,552 41	55,421 91	55,421 91
Miscellaneous	13,575 85	13,329 09	4,370 45	30,501 42		61,776 81	1,204 65	1,695 53	13,599 66	16,499 84	78,276 65
Total Revenue	451,872 52	339,729 81	217,902 81	121,347 58	18,070 54	1,148,923 26	43,284 15	3,485 53	25,152 07	71,921 75	1,220,845 01
EXPENSES—											
Maintenance of Equipment	89,401 58	42,895 32	43,890 20	28,120 09	1,178 67	205,485 86					205,485 86
Maintenance of Terminals							21,690 31	57,050 29	50,461 99	129,202 59	129,202 59
Traffic Expenses	19,123 20	23,424 98	5,562 22	11,804 26	832 37	60,747 02					60,747 02
Transportation Expenses (Operation of Vessels)	325,229 25	153,141 52	161,595 65	181,757 20	6,675 46	828,399 08					828,399 08
Transportation Expenses (Operation of Terminals)	39,865 82	8,770 48	27,906 07	3,189 27		79,731 64	15,264 52	5,846 72	37,866 04	58,977 28	128,708 92
Incidental Expenses	4,293 44	1,222 03	728 93	575 88	4 15	6,824 43	82 44		111 30	193 74	7,018 17
General Expenses	81,369 38	50,967 28	39,153 52	53,280 21	1,561 87	226,332 26	4,530 22	2,200 64	3,974 50	10,705 36	237,037 62
Total Expenses	559,282 67	280,421 61	278,836 59	278,726 90	10,252 52	1,407,520 29	41,567 49	65,097 65	92,413 83	199,078 97	1,606,599 26
Net Revenue	*107,410 15*	59,308 20	*60,993 78*	*157,379 32*	7,818 02	*258,597 03*	1,716 66	*61,612 12*	*67,261 76*	*127,157 22*	*385,754 25*
Tax Accruals	268 90	142 56	171 56	92 02	6 03	681 07	12,710 47	3,846 33	13,969 05	30,525 85	31,206 92
Operating Income	*107,679 06*	59,165 64	*61,165 34*	*157,471 34*	7,811 99	*259,278 10*	*10,993 81*	*65,458 45*	*81,230 81*	*157,683 07*	*416,961 17*
NON-OPERATING INCOME—											
Miscellaneous Rent								1,315 00		1,315 00	1,315 00
Income from Unfunded Securities and Accounts	694 15	500 15	334 75	208 16	27 76	1,764 97					1,764 97
Gross Income	*106,984 90*	59,665 79	*60,770 59*	*157,263 18*	7,839 75	*257,513 13*	*10,993 81*	*64,143 45*	*81,230 81*	*156,308 07*	*413,881 20*
DEDUCTIONS FROM GROSS INCOME—											
Miscellaneous Rents							25,397 83		25,182 92	50,580 75	50,580 75
Net Income	*106,984 90*	59,665 79	*60,770 59*	*157,263 18*	7,839 75	*257,513 13*	*36,391 64*	*64,143 45*	*106,413 73*	*206,948 82*	*464,461 95*
Profit and Loss Account									24,102 90	24,102 90	24,102 90
Net Profit or *Loss*	*106,984 90*	59,665 79	*60,770 59*	*157,263 18*	7,839 75	*257,513 13*	*36,391 64*	*64,143 45*	*82,310 83*	*182,845 92*	*440,359 05*
Interest at 5% per annum	44,894 84	39,191 20	27,084 76	64,001 11	6,101 11	181,273 02					
Depreciation at 3% per annum	26,936 89	22,514 34	16,250 85	39,400 35	3,660 59	108,763 02					
Deficit	*178,816 63*	*2,039 75*	*104,106 20*	*260,664 64*	*1,921 95*	*547,549 17*					

Mr. HANBURY: Mr. Chairman, I would like to suggest to the officials of the Canadian Government Merchant Marine and the West Indies service that at the next meeting, which will be next year, they provide us with figures showing the several commodities, both imported and exported, on these services, if it is possible to get this information. I think that information would be very valuable.

The CHAIRMAN: I do not think any information of that kind appears on the manifests.

Mr. MCLAREN: That is strictly a matter between the shipper and the importer, and that is secret information which is only disclosed to the customs, and comes out afterwards in the report; but the company would not disclose their customers or the goods which they ship.

The CHAIRMAN: I find it very difficult information to get from any steamship line.

Mr. DUFF: Do we have to have a resolution adopting these estimates?

Hon. Mr. MANION: That would be in our report.

Mr. DUFF: Then I move that the estimates of the Canadian National Steamships and the Canadian Government Merchant Marine, amounting to $1,343,500, be approved.

The CHAIRMAN: Would you mind including in that motion the three estimates, the estimates of the Canadian National Steamships, the Maritime Freight Rates Act, and the Canadian Government Merchant Marine?

Mr. DUFF: No, just the two, sir.

Hon. Mr. MANION: On the other side is the Maritime Freight Act estimates?

Mr. DUFF: Is not that statutory?

Mr. POWER: That has to come before the House for discussion.

Mr. DUFF: I move that those two items, $588,500 to the Canadian Government Merchant Marine, Limited, and the $755,000 to the Canadian National (West Indies) Steamships, Limited, be approved by the committee and recommended to Parliament.

The CHAIRMAN: They are items 381, 382, 379 and 380.

Mr. DUFF: No, I think there are only two items.

Hon. Mr. MANION: I am informed by the officials here that they were all passed last year.

Mr. GEARY: Those are estimates of deficits to be provided.

Mr. DUFF: Yes, I am right, Mr. Chairman. We do not deal with the Maritime freight rates.

Hon. Mr. MANION: The officers claim that we did last year.

Mr. SMART: This is the reference from the House:

> Ordered,—That the Estimates respecting the Canadian National Steamships and the Maritime Freight Rates Act, presented to the House on the 13th April, be referred to the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, and that the Order referring the same to the Committee of Supply be discharged.

Mr. GEARY: I do not think they are ever referred to us to report and approve.

Mr. SMART: Whatever is referred to the committee would have to be reported back.

Hon. Mr. MANION: The officials can make out the resolution in the proper form?

Mr. DUFF: Yes. Is there anything else, Mr. Chairman?

Mr. GEARY: Does Mr. Power move the Maritime freight rates?

Mr. POWER: I do not. Mr. Chairman, when will you have the report ready for our consideration?

Mr. HANSON: I think it would be wise to have a small sub-committee appointed to draft the report.

Mr. POWER: No, let the chairman work, and whatever he submits we can tear to pieces.

The CHAIRMAN: As far as I am concerned, I would sooner appoint a committee for the purpose. However, I will have a draft made, and some day next week we will call the committee together, as early as possible, and submit the draft report to them for their approval.

We will call the meeting in the usual way, and you will all receive notice.

The committee was adjourned sine die, to the call of chair.

CANADIAN NATIONAL RAILWAYS

CASH LOANS AND GUARANTEES FROM DOMINION GOVERNMENT FROM APRIL 1, 1919, TO DECEMBER 31, 1930

CASH LOANS

April 1, 1919, to March 31, 1923..	$389,743,789 34
April 1, 1923, to December 31, 1930..	57,482,652 91
	$447,226,442 25

GUARANTEED BOND ISSUES

	Gross	Retirements	Net
April 1, 1919, to March 31, 1923..	$128,109,027 00	$11,573,027 00	$116,536,000 00
April 1, 1923, to December 31, 1930.. ..	441,500,000 00	65,500,000 00	376,000,000 00
	$569,609,027 00	$77,073,027 00	$492,536,000 00

Note 1.—In addition to the new securities issued as above under Act 10, George V, Chapter 17 (assented to November 10, 1919) the Government guaranteed the interest in perpetuity on Grand Trunk Railway Guaranteed and Debenture Stocks then outstanding having a par value of $216,207,141.67, and

Note 2.—Under Act 17, George V, Chapter 27 (assented to March 31, 1927) the Government guaranteed the principal and interest on $34,927,098.20 2 per cent Canadian National Guaranteed Debenture Stock to be issued in exchange for a like amount of Grand Trunk Pacific Railway 4 per cent Perpetual Debenture Stock. $4,367,984.20 has since been retired, leaving $30,559,114 outstanding at December 31, 1930.

The total increase in guarantees outstanding therefore is:—

1919-1923	1923-1930
$116,536,000 00	$376,000 000 00
216,207,141 67	30,559,114 00
$332,743,141 67	$406,559,114 00

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PROCEEDINGS

OF THE

SELECT STANDING COMMITTEE

OF THE

HOUSE OF COMMONS

ON

BANKING AND COMMERCE

Re: INTERMEDIATE CREDITS FOR AGRICULTURE

JUNE 10, 1931—JULY 17, 1931

Second Session of the Seventeenth Parliament of Canada

PRINTED BY ORDER OF PARLIAMENT

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

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MEMBERS OF THE COMMITTEE

Mr. ROBERT CHARLES MATTHEWS, *Chairman*,

and Messieurs

Baker,
Black *(Halifax)*,
Bothwell,
Casgrain,
Chaplin,
Donnelly,
Dorion,
Embury,
Ernst,
Euler,
Fafard,
Gagnon,
Ganong,
Geary,
Hackett,
Hanson *(York-Sunbury)*,
Harris,
Hepburn,
Howard,
Hurtubise,
Irvine,
Jacobs,
Laurin,
Lawson,
Loucks,
MacMillan *(Saskatoon)*,
Matthews,
McGibbon,
McPhee,
Mercier *(St. Henri)*,
Mullins,
Perley *(Qu'Appelle)*,
Pettit,
Power,
Raymond,
Rinfret,
Robinson,
Robitaille,
Rogers,
Rutherford,
Ryckman,
Sanderson,
Smoke,
Spencer,
Stevens,
Sullivan,
Vallance,
White *(Mount Royal)*,
Willis,
Woodsworth.

JOHN T. DUN,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

THURSDAY, April 23, 1931.

Resolved: That the following Members do compose the Select Standing Committee on Banking and Commerce: Messieurs Baker, Black *(Halifax)*, Bothwell, Bowman, Casgrain, Chaplin, Donnelly, Dorion, Embury, Ernst, Euler, Fafard, Gagnon, Ganong, Geary, Hackett, Hanson *(York-Sunbury)*, Harris, Hepburn, Howard, Hurtubise, Irvine, Jacobs, Laurin, Lawson, Loucks, MacMillan *(Saskatoon)*, Matthews, McGibbon, McPhee, Mercier *(St. Henri)*, Mullins, Perley *(Qu'Appelle)*, Pettit, Power, Raymond, Rinfret, Robinson, Robitaille, Rogers, Rutherford, Ryckman, Sanderson, Smoke, Spencer, Stevens, Sullivan, Vallance, White *(Mount Royal)*, Woodsworth—50. (Quorum 15.)

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

Ordered: That the Select Standing Committee on Banking and Commerce be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

MONDAY, May 18, 1931.

Ordered: That the following question:—

"Resolved: That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture" be referred to the Select Standing Committee on Banking and Commerce, with instructions to consider and report thereon.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

MONDAY, June 9, 1931.

Ordered: That the name of Mr. Willis be substituted for that of Mr. Bowman on the Select Standing Committee on Banking and Commerce.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

Ordered: That the said Committee be given leave to print 500 copies in English and 200 copies in French of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence in connection with the Resolution of the House referred to the said Committee on May 18, ultimo, viz: "That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture"; and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS OF THE COMMITTEE

FOURTH REPORT

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

The Select Standing Committee on Banking and Commerce begs to present the following as a Fourth Report:—

Your Committee recommend that 500 copies in English and 200 copies in French of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence in connection with the Resolution of the House referred to the Committee on May 18, viz:—

> That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture;

be printed; and that Standing Order No. 64 be suspended in relation thereto.

All of which is respectfully submitted.

R. C. MATTHEWS,
Chairman.

For concurrence: See Journals, p. 359, June 17, 1931.

TENTH REPORT

HOUSE OF COMMONS,

FRIDAY, July 17, 1931.

The Select Standing Committee on Banking and Commerce beg leave to present the following as a Tenth Report:

Your Committee have had under consideration a Resolution and Order of Reference, dated May 18, 1931, whereby it was

> *Resolved:* That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture. —(Mr. Lucas).

Your Committee held several sessions and heard witnesses. Mr. E. W. Beatty, K.C. gave evidence and outlined the plans for the operation of the Dominion Agricultural Credit Corporation and the reasons for the organization of that Corporation. Mr. C. S. Tompkins, Inspector General of Banks, gave a comprehensive review of the legislation in effect in various Canadian provinces relating to rural credits and the results therefrom. A meeting was devoted to the consideration of the system of co-operative peoples' Banks (Caisse Populaire) which, for thirty years, has been of assistance to borrowers in both urban and rural districts of the Province of Quebec. Mr Eugene Poirier N.P., Montreal, explained how the system operates in the District of Montreal; Mr. Cyril Vaillancourt, Levis, Quebec, gave evidence of the operation of such Banks in the rural districts near Levis.

In view of the efforts being put forward by the Dominion Agricultural Credit Corporation and of the legislation, recently passed by this House, which permits the subscription of financial corporations to the capital stock of this enterprise, your Committee are agreed that, at present, it is advisable to await developments and to observe the results achieved by this Credit Corporation before proceeding further in the matter of the Reference. If the funds subscribed are insufficient for the needs of such intermediate credits as are referred to in the Resolution, the Committee recognize that the matter is one which will merit consideration at a future session of Parliament.

Your Committee recommend that their proceedings and evidence, a copy of which is submitted herewith for the information of Parliament, be printed as an appendix to the Journals of the present session of Parliament.

All of which is respectfully submitted.

R. C. MATTHEWS,
Chairman.

For concurrence, see Journals, p. 587, Monday, July 20, 1931.

LIST OF WITNESSES

Mr. E. W. Beatty, K.C., President and Chairman, Canadian Pacific Railway Company,

Mr. C. S. Tompkins, Inspector General of Banks, Ottawa,

M. Eugene Poirier, N.P., Montreal, President, Peoples' Savings Bank, District of Montreal,

M. Cyrille Vaillancourt, Levis, Quebec, President, Federation 178 Caisse Populaire, Levis, Quebec.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

WEDNESDAY, June 10, 1931.

The meeting came to order at 11 o'clock a.m., Mr. Matthews in the chair.

Members present: Messrs. Baker, Black *(Halifax)*, Casgrain, Dorion, Donnelly, Embury, Gagnon, Hackett, Harris, Howard, Irvine, Lawson, Loucks, Matthews, McGibbon, Mullins, Perley *(Qu'Appelle)*, Pettit, Spencer, White *(Mount Royal)*—20.

The Committee took under consideration Bill No. 33, An Act to amend the Companies Act (Auditors), and agreed to report the same with an amendment.

The Committee then took under its consideration the subject matter of an Order of Reference, dated May 18, 1931, viz:—

> *Resolved:* That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture.

Mr. Lucas, M.P., was called upon to explain the purport of the Order of Reference and addressed the Committee at length.

Mr. Speakman, M.P., by leave of the Committee, also made a statement of the conditions in Western Canada calling for the establishment of a system of intermediate credits.

Discussion then took place as to the procedure to be followed by the Committee. The chairman was authorized to procure the attendance, if possible, of Mr. Beatty, President of the Canadian Pacific Railway Company, also some competent person to explain the rural credit bank scheme in operation in the Province of Quebec and Mr. C. S. Tompkins, Inspector General of Banks.

The Committee then adjourned at the call of the Chair.

A. A. FRASER,
Acting Clerk of the Committee.

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

The meeting came to order at 11 o'clock a.m., Mr. Matthews in the chair.

Members present: Messrs. Baker, Black (*Halifax*), Bothwell, Gagnon, Ganong, Irvine, Laurin, Lawson, Loucks, MacMillan (*Saskatoon*), Matthews, McGibbon, Mercier (*St. Henri*), Pettit, Robinson, Ryckman, Smoke, Spencer, Willis, Woodsworth—20.

On motion of Mr. Irvine, seconded by Mr. Ganong, it was,

Resolved, That the Committee do report and ask leave to print 500 copies in English and 200 copies in French of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence in connection with the Resolution of the House referred to the Committee on May 18, viz:—

> That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture.

and that Standing Order 64 in relation thereto be suspended.

(For concurrence, see Journals, p. 359, June 17, 1931.)

The Chairman read the Orders of the Day:

> Resuming consideration of a Resolution of the House referred to this Committee on May 18, ultimo. (Mr. Lucas.)

Mr. E. W. Beatty, K.C., Chairman and President of the Canadian Pacific Railway Company, then addressed the Committee.

On behalf of the Committee, Mr. Chairman thanked Mr. Beatty for his address.

Mr. C. S. Tompkins, Inspector General of Banks, was then heard.

On motion of Mr. Irvine, a vote of thanks was tendered Mr. Tompkins for the very comprehensive presentation made by him, the result, apparently, of very painstaking research.

Mr. Gagnon referred the Committee to reports, etc., dealing with the system of rural credits in Quebec.

The question of what further witnesses should be heard in connection with the remit was left in abeyance, to be considered by the Chairman and a subcommittee to be chosen by the Chairman.

On motion of Mr. Irvine, the Committee adjourned to meet at the call of the Chair.

T. L. McEVOY,
Acting Clerk of the Committee.

HOUSE OF COMMONS,

FRIDAY, June 26, 1931.

The meeting came to order at 11 o'clock a.m.

Mr. R. C. Matthews in the Chair.

Members present: Messieurs Baker, Black (*Halifax*), Donnelly, Ernst, Euler, Gagnon, Ganong, Geary, Hackett, Hanson (*York-Sunbury*), Hurtubise, Lawson, Loucks, Matthews, Mercier (*St. Henri*), Mullins, Perley (*Qu'Appelle*), Smoke, Spencer, Sullivan, White (*Mount Royal*)—21.

The Chairman read the Orders of the Day.

Resuming consideration of a Resolution of the House referred to this Committee on May 18, viz:—

> *Resolved:* That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture—*Mr. Lucas.*

Mr. Eugene Poirier, N.P., of Montreal, President, Caisse Populaire de Ste. Cecile, Montreal, and President of Peoples' Savings Bank of District of Montreal, addressed the Committee.

Mr. Cyrile Vaillancourt, President, Federation 178 Caisse Populaire, Levis, Quebec, also addressed the Committee.

Mr. Vaillancourt addressed the Committee in French, but was interpreted verbatim by M. Henri Vallières, of the Debates Translation Branch, House of Commons.

The Chairman announced that a sub-committee composed of the Chairman, Hon. W. D. Euler and Mr. H. E. Spencer would take under advisement the question as to what other witnesses, if any, shall be heard in connection with the remit.

On motion of Mr. Lawson, the Committee adjourned until Tuesday, June 30, at 11 o'clock a.m.

T. L. McEVOY,
Clerk of the Committee.

HOUSE OF COMMONS,

THURSDAY, July 16, 1931.

The Committee came to order at 4 p.m. Mr. R. C. Matthews in the Chair.

Members present: Messrs. Donnelly, Embury, Gagnon, Ganong, Hackett, Hanson *(York-Sunbury)*, Irvine, Lawson, Matthews, McGibbon, Mullins, Pettit, Robinson, Smoke, Spencer, and Woodsworth—16.

Resuming consideration of the Resolution of the House referred to the Committee on May 18, viz:—

Resolved: That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture—*Mr. Lucas.*

On motion of Mr. Spencer, seconded by Mr. Robinson, it was

Resolved: That the Committee adopt the following as their Tenth Report:

The Select Standing Committee on Banking and Commerce beg leave to present the following as a Tenth Report:

Your Committee have had under consideration a Resolution and Order of Reference, dated May 18, 1931, whereby it was

Resolved: That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for Agriculture—*Mr. Lucas.*

Your Committee held several sessions and heard witnesses. Mr. E. W. Beatty, K.C. gave evidence and outlined the plans for the operation of the Dominion Agricultural Credit Corporation and the reasons for the organization of that Corporation. Mr. C. S. Tompkins, Inspector General of Banks, gave a comprehensive review of the legislation in effect in various Canadian provinces relating to rural credits and the results therefrom. A meeting was devoted to the consideration of the system of co-operative peoples' Banks (Caisse Populaire) which, for thirty years, have been of assistance to borrowers in both urban and

rural districts of the Province of Quebec. Mr. Eugene Poirier, N.P., Montreal, explained how the system operates in the District of Montreal; Mr. Cyril Vaillancourt, Levis, Quebec, gave evidence of the operation of such Banks in the rural districts near Levis.

In view of the efforts being put forward by the Dominion Agricultural Credit Corporation and of the legislation, recently passed by this House, which permits the subscription of financial corporations to the capital stock of this enterprise, your Committee are agreed that, at present, it is advisable to await developments and to observe the results achieved by this Credit Corporation before proceeding further in the matter of the Reference. If the funds subscribed are insufficient for the needs of such intermediate credits as are referred to in the Resolution, the Committee recognize that the matter is one which will merit consideration at a future session of Parliament.

Your Committee also recommend that their proceedings and evidence, a copy of which is submitted herewith for the information of Parliament, be printed as an appendix to the Journals of the present session of Parliament.

All of which is respectfully submitted.

The Committee then took under consideration the next order of business: consideration of Bill No. 125.

On motion of Mr. Gagnon,

The Committee then adjourned to meet at the Call of the Chair.

T. L. McEVOY,
Clerk of the Committee.

(For concurrence in above report, see Journals, p. 587, Monday, July 20, 1931.)

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 10, 1931.

Mr. SPEAKMAN: Mr. Chairman, I am not a member of this Committee, nor do I claim any special knowledge of the subject-matter of the Order of Reference. I did bring forward a similar resolution once and have given this matter some study. Mr. Mullins was speaking of the commercial feeding of stock which covers a comparatively short period and which is provided for now by the present banks to a certain degree. But there is more to it than that. There is the question of dairy herds. I understand that the Minister has a fairly comprehensive scheme for introducing new blood into dairy herds. There is the question of breeding stock; there is the question of going into proper mixed farming, instead of depending upon one crop. It would involve not only the purchase of the proper kind of breeding stock, with a term of at least three years before any turn-over profit could be made. There is also the question of proper fencing, and providing proper buildings, and all that goes with proper mixed farming. I will say only this: we have provided long term credits which differ from intermediate credits in two respects: first, the basis of security, which must be a mortgage; second, the purpose for which the mortgage is made, which is for the purchase of land or the clearing up of long term mortgages on more favourable terms, or the erection of permanent improvements. The banks provide for interest being fixed, for the purchase of binder twine, and such things; but that is commercial rather than agricultural. Between lies the field referred to as intermediate credits, which differs from these others in two respects: first, the nature of the security demanded—there are varied plans which must be stated and which must rest upon chattel mortgages and upon the risk involved, and in all likelihood backed up by first or second mortgages on valuable property. The purpose is to provide for breeding, and, in addition to the breeding of the proper form of stock, to provide for the necessary buildings and fencing to carry on—a basis on which I have carried on for many years at different times. It is a perfectly proper business which cannot produce a profit in less than three years after the bank has been started.

I have made no complaint about banks in that respect—the nature of their work precludes them from tying money up in a farm for at least three years. I have had my own experience in the way of cattle buying, that is, in buying the stock and raising the stock over a two year period, and my own experience is that no matter what agreement you may enter into as to the renewal of a note at the expiry of the three years, it will depend entirely upon the individual—the bank manager—backed, as a rule, by the head office, which usually knows very little of the circumstances. The branch manager, as a rule, has little power to make loans; he has little executive power.

Much depends on the state of the market, and the result has been most unfortunate for young stock, which is the beginning of a real herd, and has to be sacrificed at a time when it has not brought in one-half of what it should, and as a result the farmer has incurred a loss to the bank which would have been unnecessary, had those cattle been in condition.

The present attitude of the banks in the matter of such investments as these should be studied to find out as to whether the condition is justified; as to whether as farmers we are asking them to perform a function for which they

were never intended; or as to whether they are actually not fulfilling the function which they should. I say we should extend the terms of the reference so as to ascertain just what is the true position of the banks in relation to agriculture at the present time. My suggestion would be this; that little can be done in a practical way by the Committee as a whole, but that the Chairman might associate with himself two or three men who are interested in the subject—not necessarily all farmers, but one farmer should be on the Committee—to decide as to the practical scope of the enquiry and to decide as to the best witnesses to be called.

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

The Select Standing Committee on Banking and Commerce met at eleven o'clock, Mr. Robert C. Matthews presiding.

The CHAIRMAN: We are met this morning for the purpose of hearing Mr. E. W. Beatty, K.C., Chairman and President of the Canadian Pacific Railway, who will speak to us on the special reference. Mr. Beatty will tell us about the Dominion Agricultural Credit Corporation, with the affairs of which he is quite familiar.

Before proceeding, however, if the Committee deems it necessary to print the address of Mr. Beatty and others, the authority of the House is necessary to do this printing, and I shall read a motion and ask someone to make it: "That the Committee do report and recommend that 500 copies in English and 200 copies in French of the evidence to be taken before the Committee in connection with the resolution of the House referred to the committee on May 18 be printed; and that Standing Order No. 64 be suspended in relation thereto."

On motion of Mr. Irvine, seconded by Mr. Ganong, the resolution was adopted unanimously.

The CHAIRMAN: The resolution that we are considering, as you know, is that of Mr. Lucas, "Resolved,—That in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture."

We shall proceed now with this discussion, and, if we have time, we shall also hear from Mr. Tompkins this morning, because he is leaving town to-morrow evening. If it is possible, I should like to deal with his evidence this morning, and if it is not possible this morning, we must meet to-morow morning.

I shall now call on Mr. Beatty.

Mr. BEATTY: Mr. Chairman and members of the Committee, I am not exactly the author of this agricultural credit scheme, because there is nothing particularly novel in the idea, which was suggested in London, last December, and in Winnipeg, last February.

With your permission, perhaps I might quote a paragraph or two of the address I made in Winnipeg, in which I outlined the reasons for the suggestion. I said then: "In December of last year I took occasion, when speaking in London, Ontario, to make certain suggestions as a private citizen for the amelioration of conditions on the prairies, as we then understood them to be, and I indicated, in the course of that address, the propriety of the creation of an agricultural credit corporation to assist in extending mixed farming throughout the West, where physical conditions permitted. I frankly confess that the reason for these suggestions was far removed from one of desire to infringe upon the prerogatives of any governmental or other authority, or to hold myself out as an expert on rural economics or farming operations. I felt that I could make such suggestions, though a resident of the East, and not be misunderstood or have my motives misinterpreted, because it happens that the Company with which

I am associated, and have been for the past thirty years, was the Company which made Confederation possible and linked the East with the West, and from that day its fortunes have been inextricably bound up with the prosperity of Western Canada. I felt, too, that in these times when depression provokes discouragement, and discouragement grievances both imaginary and real, a practical gesture of goodwill on the part of the East and of interest in the problems of the West, under these unusual conditions, would be accepted as proper and as neighbourly and wise. There was no desire to extend charity, but there was every desire to assist, and assist in a way that was readily open to eastern interests, namely, by the provision of the capital requirements of a corporation created to extend credit on fair terms to those in the West who were willing and able and so situated as to have reasonable prospects of success and who desired to diversify their farming operations.

At the outset it should be made clear that the formation of an agricultural credit company is not for the purpose of attempting to meet or correct the unusual or somewhat severe conditions of the present day. It is a policy which can be made effective over a period of years and one which, in the view of many of our most outstanding agricultural experts, should go a long way towards promoting a greater degree of stability in the agriculture of the West. The idea itself is sound, but, inasmuch as it is being advanced at a time when world price conditions have caused considerable inconvenience in the economic life of the country, it would appear advisable that the real purpose of the proposal should be widely understood so that it will not be regarded as a movement to revolutionize western agriculture any more than it is a movement in the nature of a measure of emergent relief. A portion of the press has already chosen to place a rather extensive interpretation on the suggestions which I have indicated have been made, and made with a view to assisting the farmers to develop, as supplementary to their present activities, those safeguards in the business of farming which have already been achieved by some through a certain measure of livestock production having been included in their program. Let me repeat, therefore, that because consideration is being given to these proposals, during a time of depression, when various relief plans of a temporary nature are being discussed, this is not a temporary expedient for the purpose of relief, but, rather, a permanent piece of machinery introduced to the industry of agriculture with a view to developing and maintaining additional sources of sustenance and of revenue from our farms. The permanency of this development should be recognized. It is obvious that the business of farming does not lend itself to sudden changes in policy, insofar as livestock production is concerned, with any profit to the producer.

I will not bother you with this address, because copies are available, if any member of the Committee desires to read it; but I might explain that my connection with the idea is, perhaps, due, more than any other reason, to my association with C. T. Jaffray, a Canadian born at Galt, who, for many years, occupied a prominent place in banking circles in Minnesota, and is now the President of the Soo Line, one of the subsidiaries of the Canadian Pacific Railway. Mr. Jaffray is the Chairman of the Agricultural Credit Corporation of the United States, and has been very enthusiastic over the results achieved in the United States through this Corporation. They operate in Minnesota, North Dakota, South Dakota, and Montana, and I, and others, felt that a similar method might be employed with advantage in Canada, and, therefore, I made the suggestion.

Now, I must confess, that, when I did that, I had not in my mind, particularly, what is before this Committee by way of resolution, that is, the formation of an intermediate agricultural credit method or system, though, in fact, that is what the Dominion Agricultural Credits Company accomplishes.

[Mr. E. W. Beatty.]

The reports of the Americans, as the result of their operations, are, at least, consoling, and I asked Mr. Jaffray if he would give me a very brief summary, and he has done so. It is as follows:—

"The organization of the Agricultural Credit Corporation was brought about, in 1924, for the purpose of helping the banks who at that time found themselves with depleted capital and no way of getting money to change the situation. In the first four or five months the Corporation loaned about $6,000,000, most of which was successful and brought no loss to the corporation. We have a small amount due us now, secured by lands and endorsements, which will be rather slow in working to a final settlement.

At the end of the first six months, conditions changed in the country through the fact that the crop that year was good and bank loans were stopped. Then the question of furnishing the farmer funds to buy foundation herds of cows, beef cattle, and sheep was taken up. These loans were limited to $1,000 each, payable in three years—30 per cent. the first two years and 40 per cent. the third year. A very satisfactory situation developed and we were able to help many thousands of farmers into a position where they now have sufficient livestock to make their farming operations reasonably sure.

The reasons for the organization of the Corporation were as stated above, but the change from banking to livestock loans was inspired by the fact that, in the older sections of Minnesota, livestock operations had been universally successful and had made the country prosperous and free from the danger of crop failures. This movement was spreading each year, but was naturally of slow growth and the operations of the Credit Corporation, going into effect then, hastened the spread of diversified farming. We now have a large part of Minnesota covered, a good deal of North Dakota, and some sections of South Dakota and Montana, where nothing had been done before.

The plan was a great success and many farmers who took advantage of the opportunity were able to repay their entire loan the first year. Of course, this was abnormal, but even now, with livestock prices materially less, farmers are meeting their payments and establishing themselves in a position of independence.

Knowing, as I do, the situation in our territory, and the ups and downs in the farming community depending upon grain, I have been very active in promoting the diversification program through livestock. I felt I was not only helping the country to become stabilized, but I was also getting the farmer into a position where he is able to meet his obligations, pay his taxes and interest, and make his land produce more grain at less cost. The success of the plan which we have been promoting the last seven years is very apparent now in all territories where livestock has been placed through the fact that while grain prices are low, and under ordinary conditions would make business very quiet and collections practically nil, this is not the case at present. In my investigations, through jobbers and others, I find collections in this territory, especially in the communities where livestock is owned, have been up to the average and it is a constant surprise to merchants doing business with this part of our territory.

The enormous increase in all kinds of livestock shipments, week by week throughout the whole year, is direct evidence of the success which the Agricultural Credit Corporation, and other activities, have brought to our territory."

Now, this corporation passed an annual report, copies of which I have here, and which are interesting, because not only do they show, in a very brief form, the amount of loans made and the results in repayments, but they contain a statement, or statements, from numerous farmers of their experiences, all of a very heartening character.

The officers and directors of this corporation, of course, are very outstanding men, both in eastern and western United States. There are no less than three railway presidents on the executive committee: Mr. Ralph Budd, President, Great

Northern Railway; Mr. Charles Donnelly, President, Northern Pacific Railway and Mr. C. T. Jaffray, President of the Soo Line. Now, in the first explanation that they made of the reasons for the corporation and the publication of the statistics relating to it, they make this statement, "The purpose of this booklet", —which is both a booklet and report—"is to acquaint those who furnished the capital for the Agricultural Credit Corporation of Minneapolis, and those interested in agriculture generally, with a record of the livestock loan activities of the corporation during its three years of operation. During that period the corporation has loaned money direct to 3,971 farmers in Wisconsin, Minnesota, North Dakota, South Dakota and Montana for the purchase of livestock, these loans totaling $2,068,469.87. Of this amount loaned $572,864.50 has been repaid, leaving loans amounting to $1,495,605.37 outstanding as of December 31, 1926.

It has been the purpose of the corporation, by financing farmers up to $1,000 each for the purchase of live stock, to assist the small farmer to increase his cash income in a dependable manner. These loans have also helped those who received them, to further diversify their farming operations, and the letters from borrowers reproduced herein are proof that the corporation has had an important part in stabilizing and improving the agricultural condition of these farmers.

"The corporation was organized to help meet an emergency." An emergency, which as you know, was due to the condition in which the banks of the western states found themselves in 1924. "Its experience indicates the wisdom of continuing its activities permanently. The usefulness of such an organization has been demonstrated, first, to help those farmers still in need of help, and to render additional aid to the many borrowers who are already looking to the time when they can again come to the corporation for additional help in expanding their operations along profitable lines."

There follows a statement of all their subscriptions. They were, in fact, somewhat different from the Dominion Agricultural Credit Corporation, in that they issued stock to the extent of $10,000,000, and they deposited that stock as collateral to an issue of debentures, and they raised the money through the debentures. Sixty per cent was all that was called, $6,000,000, that being the money they loaned to the individual farmers after investigation. Their plan was an extraordinarily cheap one in the manner of organization, in that they obtained a great deal of voluntary assistance from committees and others in the localities where the farmers were being assisted. He said, "Our general plan is to have a local committee of three to five representative men in each community in which we propose to lend money, one of the committee men generally acting as secretary, and all serving without compensation from the corporation. The committee generally consist of a merchant, banker, outstanding farmer, and the county agricultural agent.

The County Agricultural Agent in the Western States is a County official appointed under the State Law as an Agricultural County Agent, paid a salary, usually by the State, of from $2,500 to $3,000 a year; and, in the vast majority of cases, is a graduate of a State Agricultural College.

Applications for loans are taken on the Corporation's forms, and the recommendation of the Committee is provided for in the form. It shows the application of a farmer, the amount and kind of animals he owns, the amount of land he operates, the type of fences and buildings generally, and, also, the type and number and kind of animals he wishes to buy through the Corporation. The Corporation finances the purchase of the animals from nearby operators, but encourages the bringing in of stock from outside.

The terms of repayment are generally 30 per cent., payable at the end of the first year; 30 per cent., at the end of the second year; and 40 per cent., payable at the end of the third year, with interest at 6 per cent. per annum; and a moderate charge for general expenses of the office, purchasing and insurance

on the animals purchased for three years against loss by fire, wind and tornado. They issued a report in 1927, showing the accomplishments of that year, with the details of which I need scarcely bother you; but their operations have resulted in an almost universal demand in that section of the United States for the continuance of the Corporation as a permanent agency.

With that evidence before us of what was accomplished in the United States, it occurred to me that we perhaps might adopt a similar policy here, if we could secure necessary financial support, and that support would come, in the nature of things, largely from the East, particularly from those corporations in the East, of which there are a great many, which have a very pronounced stake in Western Canada. I, therefore, outlined the scheme, as I understood it, to the Canadian Bankers' Association and to representatives of the trust, loan, mortgage and insurance investment companies, and wrote, as well, to a great many private firms which I knew did a great deal of business in Western Canada.

We found, before we had proceeded very far, that a great many of these Corporations had not the necessary charter power to invest in the stock of a Corporation of this character, and so we secured an Act of the Ontario Legislature, applying, of course, only to those companies which were incorporated by that Province, permitting these trusts and loan companies to subscribe for stock in this Corporation. A similar Bill, as you know, was introduced into this House a few days ago, to authorize or permit Federally incorporated companies to subscribe for stock, provided they did so before July 1, 1932.

The response to the suggestion has been practically unanimous from these Corporations. They believe in the theory that they, naturally, are not going to be responsible for the organization or administration of the Corporation, once this organization is completed.

In Winnipeg, I told them that I thought there were two things that must be kept in mind, and these two factors stood out as of major importance in the development of a sound system of credit; first, the Corporation must be organized in such a way as not to impose a burden upon the farmer for charges and interest and, secondly, the policy must insure safety of the development, so that the capital of the loans of the Corporation is not imperilled.

In the United States, losses of the Agricultural Credit Corporation have been nominal, practically nothing in most cases. With wise administration and a great deal of voluntary effort, which I think can be brought into the organization, costs of the Dominion Agricultural Credit Corporation should also be low; and, I think, we would be quite safe in limiting its iterest charge to 6%, although in the United States, in recent years, in a few cases, for special kinds of loans, the charge is 6½%.

They make a moderate, nominal charge for animals handled, and they make a small charge for insurance, which they are able to do because they cover their insurance by a blanket policy, and get a much cheaper rate than the farmer could possibly get for himself.

In order to effect these fundamental questions of policy, of course you will appreciate that two things are necessary. The organization must be such as will inspire confidence; it must be administered by men of experience in agricultural credits, assisted by those who have a great and intimate knowledge or farming in the district from which the applications for loans come.

The County Agents, used to such an extent in the United States, are perhaps not available to us, in the same way, in many parts of Western Canada, but we have agricultural agents in the employ of the provinces and of the Federal Government, to some extent, I think, whose services might be used, in an advisory capacity, without expense to the Corporation. The same would apply to agricultural experts in the employ of the Railway Companies, and if it was ever thought desirable to use their services, they might be obtained, without cost to the Corporation.

We, of course, could have the same local committee idea, which was adopted in the United States. That was really their great protection and the reason why their losses have been so negligible.

As I have already told you, the total amount of the subscriptions has not yet been received, on account of the inability of these companies to subscribe, due to the absence of the legal power to subscribe, which is now being obtained for them, but even now, half of the amount, namely five million dollars, has been subscribed.

I am afraid some people may have the rather erroneous impression that, because I have had the hardihood to make these suggestions, I was more or less suggesting something new. You know that is not the case, and there is nothing new in the way of agricultural credits which I am suggesting, nor am I, in any way, an expert in the farming branches, nor do I expect to have more to say about it than will any other individual who may be selected, as representing a subscriber on a Board of Directors.

The theory upon which we are working is one that, I think, has been proved, which, with proper administration, can be made effective. We were not endeavouring to trench upon the prerogatives of banks or of any other institution which might exercise similar powers; but, obviously, you will appreciate, with the limitation of the banking powers, they are prevented from doing such things as advantageously as a credit corporation could do them; and, further, a credit corporation has a great advantage over any other medium of issuing loans, and that advantage lies in the fact that it is organized for one purpose only, and that purpose is to be carried out under the auspices and under the direction of men who are peculiarly expert in the questions with which they have to deal.

It is not a part of the general financial operations of a great bank at all, but it is a direct obligation on certain parts of the community, to make loans where it is thought conditions permit of them being made with a certain chance of success. That, of course, distinguishes this organization from what I think, perhaps, is in Mr. Lucas' mind, in respect of intermediate credits. It is an intermediate credit, in effect, undoubtedly, but it was not evolved for that purpose. It was evolved for the purpose of seeing whether we could, through a medium of this kind, be of some practical and real value to the farmers in the West in particular.

Now, gentlemen, those are in brief, the reasons and that is the outline. This Dominion Agricultural Credit Corporation will be organized in due course; it will elect a Board of Directors, which will be composed of men representing Eastern interests, but the majority of them, we hope will be outstanding men in Western Canada, because that is where the real work will be accomplished. And that Board of Directors will name the Officers. The Chief Executive Officer of this Corporation will be a man of great experience in rural credits, and he will be the General Manager. The Corporation will be run like any other Corporation. If it does not make a gain for its owners, they will probably not suffer a loss, and in addition they will have the satisfaction of knowing that the interests they represent are very favourably affected by any increase in the prosperity or stability of the Western farmer.

In brief, that is the outline of the situation. If there is any information which I can give you, in addition to this, of course I will be very glad to do so.

Mr. LUCAS (by leave of the Committee): Just as a matter of information, would Mr. Beatty outline what the nature of the security will be?

Mr. BEATTY: The security is on the livestock purchased, Mr. Lucas.

Mr. LUCAS: As a chattel mortgage.

Mr. BEATTY: Yes, and, as I say, a similar procedure was adopted in the United States.

Mr. IRVINE: Someone said in the House a while ago, I think, that you were meeting with difficulty in securing the finances, on the ground that the credit risks of Western Canadian farmers was not good. Was there any truth in that?

Mr. BEATTY: No sir, there has been no suggestion from any Corporation that I have interviewed or written to that they are not entirely in favour of this scheme. Of course there were limitations, in some cases, by reason of the fact that some of the companies had already extended, in their own business, credits in the West beyond which they felt they could not go. But the principal objection was the lack of charter authority to invest, which has now been obtained.

Mr. IRVINE: Have you any idea, or is there any means of getting the correct knowledge, of the amount of credit that could be properly let out in Western Canada in this way?

Mr. BEATTY: It will develop very slowly. Supposing we adopted the principle which has been adopted in Minnesota, of a minimum loan of $200 and a maximum loan of $1,000; there, as you know, loans are confined to cattle and sheep, and did not, until quite recently, cover hogs; the reason being that the advances were so small, in the individual case, that the cost of looking after the loans would not justify it; but recently they have, in certain special cases, advanced $400 or $500 to a farmer of approved repute and experience, and they may extend that, if the circumstances require it. But in Canada, in view of the great stretch of territory over which this Corporation will have to operate, I imagine it will, of necessity, proceed very slowly, and that the loans will be limited, for the first year or so, while the Corporation is feeling its way. The capital will be ample, because, as you will understand, on the repayment of the loan, the same capital becomes available for other loans, and it is really a revolving loan.

In the United States, notwithstanding the seriousness of conditions there, and the fact that they had subscriptions for $10,000,000, they found it necessary to call in only 60 per cent. of their capital.

Mr. WILLIS: Mr. Beatty, have you any idea when you will be able to commence to operate?

Mr. BEATTY: The Dominion Act has not been passed yet. The Ontario Act has been passed. The Trust and Loan Companies have formed their Committees. They want to make a blanket subscription. I asked them for a very considerable amount of money, and they will divide it amongst the companies according to their capital or assets, on some plan which they propose to use. It should not be long, once the legislation is effective, after which the Board can be appointed. The boards of the companies at present feel that they cannot do anything until their authority is complete.

Mr. MACMILLAN *(Saskatoon)*: Have you any idea how many farmers in the United States have taken advantage of this?

Mr. BEATTY: They issue a report, Mr. MacMillan, of their loans, and in the summary, from 1924 to 1930, they show that for sheep, the number of farmers applying for loans was $7,052; animals supplied, 355,000. For cattle, 6,877 applicants; the number of cattle supplied, 36,188. Net amount of live stock loans made to 13,960 farmers, amounts to $6,780,000, of which $4,474,000 have been repaid. That is a very creditable record.

Mr. SPENCER: Can you give the Committee any idea of the interest to be charged?

Mr. BEATTY: Of course I have suggested a rate of interest not exceeding 6 per cent.; but the Board of Directors will itself determine that. In the United States, a charge of 50 cents per head was made for handling the live stock, and a very small charge for insurance. They were able to do that and get

such a return on the capital of the Corporation only by reason of the voluntary effort which was put into it by so many men in their districts, which, I think, we can duplicate.

Mr. WILLIS: Is the machinery of your company so set up that when you get the legislation you can act?

Mr. BEATTY: All that is necessary is that the machinery be set up, which can be very readily done by passing the necessary bylaws and so on.

The CHAIRMAN: Gentlemen, on your behalf, I express to Mr. Beatty the very great thanks of the Committee for his coming here to-day and giving us this address. (Applause).

I am going to call on Mr. C. S. Tompkins, Inspector General of Banks, to give us his evidence now, because he is going away to-morrow and we had better have it to-day and thus save calling another meeting for to-morrow.

Mr. C. S. TOMPKINS: Mr. Chairman: The members who attended last year a discussion of this subject will recall that certain information was to be obtained, with particular reference to the schemes in operation in several of the Provinces, with respect to short term or intermediate credits.

A great deal of the information was collected, but owing, as you know, to the rather sudden changes in the sessional program, there was not an opportunity to present them to the Committee last year. Occasion has been taken to bring them up to date, in order that you might have the most recent figures possible.

I do not pretend, of course, to be thoroughly familiar with the intermediate credit question in any worldwide sense, but since I was charged particularly with obtaining this information of which I speak, I shall confine myself almost entirely to that phase of the question.

First of all, I should perhaps make some brief reference to what the chartered banks are doing, or are authorized to do, under *The Bank Act*, with reference in a general way, of course, to farmers throughout Canada.

In the first place, I would refer to their general powers under Section 75 of *The Bank Act*, with respect to loans, from which, perhaps, I might quote and then follow on with the specific parts which have application.

Under Section 75, Clause (c), a bank is authorized to deal in, discount and lend money and make advances upon the security of, and take as collateral security for any loan made by it, bills of exchange, promissory notes and other negotiable securities, or the stock, bonds, debentures and obligations of Municipal and other Coroporations, whether secured by mortgage or otherwise, or Dominion, Provincial, British, foreign and other public securities.

Then, under Section 86, which of course would apply on occasions to loans to persons engaged in farming, banks are authorized to acquire and hold any warehouse receipt or bill of lading as collateral security for the payment of any debt incurred in its favour, or as security for any liability incurred by it for any person, in the course of its banking business.

Then, under Section 88, they are particularly authorized, first, to lend money upon the security of threshed grain; secondly, to lend money to the owner, tenant or occupier of land for the purchase of seed grain, and acquire a preferential claim for the sum loaned upon the crop resulting therefrom; and thirdly, to lend money to a farmer or any person engaged in stock-raising upon the security of his live stock.

Banks are not empowered to lend against the security of real estate or chattel mortgages, although these may be taken subsequently as security for an existing debt.

Complaints have previously been voiced that the practice of the banks in loaning to a farmer upon notes at maximum terms of three or four months, although at times they are drawn for longer periods, creates an inconvenience,

inasmuch as it is often known, when loans are originally granted, that they cannot be paid off for at least six months or one year. Of course the argument generally advanced in answer to that is that the banks feel it desirable to be in touch with the farmer at reasonable intervals to ascertain the progress he is making, not only in his crop operations but also whether any change has taken place in his general financial position. And, in that way, the procedure does not differ from the practice followed in granting loans for industrial and other purposes; and, therefore, it is, perhaps, not wholly unreasonable.

Evidence was given regarding agricultural credits before the Special Committee on Agricultural Conditions in 1923, and, also, to some extent, before the Banking and Commerce Committee, in 1923 and 1924, although practically all of this evidence was available for the purpose of the Tory Reports of 1924 and his supplemental report of 1925. This evidence had to do mainly with long term mortgage credits, the situation in respect of which was met by the passing of the Canadian Farm Loan Act of 1927. I just mention that by way of prefacing what I have to say in regard to the Provincial schemes, with which I shall now proceed to deal. The Committee, of course, will understand that this is information collected from Provincial sources largely, and tabulated in what I thought was the most convenient way. I am hardly in a position to be cross-examined upon it without a limit, so to speak; and I shall proceed to give it to you, and if you think it is in any sense lengthy, Mr. Chairman, I wish you would tell me so at any given moment.

Alberta.—The Alberta Coöperative Credit Act, passed in 1917, but which did not become operative until 1921, provides for the organization of co-operative credit societies, which can be organized on the presentation of a petition to the Lieutenant Governor in Council of not less than fifteen persons engaged, or agreeing to engage within one year, in farming operations and subscribing for stock in the society of par value not less than $1,500, on which at least 20 per cent. must be paid in cash and the balance secured by the subscribers' promissory notes.

A society cannot commence business until it has received subscriptions for stock from not less than twenty-five persons to an amount of not less than $3,000, upon which at least 20 per cent. has been paid. Additional instalments of 20 per cent. are payable annually.

The management of a society is vested in a Board of Directors, four of whom must be elected at the first meeting and annually thereafter by the subscribers only, three of whom are named by the Provincial Treasurer and one by any municipality giving a guarantee to the society.

The Act provides for the guaranteeing of the securities, obligations and financial undertakings of any society by the Lieutenant Governor in Council. Further, the Council of any municipality in the Province may also guarantee, in like manner on account of any society, an amount equal to one-half the total amount of stock subscribed by the shareholders resident within such municipality. On assuming such guarantee, the municipality is authorized to advance the money out of its general funds without taking a vote of the rate-payers, unless otherwise provided by the Lieutenant Governor in Council.

The objects of the societies, as laid down in Section 25 of the Act, are (1) to procure short-term loans for its members for the purposes expressly described; (2) to act as agent for its members in purchasing certain goods, supplies, etc., in selling what is produced by its subscribers and in placing fire and hail insurance; (3) to promote cooperation among its members for the improvement of conditions of farm life.

Advances, if approved by the directors of a society and confirmed by an inspector appointed under the Act, are made upon the borrower's note endorsed by the society, which is negotiated with one of the branches of the chartered

banks. The Act provides that, in the event of the borrower being unable to pay the amount at maturity, the directors of the society may grant a renewal for such further time as may be agreed upon, but not later than the 31st day of December next after the maturity of the previous loan or renewal. Any goods, live stock, etc., purchased with the proceeds of the loan are subject to a lien or charge securing repayment. The Act also provides for the taking of other security, including a charge upon growing crops.

Loans are made only to members of the society and at a rate of interest not exceeding 7½ per cent. of which one-half of 1 per cent. is returned to the society to be applied as provided by Section 62 of the Act. By Section 32 (*a*) enacted in 1924, every lender, in taking a note from a borrower, is required to add to the rate of interest one-quarter of 1 per cent., or such other percentage not exceeding one-half of 1 per cent., as the Lieutenant Governor in Council may direct, which portion of interest must be accounted for to the Provincial Treasurer and is used to provide a common sinking fund for the purpose of defraying losses made by any society.

(Extent of facilities granted).

As Mr. Matthews has arranged to put these detailed figures into the record, I hardly think it worth while to read them.

Mr. IRVINE: I think it would be better.

Mr. TOMPKINS: I might state, at the end of 1930 there were outstanding in loans under this Act $1,748,455.17, and that that amount had progressively increased in almost every year since the Act first came into operation in 1921. My record shows the amount borrowed each year, the amount repaid, and the balance, etc., and that can all go into the record.

Mr. SPENCER: Give me the total again.

Mr. TOMPKINS: $1,748,455.17.

Mr. IRVINE: What rate of interest did they charge?

Mr. TOMPKINS: Having regard to the rate of interest, 7½ per cent plus an addition of one-quarter to one-half per cent., which is used to provide a common sinking fund to take care of losses.

Mr. IRVINE: Does the government guarantee these loans?

Mr. TOMPKINS: Yes.

Mr. IRVINE: Why is the rate so high, 7½ per cent., on a government guranteed loan?

Mr. TOMPKINS: I can scarcely explain, the reasons why. That rate is determined from the start. The fact is that the loans outstanding are all guaranteed loans, the lender in these cases being the branch banks in the country districts and no portion is advanced direct out of general funds of the provinces.

The following table, supplied by the Deputy Provincial Treasurer, shows the total amounts borrowed and repaid in each calendar year and the balances oustanding at the end of each such year:—

Year	Amount brought forward	Amount borrowed	Amount repaid	Balance as at December 31st
	$ cts.	$ cts.	$ cts.	$ cts.
1921	.....	44,039 21	.....	44,039 21
1922	44,039 21	585,920 00	339,499 61	290,459 60
1923	290,459 60	540,103 27	449,083 08	381,479 79
1924	381,479 79	563,101 82	587,972 60	356,609 01
1925	356,609 01	705,600 58	635,359 25	426,850 34
1926	426,850 34	1,016,962 47	989,525 19	454,287 62
1927	454,287 62	832,642 07	639,910 69	647,019 00
1928	647,019 00	1,043,234 59	855,442 41	834,811 18
1929	834,811 18	978,175 62	729,993 86	1,082,992 94
1930	1,082,992 94	1,051,420 19	385,958 11	1,748,455 02
		7,361,199 82	5,612,744 80	

Mr. IRVINE: Does the bank get 7½ per cent?

Mr. TOMPKINS: The bank gets 7½ per cent. less one-half of one per cent. which is remitted to the society, in order to take care of certain of their expenses.

Mr. SPENCER: They charge 7½ per cent. on gilt-edge securities.

Mr. TOMPKINS: The banks render monthly returns under the Act, showing the amount outstanding, the amounts loaned, etc. I was also supplied with information as to the number of societies and members and borrowers and so on, and I think these figures might well go in the record.

Mr. SPENCER: I just asked a question—I think you said 7½ per cent plus a half of one per cent.

Mr. TOMPKINS: What I said was this, if I may repeat it, "loans are made only to members of the society and at a rate of interest not exceeding 7½ per cent. of which one-half of one per cent. is returned to the society to be applied as provided by section 62 of the Act." Then, further on, I refer to the addition of one-half or one-quarter of one per cent., which portion of interest is used to provide a common sinking fund for the purpose of defraying losses made by any society.

Mr. GANONG: The farmer has to pay 8 per cent. in some cases?

Mr. TOMPKINS: I presume he does, in some cases.

Data supplied by Deputy Provincial Treasurer:

December 31, 1930:—

Number of Societies	43
Number of Members	1,667
Number of borrowers	1,203
Average Loan per borrower	$ 1,453 40
Average Loan per Member	1,048 86
Share Capital Subscribed	219,600 00
Capital paid up	130,928 32
Common Sinking Fund	28,599 96

Mr. TOMPKINS: Now, I was particularly interested in trying to ascertain the experience with regard to losses, and under date of March 14, 1930, the Deputy Provincial Treasurer supplied a memorandum as follows:

"Up to date, the province has not been called upon to implement its guarantee in respect of losses.

The amount of ascertained losses is $6,287.83, which has been paid out of the Share Capital of the societies incurring the losses.

There is some difficulty in estimating losses that may have to be met in the near future. A good crop in 1930 would avert several probable losses, whereas a bad crop would increase the losses.

A recent survey by the Supervisor indicated a probable loss of between thirty and forty thousand dollars.

There are however. sufficient funds in the Sinking Fund, in the Societies' Share Capital Account, and the Societies' Reserve Account to meet these losses in full."

Mr. IRVINE: What is the date?

Mr. TOMPKINS: March 14, 1930. I do not believe they have reached the stage where they can arrive more correctly at what the situation has been in this respect. As to the cost of administration of the Act in Alberta, I obtained certain figures, which I think also might be put on the record.

In reply to an enquiry directed to the Deputy Provincial Treasurer a year ago, as a result of newspaper comment upon proceedings of the Public Accounts Committee, I was advised under date of March 28th as follows:—

"It is true the Co-operative Credit Societies have been under investigation in the Public Accounts Committee, but the investigation was the result of one of our Supervisors having loaned money on land contrary to the provisions of our Act. This transaction did not involve any loss up to the present, and if there is any loss it will be trifling. The facts I have given you are correct.

The losses you mention in connection with Seed Grain and Relief were made under the Seed Grain and Relief Act, and have nothing to do with the Co-operative Credit Act. The Seed Grain and Relief Act, which was in operation over ten years ago has nothing to do with Farm Loans or or any other kind of loan credit."

Briefly, from the beginning until the end of 1929, the total expenses run into $82,820.08.

Year	Total Expenses
1920	$ 4,139 43
1921	8,695 11
1922	11,170 58
1923	9,094 65
1924	11,269 32
1925	9,833 49
1926	9,459 12
1927-8	10,651 77
1928-9	8,506 61
Total	$82,820 08

Mr. SPENCER: To what percentage does that work out?

Mr. TOMPKINS: I have not worked out the percentage: that could easily be worked out by taking the table. It gives the amount each year.

Mr. LAWSON: Eighty thousand is the amount.

Mr. GAGNON: Two thousand dollars a year.

Mr. LAWSON: The average would be higher than that. Pardon me, before Mr. Tompkins leaves Alberta, do I understand that one can only get the company's guarantee provided one is a member, and one must, in order to be a

member of a co-operative society, subscribe to a minimum of $1,500? You must be a subscriber in advance?

Mr. TOMPKINS: The subscription is a nominal amount of—

Mr. GAGNON: What is the amount they have to subscribe?

Mr. LAWSON: A minimum of $1,500.

Mr. TOMPKINS: I said the society can only be organized on condition that not less than 15 persons subscribe for stock in the society at a par value of not less than $1,500 each.

Mr. LAWSON: One hundred dollars each.

Mr. TOMPKINS: Of which one-quarter must be paid in cash and the balance in subscribers' notes.

Now we come to the Manitoba Act, and, for the sake of brevity, I may say it deals along lines very similar to the Alberta Act. There are differences, here and there. For example, in the first place, these advances are granted under the Rural Credit Act.

Mr. IRVINE: May I suggest here, Mr. Tompkins, that you put the whole thing on record and give us comments on the differences?

Mr. TOMPKINS: I think, probably, the simplest plan would be, if the Committee desire it, to put on record the whole information I have with regard to Manitoba, and let it stand itself as a comparison. It is all there. It is readily seen what the differences are, on examination of the whole.

Mr. LAWSON: Put it all in.

Mr. LUCAS: Give us the rate of interest in Manitoba.

Mr. TOMPKINS: I was just about to deal with that.

MANITOBA

ORGANIZATION AND OPERATION

The Rural Credits Act

This Act, which dates from 1917, authorizes the organization of Rural Credit Societies upon petition to the Lieutenant Governor in Council of not less than fifteen persons engaged in or proposing to engage in agriculture. A society is not permitted to commence business until it has received subscriptions from at least 35 persons to an amount of not less than $100 each, upon which not less than 25 per cent. has been paid. The Provincial Government is authorized to subscribe an amount equal to one-half of the total amount subscribed by individual shareholders and any municipal corporation or combination of two or more municipalities may also subscribe an amount equal to that subscribed by the Provincial Government.

The management of each society is vested in a board of directors composed of nine members, three of which are elected annually by the individual subscribers, three appointed by the municipalities subscribing to the capital stock and three named by the Lieutenant Governor in Council, such directors serving for the terms stipulated in Section 15 of the Act.

The objects of the societies, as laid down by Section 22 of the Act are: (1) to procure short term loans for members for the purposes expressly described; (2) to act as agents for the members in purchasing certain goods, supplies, etc., in selling the products of members and in placing fire, hail and life insurance, and (3) to promote co-operation for the improvement of conditions of farm life throughout the district.

Interest rate under Section 33 is not to exceed 7 per cent., of which one-seventh goes to the local society for the purpose of its business.

Funds were secured through the chartered banks, for the first few years that the Act was in operation. Eventually, however, the banks stated that they were unwilling to continue to loan to Rural Credit Societies at the rate of 6 per cent. provided by the Act. Negotiations looking to a compromise on some satisfactory basis were unsuccessful and the Government finally undertook to furnish the different societies with funds direct from the Consolidated Revenue Fund. The Act was accordingly amended, authorizing such advances up to a total of $3,000,000.

An act was also passed authorizing the establishment of Provincial Savings Offices to receive savings deposits direct from the public.

The Act provides that loans which are duly approved shall be made to members upon notes signed by the borrower and endorsed on behalf of the society. All such loans terminate on 31st December of the year in which the loan is made, but application for renewal for a further period of one year is admissible under certain circumstances. Any goods, live stock, machinery, etc., purchased with the proceeds of a loan, or any products produced as a result thereof, are subject to lien or charge securing repayment. There is also provision whereby additional security can be taken.

The Act originally did not place a limit on borrowings to any one person, the result being that some received unduly large loans. By an amendment which became applicable to loans granted after 20th April, 1923, individual borrowings were limited to $2,000.

Mr. SPENCER: Can you tell me, Mr. Tompkins, if the banks lost any money on the 6% loans?

Mr. TOMPKINS: I hardly think they did, because the loans were guaranteed loans.

Mr. SPENCER: I have here a letter from a Mr. McWilliam and he says "as long as the banks and the societies and the government were working together from 1916 to 1920, everything went beautifully," and as far as he knew, "there were no losses, everything was successful, and then the banks complained and wanted more interest, and they did not get it, and then they withdrew." He says in this letter he does not think that "the banks lost any money at all."

Mr. TOMPKINS: I am not fully familiar with the conditions existing at that time or the point of discussion between the banks and the government. It will be something you will have to get from somebody who knew more about it.

Mr. GANONG: I think the banks worked it out, how much it cost them, and I think the record is complete. Probably the banks could not make it pay.

Mr. TOMPKINS: I fancy also—I do not cite this as an actual fact—but I fancy there was some question as to the management of these societies themselves in Manitoba. In getting information from the Deputy Provincial Treasurer in Manitoba, he forwarded me a report dated February 8th, 1923, upon an investigation of the work of the Rural Credit Societies, which report was made by Professor W. T. Jackman of the University of Toronto and Mr. Francis J. Collyer, a member of the Board of Trustees of the Province of Manitoba Savings Office. I think several members may recall this report. It was very critical of the general administration of the business of the societies and indicated the possibility of a large loss, which is reflected in the following figures quoted by the Deputy Provincial Treasurer, the result of a report which was not made public.

Under date of March 20th, 1930, the Deputy Provincial Treasurer advised:

1. 74 Rural Credit Societies were formed in Manitoba.

2. These 74 societies are still in operation but 56 of them are under administration, which is to say that the affairs of these 56 societies are managed from central office by the "Supervisor" and are no longer managed by local directors.

3. Some 9,500 loans, totalling some $10,000,000 (round figures) were made, but no record has been kept of the loans declined. These figures covered the loans actually made but, in many cases, there was simply a new loan to replace the old, and at no time did the total principal of loans outstanding exceed $3,000,000.

4. There are now 1,695 loans outstanding, for principal $1,112,501.05 and for interest $156,674.45.

5. An investigation was made of all these loans and the report was brought down in December 1928. As a result of the recommendations there was written off as loss for principal $759,276.49 and for interest $349,707.29. This report was not published as it covered the detail of each loan but the total figures are shown in the Public Accounts for the year ended April 30th, 1929.

About a year ago I asked the Deputy Provincial Treasurer of Manitoba to furnish me with the total approximate cost to the province of administration of the Rural Credits Act from its inception to date. His reply was: "Administrative cost from inception to date $299,000."

Mr. GANONG: The cost to the province?

Mr. TOMPKINS: To the province.

Mr. GANONG: They did not get that back from the association?

Mr. TOMPKINS: No, no.

Under date of March 10, 1931, the Deputy Provincial Treasurer referred me to a speech delivered by Premier Bracken on his last budget in the Manitoba Legislature. It is very brief, and, perhaps, I may read it, or I can put it into the record.

Mr. SPENCER: If it is brief, read it.

Mr. TOMPKINS:

Rural Credits

There has been no marked change with respect to Rural Credits during the year. As was to be expected, collections were not so good as a year ago, but quite as satisfactory as the circumstances permitted. The amalgamation, for collection purposes, of this and other collection departments with the Farm Loans Organization, which took place during the year, will result in a more efficient service for each.

The total amount outstanding for principal at April 30th, 1929, was $1,152,143.60. The total amount outstanding at April 30th, 1930, was $1,114,738.48. The total of all collections made during the fiscal year was $98,768.12, which compares with a total of $158,295.40 collected in the previous 12 months. Of these collections $55,166.25 was for principal. The total principal amount of loans made during the fiscal year ended April 30th, 1930, was $17,761.63, of which there has been repaid $6,151.50.

In the period in question there has been no change in the number of societies, which remains at 74. In that period three more societies requested that they be placed under administration, that is to say, under management from head office, and this was done, so that at April

30th there were 56 societies under administration and 18 were continuing under their own management.

Since May 1st, 1930, 16 of these societies requested that they be placed under administration, and this has been brought about, so that at this date there are 72 societies being managed from head office and only two continue under their own management. These remaining two societies are Elkhorn and Waskada.

That ends the quotation from Premier Bracken's address.

Short term loans are made in Ontario under the Ontario Farm Loans Act, which was assented to on May 3rd, 1921. I think by reason of its similarity with these other acts I may put in the gist of the information with regard to its formation, etc, without reading it.

ONTARIO

Organization and Operation

The Ontario Farm Loans Act

This Act was assented to on May 3rd, 1921, and came into operation in the latter part of that year. The system is administered under the Agricultural Development Board, which is also charged with the administration of the Long Term Loans scheme.

Provision is made for the formation of Farm Loan Associations by thirty or more farmers resident within a certain territory. These farmers must each purchase one share of stock in the association of a par value of $100, of which 10 per cent must be paid up, the balance remaining on call. One or more local municpalities may then subscribe for stock to the extent of one-half of that subscribed for by individual farmers. The Ontario Government is then called upon to subscribe for an amount equal to the subscription of the municipality or municipalities. This means that there would be a minimum total of $6,000 subscribed capital, of which $600 would be paid up.

The association is controlled by a board of seven directors, the President, Vice-President and one director being elected by the farmers, and the municipal council or councils and the Provincial Government appointing two each.

The objects of the associations are to procure short term loans for the specific purposes mentioned in Section 25 of the Act. No loan to any member shall exceed $2,000. The loans are guaranteed by the respective associations but the responsibility under such guarantee is restricted to the amount of subscribed capital. No loan shall be granted to mature later than December 31 in any year, but may be renewed for justifiable reasons for a further period not later than one year after the maturity of the previous loan. Any good, live stock, machinery, etc., purchased with the proceeds of a loan are subject to a lien for the amount thereof to secure repayment. There are also provisions whereby additional security can be taken.

The maximum rate of interest payable under the Act is 7 per cent., one-seventh of which goes to the association for expenses and other purposes, as set out in Section 45 of the Act. It is understood that the rate actually charged at present is 6½ per cent. The Act provides that funds may be supplied through the Province guaranteeing loans with the chartered banks or other corporations, or that the government may loan money to such associations direct. In actual practice the latter method is understood to have been followed.

Ontario, as is well known, operates Provincial Savings Offices, from which source funds are largely supplied for both their long and short term agricultural credits.

In connection with this question generally, attention is directed to the evidence given before the special committee on agricultural conditions on May 3, 1923, by Mr. A. G. Farrow, then chairman of the Agricultural Development Board of Ontario. At that time, however, the scheme had been in operation for less than two years.

Coming down to the extent of facilities granted, I have also been furnished with the names of the associations, the number of borrowers in each, and the loans outstanding, and that can go into the record. The loans outstanding, as at October 31, 1929, were $133,999.68, and, without being given any exact figures, I was told there had not been any material change at the end of October, 1930, that is, the end of the fiscal year 1930.

Mr. LUCAS: The total amount?

Mr. TOMPKINS: The total amount outstanding. Fourteen Farm Loan Associations were in operation and had loans outstanding, at that date, as follows:

Name of association	No. of borrowers	Loans outstanding
Balfour-Rayside	11	$ 2,662 26
Cosby-Martland	2	295 00
Ekfird	17	9,971 00
Glanford	3	962 33
Howard	12	5,247 66
Mosa	19	11,553 86
Nassagaweya	21	8,780 95
Nelson	18	13,925 00
North-Grimsby	28	20,469 33
Roxborough	6	3,692 95
Sault Ste. Marie	13	3,850 00
Seneca	7	2,400 00
Toronto	23	17,190 00
Trafalgar	43	32,999 34
	223	$133,999 68

In submitting the foregoing statement the chairman of the Board remarked that a few associations had been wound up by reason of lack of activity, and that the tendency of loans had been downward, the maximum having been in the neighbourhood of $300/350,000. He further remarked that "it is evident. . . . that these associations have never been a very important part of the credit machinery of the farmers of the Province."

Mr. LUCAS: What was the rate of interest?

Mr. TOMPKINS: Five and a half per cent. in Ontario—one moment,—no, I am wrong, the rate charged at present is six and a half per cent., to the farmers.

Mr. GANONG: Direct to the government or to the bank?

Mr. TOMPKINS: Direct from the government, I believe, because they have taken the provincial savings in Ontario as well as in Manitoba, I suppose.

The CHAIRMAN: What was the cost—

Mr. TOMPKINS: The cost of administration? The chairman of the agricultural credit board, under whom administration of this act is carried out, told

me it would not be possible to separate the cost of administering the short term loan scheme from the long term scheme, but obviously the cost of the short term scheme would be very much smaller on account of the fact that the volume is so small.

Mr. SPENCER: They use money from the savings bank for both schemes?

Mr. TOMPKINS: Yes.

Now, in Quebec—

Mr. SPENCER: Before you come to that, you are giving us the rate they charge for the short term, can you give us the rate for a long term?

Mr. TOMPKINS: I was not talking of long term; I would not like to say off-hand.

Mr. GAGNON: Five and a half per cent.

Mr. TOMPKINS: In Quebec they have what is called "Caisses Populaires," that is, "People's Banks." Several members both last year and this year expressed a desire to have some information with regard to these, and I have obtained all that seems possible.

Mr. IRVINE: Is that the same institution that was mentioned at the last meeting?

Can we obtain anyone to give evidence directly on that point?

The CHAIRMAN: If the committee wish.

Mr. TOMPKINS: I will be very glad to put in the information I have. I may say the information I have has been obtained partly from reference to the Quebec Statistical Year Book, and by further reference to the statistical officials in Quebec.

QUEBEC

HISTORY, ORGANIZATION AND OPERATION

Caisses Populaires (Co-operative People's Banks)

These are dealt with in Dr. Tory's "Report on Agricultural Credit" of 1924, from which the following passages are quoted:—

The first successful effort to introduce the principle of the small bank for rural purposes in Canada was made in the Province of Quebec. The late M. Alphonse Desjardins, a resident of the town of Levis, after a careful study of the systems of small banks in operation in Europe, decided to introduce into Quebec a system of "People's Banks", the "Caisses Populaires" after the model of the "People's Banks" in Italy.

The first bank was organized under the scheme on December 6th, 1900, in the town of Levis.

The conditions making possible the success of such a scheme were present in the Province of Quebec as in no other province in Canada. The social, racial and religious unity that exists there made it easy for groups of people to co-operate on a common idea.

These banks are not strictly rural institutions, that is to say, they admit to membership persons who are other than farmers, but, in reality, they work out to be more largely in the interest of farmers than any other class, because of the high percentage of farmers composing the membership. While they do not specially aim to do mortgage business, loans are made on first mortgage on immovable property. In addition, they make loans to their members on personal security.

It is a matter of record that between the years 1907 and 1914 attempts were made on no less than six occasions to bring these or similar co-operative institutions under an Act of the Parliament of Canada. For

one reason or another all bills introduced failed of enactment. It is interesting to quote from the debates of 1910 and 1911, vol. 1, pp. 1303 and 1314, the following passages from remarks of the late Mr. F. D. Monk:—

There is this limitation, that the only depositors in the funds of the society are the members themselves. That is the rule that obtains in co-operative societies all over the world. The Bankers' Association declared, when this proviso was inserted in the Bill, that they had no objection whatever to the incorporation, if the taking of deposits and the making of loans were restricted to the members themselves.

The Minister of Finance (Mr. Fielding) submitted this Bill to the Bankers' Association, with the result that he was satisfied when it came before the Banking Committee".

The following information from the Statistical Year Book of Quebec, 1930, p. 434, explains the status, objects and operation of these institutions:—

The Co-operative People's Banks are organized and operate under the Quebec Syndicates' Act, 1906 (now Co-operative Syndicates' Act of Quebec, R.S.P.Q. 1925, Vol. 3, ch. 254).

The transactions of these banks are those of a mutual company, owing to the fact they generally loan only to their shareholders; these have the right of making deposits over and above the amount of their shares. This dual privilege makes them a savings and credit institution. They are a popular credit available to agricultural and industrial classes. The shares are generally fixed at $5. which may be paid in instalments. Both shares and deposits may be withdrawn on demand. The liability of each shareholder is limited to suscription which generally does not exceed $2,000 per shareholder.

Shareholders and borrowers must reside within the area of the bank's field of operations; the by-laws may, nevertheless, allow shareholders who move their residence elsewhere to continue their holdings in the bank without, however, allowing them to hold any office. The larger loans are made upon first mortgage and the smaller ones upon notes. A portion of the loan, capital and interest, must be repaid at fixed periods in such a way as to extinguish the debt within a determinate time.

These banks are managed by three committees: the Board of Management, composed of at least five members, but more often nine, has charge of the general direction of the Bank; the Commission of Credit is composed of at least three members, ordinarily of four, its duty consists in examining, approving or rejecting loans asked by shareholders; the Board of Supervision composed of three members examines and audits the accounts, verifies the value of loans and securities required, etc. These services are gratuitous but the manager may be indemnified. Under the present law, the Board of Supervision must have the operations of the banks audited by an accountant, member of an organized federation. This audit is made at the expense of the syndicate if it is not already affiliated to a federation. If requested by a federation, a Board of management or supervision, by 25 members or by two thirds of the members if there are less than 25, the Treasurer of the Province may order such audit to be made".

EXTENT OF OPERATIONS

The following comparative figures showing the progress of the Caisses Populaires as at December 31st in each year indicated are of interest:—

—	1915	1920	1925	1929
No. of Banks which sent reports	91	100	122	178
No. of Members	23,614	31,029	33,279	44,835
No. of Depositors	13,696	26,238	33,527	44,685
No. of Borrowers	6,728	9,213	9,384	13,553
No. of Loans granted	9,095	15,297	13,794	17,994
	$ cts.	$ cts.	$ cts.	$ cts.
Amount of Loans granted	*1,549,759 82	4,272,584 99	3,919,960 84	4,249,650 00
Gross Profits realized	99,393 80	311,322 99	449,530 96	645,616 00
Loans Outstanding	†1,684,651 01	5,181,391 69	7,087,211 83	10,314,622 03
Deposits	1,141,528 34	4,558,053 24	5,799,951 77	8,090,614 45
Capital Stock	715,335 59	1,199,170 40	1,534,051 25	1,850,541 54
Reserve and Provident Funds	68,337 06	252,627 35	604,381 97	960,667 09
Profits and Initiation tax	91,433 51	249,258 24	241,897 71	294,993 08

*Would appear to include renewals.

†This total evidently includes loans of every character; for example it is noted from statistics that during the year 1929 loans were granted on notes to the extent of $2,517,750, on mortgages $1,133,669 and on debentures $598,231.

From the foregoing and figures previously observed it would appear that a substantial portion of loans are granted against mortgages and debentures or long term securities. It would accordingly seem that the institutions are fulfilling only to a limited extent the role of intermediate credit banks as that expression has come to be used in connection with farming operations.

INTEREST RATES

The statistics show that the rates of interest paid on deposits vary from a minimum of 3% to a maximum of 5%, although 3 and 4% appear to be the more common rates. There is no statistical indication of the rates charged on loans, but a communication from the Bureau of Statistics, Department of Municipal Affairs, Quebec, gives me the following information:

As far as I can ascertain, the interest rate charged borrowers from the People's Banks varies from 5 per cent to 8 per cent—ordinarily 6 per cent or 7 per cent,—according to the duration and amount of the loan and the borrower's solvability. The larger notes are made upon mortgages and the smaller ones upon notes. The borrowers are allowed to reimburse their loan by weekly or monthly payments, and after a payment has been made, interest is charged on the amount outstanding only.

In endeavouring some time ago to obtain statistical data with reference to the number of institutions which had been liquidated, resultant losses, etc. I obtained the following report from the Provincial Statistician:—

It was in 1915 that the returns from these banks were collected for the first time and from that year to 1928 fifty of these institutions have liquidated. In some instances, liquidation was due to the insufficient number of members or the fact that they were making no transactions. As to the amount of losses met with, we have absolutely no information owing, as you are aware, to the absence of Government inspection.

During the 1930 session of the Provincial legislature, an attempt was made to enact legislation providing for inspection by the Government. A debate upon the measure indicated that a considerable number of the institutions were opposed to government inspection, while others desired it. The law, as passed, did not make inspection compulsory. It will simply be made effective when desired by any particular institutions themselves.

Mr. IRVINE: That does not appear to me to be a very satisfactory inspection system.

Mr. TOMPKINS: These institutions are operated under Quebec statute; they do not come under our Dominion statutes at all; they are operated under what is called the Co-operative Syndicates' Act of Quebec.

Mr. GAGNON: Does it show the nature of the operations?

Mr. TOMPKINS: I have figures here, from the Quebec Year Book, showing considerable figures for the years 1915, 1920, 1925 and 1929, that is practically every five year period, showing the number of institutions, the institution members, the numbers of depositors, borrowers, the amount of deposits, the amount of loans, etc. I may say this, the figures I have here, and which I have shown, in regard to the record as to the amount of loans, I think include loans of every character, and I am reliably informed that these institutions grant loans against mortgages or debentures to a large extent; that is to say they are long term loans and they are not essentially short term credit institutions. In fact, they fulfill the function of a short term or intermediate institution only to a very limited extent for that reason. For example, during the year 1929, loans were granted on notes, to the extent of $2,517,750; on mortgages, to the extent of $1,133,669 and, on debentures, $598,231, and I think these figures include renewals during the year as well. I do not think they are all new loans. I say these statistics that are obtainable, such as they are, are not entirely complete and they are obtained from the returns which the institutions make to the Quebec statistical department; and, as the statistician has told me, owing to the absence of inspection, they had no data whatever with regard to the experience of losses on loans made.

Mr. GANONG: These are rural credits?

Mr. TOMPKINS: These are very largely rural credits, I believe; Mr. Gagnon, correct me, if I am wrong. I believe these institutions are preponderantly throughout the country districts.

Mr. GAGNON: In the districts, and there are a large number in the city of Montreal, too. There are three in Ottawa, also.

Mr. TOMPKINS: I think it is correct to say, is it not, that the largest percentage is in the country?

Mr. GAGNON: Yes.

Mr. TOMPKINS: There is no statistical information as to the rate of interest charged, but I am informed that it runs from six to eight per cent.

Mr. GAGNON: Usually six.

Mr. TOMPKINS: Maybe, but I was told that the general portion runs from six to eight. It may be six, or six and a half, or seven, that is my information. That practically completes what I have to say.

With regard to British Columbia, I sent a message, last year, to the Provincial Minister of Agriculture, which I might read: "Would you kindly have proper official outline by letter present operation Agricultural Act and Land Settlement Development Act with respect shorter term loans only and past experience of province in administration of these particular loans. Have there been any notable changes in acts or regulations or general policy since Tory report of 1924 to Federal Minister of Finance on agricultural credit?"

This is the reply I received: "Is your inquiry of thirteenth instant relative to short dated farm loans three to ten years under section 30 Land Settlement and Development Act? This province has discontinued agricultural loans. Never had any short term credit scheme on security crops or chattels."

Subsequently I obtained a rough idea of the extent to which three to ten year loans were made under the Land Settlement Act and it appeared that a total of 542 loans had been made, aggregating approximately $600,000, of which about one-half represented by 257 individual transactions had been repaid in full. Of course, that scheme is in no way comparable to the short term or intermediate credit scheme, and it has had a very limited application, in any event. The other provinces, New Brunswick, Nova Scotia, Prince Edward Island and Saskatchewan—

Mr. SPENCER: What was their rate of interest?

Mr. TOMPKINS: I think their interest ran from six to seven per cent. I was not particularly interested in going into the details when I found out the term of the loan was from three to ten years; they had no similarity to the other provinces in that way.

So far as I know New Brunswick, Nova Scotia, Prince Edward Island and Saskatchewan have nothing in the way of a short term or intermediate credit scheme in operation. That concludes the story, so far as the provinces are concerned.

The CHAIRMAN: Thank you, Mr. Tompkins.

Mr. IRVINE: I think Mr. Tompkins has gone to a good deal of trouble in doing this research work and presenting it to the members of the Committee. I wish to move a very hearty vote of thanks to Mr. Tompkins.

Mr. TOMPKINS: Thank you very much, Mr. Chairman.

The CHAIRMAN: Now, gentlemen, that is all the discussion and evidence I have provided for this morning. If there is any other person whom you would like to hear, I am sure we will be only too glad to get him for you. Mr. Beatty suggested Mr. Jaffray would come, if you wanted him, and outline what Mr. Beatty himself outlined in connection with the intermediate credits—

Mr. IRVINE: I think Mr. Beatty gave us a very comprehensive view of what is intended.

Mr. GAGNON: In regard to the operation of the Credit Associations in the Province of Quebec, I would refer you to some documents, which may be obtained from the Library under the title: "Canadian Pamphlets." There is a very interesting study by Mr. Hector MacPherson under the title "Co-operative Credit Associations in the Province of Quebec," and there is another one, "Rural Credits in Canada" by W. T. Jackman, and there is another one by Alphonse Desjardins, entitled "The Co-operative People's Bank" (La Caisse Populaire). These pamphlets give one a good deal of information about the nature of the institutions in Quebec.

Now, a bill dealing with that system was presented to the House and in that connection I have some information which I would like to give. This bill, introduced by Mr. Monk, dealt with industrial and co-operative societies. After being introduced by Mr. Monk, it was afterwards taken up by Mr. Lemieux, and was thoroughly discussed in Committee. A great number of people gave evidence before that Committee. Lord Grey, who was at the time Governor General, at the special request of the Chairman of the Committee, appeared and made an address in his capacity as President of the International Co-operative Alliance. Sir George Perley, Mr. Mackenzie King, Prof. Adam Shortt and a number of other prominent men also gave evidence before the Committee.

Mr. IRVINE: You refer to legislation in regard to the Quebec system?

Mr. GAGNON: Yes. Later other bills along the same line were introduced. I would refer you to the debates and to the report of the Committee, Appendix Journals, 1906-07) from which you can get the necessary information. Afterwards, Mr. Lemieux's Bill was defeated in the Senate, by one vote, at the end of the session. It was taken up a few years afterwards, in 1912, by Mr. Monk, who was Solicitor General. The bill was read a second time on December 14th, and you will find it referred to in Hansard in 1910-1911, volume one, page 1302. One can get further information in the statute books of 1906, 1908, 1910, 1913 and 1914.

Mr. TOMPKINS: I may say, Mr. Gagnon, I was particularly interested in reading those debates myself; I turned them up and I ran through the whole thing for my own information. It is not included here. I have it separately in my records.

Mr. GANONG: If it is in shape to be put in the record, I should like it included.

(See Appendix to Minutes of Evidence, p. 26.)

Mr. SPENCER: I made a statement the other day outlining the necessity of some intermediate system of credits to farmers. I said that the farmers were getting credit from two to six months and the Chairman asked me if I could prove that and I said I would be very glad to do it.

The CHAIRMAN: I do not think I asked for proof; I asked you to repeat it.

Mr. SPENCER: Whatever you said, sir. I have in my hand a statement from Saskatchewan. Several questionnaires were sent throughout the province from the organization to the farmers and these figures in reply are all interesting. From one point they say they get loans for six months; from one, four months; three, three to four months; eight, three to four months; one, two to four months; one, one to three months; three, one to three months, and 52, two to four months. The figures for Alberta are very similar.

Mr. GANONG: This is somewhat new to me, the subject of intermediate or part time credits. Can you explain to me exactly what is meant by "intermediate credits?"

The CHAIRMAN: I think I should ask Mr. Lucas to explain just what he has in mind.

Mr. LUCAS: Mr. Chairman, I gave an outline at the beginning of this discussion. My idea of intermediate credits is, first we have our bank loans. The usual bank loan is three months, which is sometimes extended or can be extended. Then we have the long term mortgage loan, which runs over a period of five to 34 years. Now, in between that, there is a gap and we are trying to get just what Mr. Beatty outlined this morning for the development of live stock. A three months loan is not of any particular benefit to a farmer who produces live stock. By the time this three months loan is due, his live stock may not be developed to the extent to go on the market, and if the bank decided to call the loan, he is forced to throw his live stock on the market to repay his loan. My idea of intermediate credits is that these should be something to fill in the gap between loans under our bank system and the long term loan. The period of an intermediate credit is supposed to be from six months to three years.

After discussion on the calling of further witnesses and the formation of a subcommittee, the committee adjourned to meet again at the call of the chair.

[Mr. Lucas.]

APPENDIX TO MINUTES OF EVIDENCE

CAISSES POPULAIRES

In connection with the attempt some years ago to have the Parliament of Canada pass an Act governing the operation of these institutions, I have gone back to the House of Commons Debates of 1907-08 and find that during that session and subsequently, Bills were introduced on no less than six occasions, but for one reason or another failed of enactment. These Bills were as follows:

Bill No. 2 (1906-07)—"An Act respecting Industrial and Co-operative Societies" (Mr. Monk) (See Appendix to Journals, 1906-07.)

Bill No. 5 (1907-08)—An Act respecting Co-operation, (Mr. F. D. Monk). Subsequently transferred to Government Orders.

Bill No. 26 (1909-10)—"An Act respecting Co-operative Credit Societies" (Mr. F. D. Monk).

Bill No. 11 (1910-11)—"An Act respecting Co-operative Credit Societies" (Mr. F. D. Monk).

Bill No. 189 (1912-13)—"An Act respecting Co-operative Credit Societies" (Mr. Arthur Meighen);

Bill No. 194 (1914)—"An Act respecting Co-operative Credit Societies" (Mr. Arthur Meighen).

Extracts from Debates of House of Commons:

Session 1907-08. Mr. F. D. Monk. Vol. I, pp. 92-93.
Session 1907-08. Hon. Rodolphe Lemieux. Vol. III, pp. 4547-4555.
Session 1907-08. Mr. F. D. Monk. Vol. III, pp. 4560-4561.

The Bill subsequently was read the third time and passed, but was rejected by the Senate, on July 15, 1908, on a vote of 18 for, 19 against.

Session 1909. Mr. F. D. Monk. Vol. II, pp. 2328-2329;
Session 1909. Hon. Rodolphe Lemieux. Vol. II, p. 2332;
Session 1909-10. Mr. F. D. Monk. Vol. I, p. 340;
Session 1910-11. Mr. F. D. Monk. Vol. I, p. 195;
Session 1910-11. Mr. F. D. Monk. Vol. I, p. 1303;
Session 1910-11. Mr. F. D. Monk. Vol. I, p. 1314.

None of the Bills introduced after No. 5 in the session of 1907-08 appear to have reached their final stages in the House of Commons.

HOUSE OF COMMONS, ROOM 429.

FRIDAY, June 26, 1931.

The Select Standing Committee on Banking and Commerce met at 11 o'clock a.m., the Chairman, Mr. Robert C. Matthews in the Chair.

Order of Reference: *Re* Intermediate Credits for Agriculture.

The CHAIRMAN: We are pleased to have with us to-day, as one of our witnesses, Mr. Eugene Poirier, N.P., of Baron & Poirier, Notaries, Montreal. Mr. Poirier is President of Caisse Populaire, Ste. Cecile of Montreal, and President of Montreal District Peoples' Savings Bank. I have much pleasure in calling on Mr. Poirier, who will address us in English.

Mr. POIRIER: Mr. Chairman, and gentlemen, I will try to give you an explanation of the operation of the Peoples' Savings Bank of the Province of Quebec. In the Province of Quebec there are 178 Peoples' Savings Banks which, since 1915 to 1930, have received as deposits $132,054,537, and have paid out in the same period, $124,751,639 and have now deposits of approximately $9,000,000. The Peoples' Savings Banks are operating in virtue of the Co-operative Syndicates' Act which was adopted by the Legislature of Quebec, in 1905. The first Peoples' Savings Bank commenced its operation in 1900, thirty years ago. If you want to follow me as I proceed, I will refer you to our pamphlet at page 25, where it says, "the Co-operative Syndicates are instituted for credit," and the nature of those associations is dealt with in the third clause. "Such Syndicate, or association, shall be of the nature of a joint stock company, the responsibility of its members or the shareholders being limited to the amount of their respective shares."

But I will call your attention to two facts: "whatever may be the number of his shares," each shareholder may have only one vote—to protect the control of the association. A member who has subscribed shares in the capital stock of the company, and who wants to withdraw from the association, has the right to withdraw by sending a letter to the association, and the corporation is obliged to give him back the money subscribed, less the membership fee.

Mr. LAWSON: And without any accumulation of profit?

Mr. POIRIER: No, because the profit has been distributed every year.

Mr. LAWSON: In proportion to the number of shares held?

Mr. POIRIER: Yes. I now refer you to page 26, clause 6: "the object of the association shall be to study, protect and defend the economic interest" of its associates—I am reading from the sixth line—"open up credits for them and make loans to them." Now I am speaking of the Peoples' Savings Bank operating in the City of Montreal. Clause 8: "at least twelve members shall be required to constitute a co-operative association under this Act."

Mr. SPENCER: What constitutes an association?

Mr. LAWSON: That is a French interpretation for a group of persons; it means twelve persons.

Mr. POIRIER: Yes, twelve persons. I now refer you to clause 9: "The amount of each share in the association shall be fixed by the by-laws, but shall not be less than $1." Usually, in the Province of Quebec, the amount of a share is fixed at $5.

Clause 12: "The association shall be constituted by a memorandum, in accordance with form 1, signed in duplicate . . . . ." One is sent to the secretary or clerk's office in the city. There is no formality about it, and there are no legal fees. Then the corporation is constituted, but the association is managed by three different committees. Clause 15: "Board of Management: the association shall be managed by a Board known as 'the Board of Management' composed of at least five members." The directors have the responsibility for the management of the affairs of the association, but they have no control of the money of the association; the directors have no right or authority and no power to grant a loan. There is a second committee composed of three members. This committee has authority to supervise all the matters and the affairs of the corporation. There is a third committee, which is the most important committee of the association, the committee on loans and credits. This committee is composed of three members elected at a joint meeting of the shareholders, and those three members have the authority to examine the applications filed for loans. If one of the three does not give his consent it is impossible for the committee to grant a loan; there must be unanimous consent. Suppose a member has filed an application with this committee to get a loan, and it is not satisfactory, he may appeal to the Board of Management, but the Board of Management has not the authority to grant a loan. This Board may examine the applications and then discuss them with the committee on loans, but members constituting the committee of audit or the committee of loans are in no way responsible for anything due to the association. It means that it is impossible for them to borrow money or to endorse for other people.

Mr. LAWSON: May a man be a member of more than one committee?

Mr. POIRIER: Usually of only one committee.

Mr. GAGNON: You said, as I understood you, that the members of the committee had no right to borrow money?

Mr. POIRIER: Except the members composing the Board of Management.

Mr. GAGNON: Not the members of the Committee on Credit. All the other members have the right to borrow for themselves?

Mr. POIRIER: Right.

Mr. GAGNON: Or to obligate themselves?

Mr. POIRIER: Yes. Article 21: "No member of the Board of Supervisors may directly or indirectly borrow from the association, or become security for any borrower." I draw your attention to the same clause in article 22, page 31, the last line of the paragraph: "the members of such committee shall neither directly nor indirectly borrow from the association nor become security for any borrower."

Now, at the end of the year, the Board of Management examines the affairs of the committee, and then the Board of Management recommends to the shareholders to determine the amount of profits to be paid to the shareholders, after constituting a reserve fund, at least 10 per cent reserved profits. Usually we have two reserve funds, one which we call a reserve fund, and a second which we call a provident fund, and usually, in the Province of Quebec, we put 20 per cent of reserve profits in the reserve fund, and 10 per cent in the provident fund—30 per cent of the net profits, and the balance we distribute as a bonus to the shareholders.

Mr. GAGNON: Every year?

Mr. POIRIER: Every year. Now, this association is mutual; all the profits are paid to its members. The different officers give their services free of charge, excepting the manager who has the right to receive a salary.

Mr. GAGNON: What is the usual salary paid to the manager?

Mr. POIRIER: We have total assets of $354,000, and we pay our manager $25 a week. We keep these two funds against eventualities.

Mr. SPENCER: I take it for granted that the manager may run some other business such as his own business, or that he may do other work besides looking after this association?

Mr. LAWSON: Does the work take up his whole time?

Mr. POIRIER: Yes; but in the case of the Caisse Populaire Ste. Cecile of Montreal, we give the manager the right to issue the insurance policy on the property on which we have any mortgage loans. That gives him something more.

Mr. LAWSON: Perhaps 20 per cent of the premium.

Mr. POIRIER: Last year we loaned $56,000.

Mr. GAGNON: You spoke of the one savings bank.

Mr. POIRIER: The Caisse Populaire Ste. Cecile of Montreal. We have loaned $56,000 to 116 different members. We have loaned $35,000 on mortgage loans for 16 different loans. We have loaned $12,200 to 57 members on notes with endorsations (see Appendix A). We do not lend $5 without having the endorsation of another member.

Mr. LAURIN: On three month notes?

Mr. POIRIER: Three month notes with a monthly instalment, and naturally we renew the note, providing the member has paid the monthly instalment.

Mr. SPENCER: You have a guarantee of renewal?

Mr. POIRIER: Yes, the People's Savings Banks belong to the members. It is a mutual affair, and there is no reason to refuse to renew a note.

Mr. LAURIN: You require to have endorsations from other members?

Mr. POIRIER: Just to give a guarantee to the bank.

Mr. LAWSON: Anybody whose credit is accepted by the management?

Mr. POIRIER: We are insisting upon endorsations of notes for this reason: because the People's Savings Bank is operating in a parish, and in the same district where all the people know each other. Suppose Mr. John asked for a loan of $100, and he is not responsible, we will ask him to get somebody to endorse for him, and suppose that five minutes afterwards Mr. Paul comes in and asks for a loan of $50, we may not ask for any endorsation. Just to avoid any cause of trouble, everybody is on the same footing. We ask them to get somebody to endorse for them. After having operated for thirteen years —I am speaking now of the Caisse Populaire Ste. Cecile of Montreal—and having done business amounting to $6,700,000, and last year to $944,000, we haven't lost one cent.

Mr. LAWSON: What rate of interest do you charge?

Mr. POIRIER: Six per cent.

Mr. GAGNON: The other day Mr. Tompkins stated before this Committee that the interest was between 6 and 8 per cent. Will you state whether it is true that you charge 8 per cent?

Mr. POIRIER: Six per cent.

Mr. LOUCKS: Do you compound that interest every three months?

Mr. POIRIER: Every three months.

Mr. HACKETT: There is no difficulty, because you exact the payment of interest monthly?

Mr. POIRIER: Yes, monthly; and if the member does not pay the monthly instalment, we refuse to renew the note. He will give us $1 in good faith and we will renew it.

Mr. HACKETT: Let us clear up this question. Take a note of $100, and a promissory note is evidence of the indebtedness to-day, now when does he pay the interest? Does he pay it on $100 for three months at 6 per cent? That is $1.50?

Mr. POIRIER: The interest is calculated so much per day.

Mr. HACKETT: Does he pay that in advance?

Mr. POIRIER: In advance; but if he pays back the money loaned before maturity, we will give back the amount of interest paid.

Now, just to show you the manner in which we are operating, we have made 57 loans on notes with endorsements. I will give you some particulars: one loan of $20, two loans of $25, two loans of $30, one loan of $40, two loans of $50, one loan of $75, thirteen loans of $100, one loan of $110, five loans of $125, three loans of $150, five loans of $200, six loans of $300, two loans of $350, four loans of $400, one loan of $475, and seven of $500. We cannot make a loan exceeding $500 by note. This is decided by the shareholders at a general meeting.

Mr. GAGNON: Supposing the shareholders would determine that the limit of loans would be $1,000 would that be legal?

Mr. POIRIER: Yes.

Mr. GAGNON: It is up to them?

Mr. POIRIER: Yes, it is up to them.

Mr. GAGNON: You are speaking of loans on notes?

Mr. POIRIER: Yes, on notes.

Mr. GAGNON: Have you the same by-laws for loans on mortgages?

Mr. POIRIER: Oh, no.

Mr. LUCAS: What is the limit on mortgage loans?

Mr. POIRIER: 50 to 55 per cent of the value of the property.

Mr. GAGNON: Supposing a farmer has a farm valued at $5,000, municipal valuation, do I understand that you can loan him $2,500?

Mr. POIRIER: In some cases we may go up to $3,000. We have adopted this system; we make a loan for five years with monthly instalments.

Mr. GAGNON: The man who borrows the money can reimburse you every month?

Mr. POIRIER: Yes, every month. He is obliged to pay an instalment every month. After five years, we renew. We have never called a loan.

Mr. LUCAS: That is at 6 per cent interest also?

Mr. POIRIER: Yes.

Mr. LAURIN: Is he obliged to give monthly instalments or pay an instalment twice a year?

Mr. POIRIER: No, we insist upon the payment of monthly instalments, because we want the member to come monthly to the bank.

The CHAIRMAN: That is why you are not having any losses.

Mr. LUCAS: What is the limit of your loan on notes?

Mr. POIRIER: $500.

Mr. HACKETT: Upon what do you base your appreciation of a man's capacity to pay? You have already said that these are parochial concerns and that all of the members know more about the business of the individual lender than he knows himself, and that he cannot borrow more than he is capable of paying, and he must have an endorser of whose solvency you are certain.

Mr. POIRIER: Yes, all live in the same district. We know all the members very well. As directors we have usually the doctor, the dealer, the notary and such different people; thus we know absolutely the personal history of each member, and that is why we haven't lost a cent. We know our people, and many times we refuse to make any loans, because we know if we incur a loss of $1 all the parish will know about it.

Mr. DONNELLY: In the case of the man to whom you loan money, do you carry him on?

Mr. POIRIER: I am speaking of the Caisse Populaire of Montreal, because each Peoples' Savings Bank is independent; it is autonomous. We want the borrower to reimburse one-fifth of the loan during the period of five years.

Mr. DONNELLY: One-fifth? Do you mean each year, or in the five years?

Mr. POIRIER: In the five years. We are lending him $5,000 and we insist upon the borrower reimbursing during that period $1,000.

Mr. DONNELLY: And all interest?

Mr. POIRIER: And all interest.

Mr. SMOKE: Will you renew the note for more than $4,000?

Mr. POIRIER: It depends on the circumstances.

Mr. MULLINS: If I borrow $100 do you give me the hundred dollars, or do you take the interest?

Mr. POIRIER: We take the interest in three months.

Mr. MULLINS: You take the interest out of the $100?

Mr. POIRIER: Yes.

Mr. MULLINS: You give me $100 less the interest?

Mr. POIRIER: Yes, at three months, at 6 per cent.

Mr. GAGNON: Will you explain that in the majority of the People's Savings Banks, if you borrow $100 you will receive a full $100. In Mr. Poirier's branch in Montreal, they pay the interest first, but as stated before, if a man reimburses the money borrowed before the expiration of the term, you reimburse to him the interest which has been paid?

Mr. HACKETT: It is not quite accurate to speak of them as branches.

Mr. POIRIER: The Caisse Populaire.

Mr. HACKETT: They are autonomous and separate and distinct from one another.

Mr. POIRIER: Yes.

The CHAIRMAN: Is there any control over the different Caisses Populaires?

Mr. HACKETT: None, except as given by the statutes. They are absolutely separate, just as companies organized under The Companies Act.

Mr. POIRIER: Oh, these Peoples' Savings Banks are inspected, because each district has an inspector who makes the inspection of each Peoples' Savings Bank in the district. Last year, 1930, the government of the Province of Quebec adopted a special law to inspect the Peoples' Savings Banks, upon request made by individual Peoples' Savings Banks, and our bank was inspected in May.

Mr. GAGNON: This inspection is free to their shareholders, it is paid for by the government?

Mr. POIRIER: Yes.

Mr. LUCAS: What rate of interest do you pay on your deposits?

Mr. POIRIER: We pay 3 per cent, and, on any inactive amounts of at least $500, we pay 4 per cent.

Mr. LUCAS: A re-loan is given at 6 per cent.

Mr. POIRIER: The loan is at 6 per cent. We pay a dividend of 5½ per cent to the shareholders.

Mr. GAGNON: At the end of the year, you take the profits and divide the balance?

Mr. POIRIER: Yes.

Mr. MULLINS: You must have a low cost of management.

Mr. POIRIER: We have now, I will give you figures in three statements which show the operation. In the 15 years the Peoples' Savings Bank has loaned $52,000,000 in 17,900 different loans. On this amount of $52,000,000, $43,582,-000 has been reimbursed leaving a balance unpaid of $10,000,000.

Mr. GAGNON: Which is fully secured?

Mr. POIRIER: Yes. The second statment: $2,600,000 has been subscribed through the capital of the different Peoples' Savings Banks, $1,350,000 has been reimbursed. Remember, I told you that any member has any right to withdraw from the association. That leaves the capital paid at $1,850,000.

Mr. GAGNON: In one parish a certain number of people applied to become shareholders. When they withdrew other people applied and took their places?

Mr. POIRIER: Yes. And many times they change their residence in which case, naturally, they withdraw their money. We have now 44,000 members.

Mr. LAURIN: Do you mean that a member from another district cannot be a member in your district?

Mr. POIRIER: Not usually.

Mr. SMOKE: You do not lend outside of your own district on securities?

Mr. POIRIER: Usually we do not do that—just in the district where the Caisse Populaire is operating.

Mr. LUCAS: Are these loans all made for agruculture?

Mr. POIRIER: I am speaking for Montreal; Mr. Vaillancourt will speak about agriculture. But it is the same thing. We give credit to the labouring classes. I will give you a sample. We have a member who every year, for ten years, has borrowed, during the month of June, between $40 and $50 to pay for his coal, and he reimburses one dollar a week until the loan is paid.

Mr. GAGNON: Is it not a fact that the labouring classes in the city have been able to buy houses with the help of the association?

Mr. POIRIER: Yes. On a capital of $354,000, we loaned $343,000 on first mortgage loans—on buildings in the parish. The most of them were to labourers. The applications are six months in advance, and the government will advance to our Caisse Populaire $1,000,000, and that money will be loaned by us. Everybody want to get loans, and we take applications in order of filing.

Mr. GAGNON: You mean to say that you have not got enough money to meet demands for loans?

Mr. POIRIER: Yes. I thank you very much, gentlemen. You will excuse me, I trust, if my explanation was not very clear, but I will ask my friend, Mr. Vaillancourt, to complete the matter.

Mr. SPENCER: There are two questions I would like to ask Mr. Poirier. What security do you take for these small loans, outside of the notes assigned by the borrower and his backer?

Mr. POIRIER: The endorsement.

Mr. SPENCER: Just the endorsement?

Mr. POIRIER: Yes. We have first the moral guarantee of this man. Take the case of the man who borrows $40 to pay his coal bill; we know him, he is a tailor. We know the place where he works; we know his family, and from a

moral point of view he is perfect. We have the endorsement of his father-in-law, who is foreman in a large Montreal concern. We know the family very well. There is absolutely no risk.

Mr. SPENCER: The other question I wanted to ask had regard to inspection. Is the inspector a man employed by the Government, and does he inspect all of these units?

Mr. POIRIER: Just now, there is an inspector appointed by each district of the Peoples' Saving Bank. We have one for the district of Montreal. There is one for the district of Three Rivers, and one for Quebec district. More than that, we are fighting to get compulsory inspection by the Government.

Mr. HACKETT: You have not got that yet?

Mr. GAGNON: The law was passed last year, but it is not compulsory yet.

Mr. POIRIER: It can be done now at our request. Last year, at the general meeting of all the People's Savings Banks, we asked for compulsory inspection by the Government.

Mr. SPENCER: I think you said that you have your own inspector?

Mr. POIRIER: Yes.

Mr. HACKETT: And a Government inspector on request?

Mr. GAGNON: If you will look at the last page of this little book you will find the law passed in 1930. (C. 92—An Act to amend the Quebec Co-operative Syndicates' Act, respecting inspection of certain syndicates.)

Mr. POIRIER: The first inspection is made by the members of the committee—those three members who supervise all the business done by the association. The second inspection is made by the inspector of the People's Savings Bank. More than that, we have, on request, inspection free of charge by the Government.

The CHAIRMAN: There are two statements which were referred to by Mr. Poirier in his evidence; one, on credits, dated April 30th, 1931; the other, a summary of the operations of the Caisses Populaires Desjardins. These will be included as appendices to the report. I want to thank you, Mr. Poirier, on behalf of the Committee, for your very interesting evidence. It was very kind on your part to come here and give us this information. I wish to announce to the Committee that, at the request of the Committee last meeting, I have appointed a committee to confer with me on further evidence and the scope of the inquiry. I have asked the Hon. Mr. Euler and Mr. Spencer to confer with me on these matters, and they have both consented. Now, we will hear the evidence of Mr. Vaillancourt.

M. CYRILLE VAILLANCOURT, président de la Fédération des Caisses populaires, de Québec, comparaît.

(For translation, see Appendix "E".)

M. VAILLANCOURT: Dans le district de Québec, nous avons une organisation centrale, avec une Caisse centrale, et nous contrôlons 112 caisses. Dans toute la province de Québec il y a 178 caisses, et dans le district de Québec nous contrôlons 112 caisses, c'est-à-dire au delà de 60 p. cent. Nous avons une caisse centrale. Les caisses locales envoient le surplus de leurs fonds à la Caisse centrale qui peut disposer de ces fonds en les transportant aux autres caisses qui en auraient besoin.

Dans le district de Québec, nous prêtons surtout aux cultivateurs. Quatre-vingt-dix pour cent des prêts sont faits aux cultivateurs. C'est donc dire que nous prêtons très peu sur billet. Nous prêtons sur hypothèque. Lorsqu'un cultivateur vient pour emprunter de l'argent d'une caisse, comme M. Poirier l'a expliqué tout à l'heure, nous faisons une enquête pour connaître sa valeur. La première chose que nous considérons, c'est la valeur morale de l'emprunteur; la valeur de la terre passe après.

Si l'emprunteur désire emprunter pour acheter, par exemple, une automobile—je ne parle pas d'un camion dont il pourrait se servir sur sa terre, mais d'une automobile de promenade—alors nous refusons de lui faire un prêt.

Nous ne chargeons pas d'intérêt à ce moment-là. Si quelqu'un emprunte mille dollars sur hypothèque nous signons un contrat et nous lui donnons mille dollars.

M. HACKETT: Il faut payer le notaire?

M. VAILLANCOURT: Le notaire est payé par l'emprunteur, c'est entendu.

Mr. SPENCER: What are the fees?

M. VAILLANCOURT: Cela dépend des titres. Tout dépend du travail qu'il faut consacrer à l'examen des titres. L'intérêt se paie tous les trois mois.

Maintenant, je vais vous donner un cas concret, le mien. Un jour, j'achète une propriété pour $4,500. Je demande à la Caisse Populaire de me prêter $2,500. On me prête $2,500 remboursables $40 par mois.

M. LAURIN: Sur une propriété, non pas sur une terre?

M. VAILLANCOURT: C'est la même chose. C'était sur une terre avec une maison dessus. Le $40 comprenaient le capital et l'intérêt. Je donnais $40 par mois. Tous les trois mois l'intérêt était compté; mais je ne payais jamais plus que $40 par mois. Les premiers mois je me trouvais à donner quelques piastres seulement sur mon capital et on prenait la balance pour payer l'intérêt. A tous les trois mois, comme je remettais de l'argent sur le capital, les intérêts diminuaient. A la fin, je remettais plus sur le capital avec mon $40 que je ne remboursais sur les intérêts. Après six ans et demi, ma maison était payée, j'étais propriétaire chez moi, j'avais payé cela comme un loyer.

Nous faisons profiter non seulement les actionnaires mais aussi les emprunteurs. A la fin de l'année, une fois notre bilan établi, nous voyons combien nous avons fait de profits, nous plaçons 20 p. cent de ces profits au fonds de réserve, et 10 p. cent au fonds de prévoyance. Si l'année a été bonne, nous disons: "Nous allons faire aussi une remise aux emprunteurs; par exemple, nous allons remettre aux emprunteurs 10 p. cent des intérêts qu'ils ont payés." A la fin nous ne nous trouvons pas à avoir prêté à 6 p. cent mais nous avons prêté à 5 p. cent, et quelquefois même à moins que 5 p. cent.

A Lévis, nous payons aux porteurs d'obligations, de parts, 7 p. cent, et nous payons aux déposants 4 p. cent. Nous avons un fonds de réserve de $156,000, pour une seule banque. Ce fonds de réserve de $156,000 comprend le fonds de réserve et le fonds de prévoyance.

M. HACKETT: Depuis quand cette Caisse est-elle établie?

M. VAILLANCOURT: Depuis trente ans, à Lévis.

Nous faisons affaire avec les membres seulement, avec les actionnaires. Nous ne pouvons pas prêter à ceux qui ne sont pas actionnaires.

M. LAURIN: Tous vos actionnaires sont-ils des cultivateurs?

M. VAILLANCOURT: 90 p. cent sont des cultivateurs—je parle de tout le district de Québec.

M. HACKETT: Il faut que l'emprunteur réside dans le district?

M. VAILLANCOURT: Non seulement il faut qu'il réside dans le district, mais chaque caisse fait son enquête.

M. LAURIN: Est-ce que vous perdez de l'argent?

M. VAILLANCOURT: Pas nous, jamais. Depuis trente ans nous n'avons pas perdu d'argent.

M. LAURIN: Parmi toutes les Caisses Populaires, y en a-t-il qui ont fait faillite?

M. VAILLANCOURT: Oui.

M. LAURIN: Combien y en a-t-il qui ont fait faillite sur ces 178 caisses?

M. VAILLANCOURT: Depuis trente ans, 7 ou 8. Sur ce nombre, il y en a 4 dont les affaires ne sont pas encore réglées. Probablement que les actionnaires ne perdront pas un sou, excepté dans un cas où il y a eu un vol.

M. LAURIN: Vous dites qu'il y en a 4 qui ont fait faillite?

M. VAILLANCOURT: Oui.

M. HACKETT: Pourquoi ont-elles fait faillite?

M. VAILLANCOURT: Dans deux de ces cas, c'est parce que le gérant a volé.

M. HACKETT: C'est pour cela que vous demandez l'inspection obligatoire par le gouvernement de Québec?

M. VAILLANCOURT: Quand bien même il y aurait inspection du gouvernement, on ne peut pas prévenir les vols.

M. LAURIN: Vous dites qu'il y a 7 ou 8 caisses qui ont fait faillite depuis trente ans?

M. VAILLANCOURT: Oui.

M. LAURIN: Et, sur ces 8 caisses, il y en a 4 qui ne perdront pas un sou?

M. VAILLANCOURT: Ça n'est pas réglé encore.

M. LAURIN: Ça n'est pas encore réglé mais vous prétendez que les actionnaires ne perdront rien?

M. VAILLANCOURT: C'est bien cela. Elles ont fermé leurs portes parce que les gens voulaient retirer leur argent, et comme l'argent était placé sur hypothèque il n'y avait pas assez de fonds liquides. Les Caisses ont fermé leur portes, on a dit: "On va collecter l'argent et on vous remettra votre argent après cela."

M. VAILLANCOURT: Ordinairement, nous avons 30 p. cent d'argent liquide ou placé sur des emprunts du gouvernement, des débentures du gouvernement.

M. LAURIN: Sur la réserve?

M. VAILLANCOURT: Non, argent liquide pour pouvoir le donner immédiatement, et la balance nous la prêtons aux fermiers. Dans certains cas il arrive qu'à un moment donné il se fait une course et c'est dans ces cas que la caisse est obligée de dire: Notre 30 p. cent est épuisé; si on met tous les gens en faillite on ne sera pas plus avancé; on ferme la caisse, on va retirer l'argent, on va vous payer.

M. LAURIN: A Lévis, est-ce qu'il n'y a qu'un gérant qui est payé?

M. VAILLANCOURT: Un gérant.

M. ROBITAILLE: Quand un actionnaire peut-il retirer sa mise?

M. VAILLANCOURT: N'importe quand, à demande.

M. ROBITAILLE: Sans avis?

M. VAILLANCOURT: A Lévis—Chaque caisse fait son règlement. Un actionnaire ne peut pas prendre plus de $3,000 de parts. S'il arrive que, dans une même famille, cinq ou six membres aient chacun $3,000, cela pourrait faire une course; alors, celui qui veut retirer plus de $1,000 est obligé de donner un avis d'un mois; c'est-à-dire qu'on peut exiger un mois d'avis. Vous pouvez consulter l'article 45.

The CHAIRMAN: I am sure that I speak for all the members of the Committee when I say how very illuminating has been the information given us this morning. On behalf of the Committee, may I thank both Mr. Poirier and Mr. Vaillancourt for coming here this morning. And I am sure our thanks are due also to Mr. Vallières for his assistance in interpreting. The sub-committee about which I spoke to you earlier will meet and consider the advisability of what other witnesses, if any, should be called in connection with this reference.

On motion of Mr. Lawson, the meeting adjourned until Tuesday, June 30 at 11 o'clock a.m.

[Mr. Cyrille Vaillancourt.]

APRIL 1930-31

COMMISSION DE CRÉDIT—PRÊTS FAITS DURANT L'ANNÉE 1930-31

Prêts sur billets avec cautions		Prêts sur billets		Capital social	Prêts sur hypothèques	
1 de $20 00	20 00	1 de 3 00		$ 3 00	1 de 350 00	350 00
2 de 25 00	50 00	2 de 5 00		10 00	1 de 400 00	400 00
2 de 30 00	63 00	2 de 10 00		20 00	1 de 600 00	600 00
1 de 40 00	40 00	2 de 15 00		30 00	1 de 800 00	800 00
2 de 50 00	100 00	1 de 25 00		25 00	1 de 1,300 00	1,300 00
1 de 75 00	75 00	1 de 30 00		30 00	3 de 1,500 00	4,500 00
13 de 100 00	1,300 00	1 de 40 00		40 00	2 de 2,000 00	4,000 00
1 de 110 00	1,100 00	1 de 45 00		45 00	1 de 2,500 00	2,500 00
5 de 125 00	635 00	3 de 50 00		150 00	2 de 3,000 00	6,000 00
3 de 150 00	450 00	1 de 60 00		60 00	1 de 4,000 00	4,000 00
5 de 200 00	1,000 00	1 de 75 00		75 00	1 de 5,000 00	5,000 00
6 de 300 00	1,800 00	1 de 80 00		80 00	1 de 5,700 00	5,700 00
2 de 350 00	700 00	4 de 100 00		400 00		
1 de 360 00	360 00	1 de 155 00		155 00		
4 de 400 00	1,600 00	1 de 165 00		165 00		
1 de 475 00	475 00	1 de 175 00		175 00		
7 de 500 00	3,500 00	4 de 200 00		800 00		
		2 de 300 00		600 00		
		1 de 345 00		345 00		
		1 de 400 00		400 00		
		1 de 1,000 00		1,000 00		
		1 de 1,500 00		1,500 00		
57	12,268 00	35		17,608 00	16	$35,150 00

16 prêts hypothécaires	$35,150 00
57 prêts sur billets avec caution	12,268 00
35 prêts sur billets cap. social	7,608 00
8 prêts sur taxes	1,292 00
116	$56,318 00

APPENDIX "B"

I.—TABLEAU SOMMAIRE DES OPÉRATIONS DE PRÊT DES CAISSES POPULAIRES DESJARDINS

POUR LA PÉRIODE DE 15 ANNÉES, DE 1915 À 1929 INCLUSIVEMENT

Année	Montant prêté	Nombre de prêts	Montant remboursé	Moyenne de chaque prêt	Montant restant dû	Nombre d'emprunteurs	Moyenne due par emprunteur
1915	$1,483,160	8,983	$ 1,270,848	$ 160	$ 1,684,651	6,728	$ 250
1916	1,641,258	11,201	1,423,445	140	2,039,178	6,696	300
1917	2,306,171	12,741	1,796,574	180	2,534,134	7,458	340
1918	2,623,095	14,293	2,195,190	180	2,901,517	8,056	360
1919	3,667,004	14,386	2,590,282	250	3,976,940	9,148	430
1920	4,341,543	15,390	3,071,338	280	5,181,391	9,213	560
1921	4,248,725	14,983	3,476,322	280	5,799,282	9,219	620
1922	2,891,092	13,367	3,244,932	210	5,292,322	8,999	580
1923	3,429,444	12,273	2,797,933	270	5,596,589	8,373	660
1924	3,763,852	11,017	3,032,071	340	6,327,516	8,414	750
1925	3,919,960	13,794	3,394,208	280	7,087,211	9,384	750
1926	4,496,955	15,843	3,609,813	280	7,668,292	10,418	730
1927	4,778,761	16,832	3,624,570	280	9,371,925	11,754	790
1928	5,047,769	17,403	4,201,771	290	9,592,607	11,885	800
1929	4,249,650	17,994	3,853,001	230	10,314,622	13,553	760
	$52,888,439		$43,582,298				

Certifié conforme, le 25 juin 1931.

WILFRID GUÉRIN.

APPENDIX "C"

II.—TABLEAU SOMMAIRE DES VARIATIONS DE CAPITAL SOCIAL DES CAISSES POPULAIRES DESJARDINS

POUR LA PÉRIODE DE 15 ANNÉES, DE 1915 À 1929 INCLUSIVEMENT

Année	Montant de parts souscrites et payées	Montant de parts rembour-sées	Montant restant au capital social	Nombre de de sociétaires	Moyenne de parts par sociétaire	Nombre de caisses	Moyenne par caisses
1915	$ 132,222	$ 63,087	$ 715,335	23,614	$ 30	91	$ 7,860
1916	118,195	61,733	770,943	25,028	30	94	8,200
1917	146,507	72,220	837,592	25,669	32	93	9,000
1918	132,006	66,405	907,857	27,593	33	98	9,260
1919	188,235	74,853	1,034,301	29,795	34	100	10,340
1920	230,816	75,998	1,199,170	31,029	38	113	10,610
1921	241,537	96,326	1,328,991	33,166	40	100	13,290
1922	189,182	115,982	1,355,309	32,173	42	108	12,550
1923	190,785	123,892	1,388,591	31,752	43	111	12,510
1924	165,494	98,469	1,441,373	31,250	46	119	12,110
1925	167,839	91,024	1,534,051	33,279	46	122	12,570
1926	163,201	93,964	1,507,014	36,298	41	154	9,800
1927	166,287	88,356	1,723,961	41,365	41	159	10,840
1928	213,866	117,955	1,767,090	41,374	42	168	10,520
1929	161,990	109,818	1,850,541	44,835	41	178	10,380
	$ 2,608,162	$ 1,350,082					

Certifié conforme, le 25 juin 1931.

WILFRID GUÉRIN.

APPENDIX "D"

III.—TABLEAU SOMMAIRE DES OPÉRATIONS D'ÉPARGNE DES CAISSES POPULAIRES DESJARDINS

POUR LA PÉRIODE DE 15 ANNÉES, DE 1915 À 1929 INCLUSIVEMENT

Année	Montant déposé	Montant retiré	Montant restant en dépôt	Nombre de déposants	Moyenne en dépôt par déposant	Nombre de caisses	Moyenne par caisses
1915	$ 2,706,304	$ 2,496,406	$ 1,141,528	13,696	$ 83	91	$ 12,540
1916	3,543,462	3,142,982	1,552,390	15,613	99	94	16,510
1917	4,751,518	4,147,159	2,116,054	18,977	111	93	22,750
1918	5,763,881	5,382,651	2,513,405	20,672	121	98	25,640
1919	8,453,536	7,297,026	3,682,050	23,451	157	100	36,820
1920	10,529,628	9,667,920	4,558,053	26,238	173	113	40,330
1921	10,304,589	10,129,424	4,602,203	30,570	150	100	46,020
1922	6,668,561	7,334,935	3,912,375	30,583	128	108	36,220
1923	7,462,071	6,862,423	5,546,339	29,771	150	111	40,950
1924	8,922,645	8,230,520	5,234,973	30,874	170	119	43,990
1925	9,421,380	8,922,721	5,799,951	33,527	173	122	47,540
1926	10,727,346	9,997,154	6,313,532	37,343	169	154	40,990
1927	13,408,563	12,311,982	7,859,954	40,753	192	159	49,430
1928	14,244,035	13,457,731	8,092,968	40,568	200	168	48,170
1929	15,147,018	15,370,605	9,090,614	44,685	202	178	51,070
	$ 132,054,537	$ 124,751,639					

Certifié conforme, le 25 juin 1921.

WILFRID GUÉRIN

(Translation)

APPENDIX "E"

Mr. VAILLANCOURT: In the district of Quebec, we have a central organization, with a central savings bank and we control 112 savings banks. There are 178 savings banks in the province of Quebec, and we control 112 savings banks in the district of Quebec, that is to say, over 60 per cent. We have a central savings bank. The local savings banks forward their surplus funds to the central savings bank which can dispose of these funds by transferring them to other savings banks which might need them.

In the district of Quebec, we lend mostly to the farmers. Ninety per cent of the loans are made to farmers. This goes to show that we grant very few loans on notes. We lend on mortgages. When a farmer applies to a savings bank for a loan, as Mr. Poirier explained, a moment ago, we make an investigation into his standing. The moral worth of the borrower is the first thing we consider; the value of the farm comes next.

If the borrower wishes to secure a loan to purchase, for instance, an automobile, I am not speaking of a motor truck which he could use on his farm, but of an automobile used for outings, then we refuse to grant him a loan.

We do not charge interest at that moment. If some person borrows a thousant dollars secured by a mortgage we sign an agreement and we give him a thousand dollars.

Mr. HACKETT: Somebody must pay the notary?

Mr. VAILLANCOURT: The borrower pays the notary, that is understood.

Mr. SPENCER: What are the fees?

Mr. VAILLANCOURT: That depends on the titles. Everything depends on the amount of work which the search for the titles entails. Interest is paid every three months.

I will now give you a concrete case, my own. One day I purchased a property for $4,500. I asked the People's Savings Bank to lend me $2,500. I secured a loan of $2,500 repayable at the rate of $40 a month.

Mr. LAURIN: On a property, not on a farm?

Mr. VAILLANCOURT: It is the same thing. The money was loaned on a farm with a house. The $40 included the principal and interest. I used to pay $40 every month. Interest was computed every three months. However, I never paid more than $40 a month. In the early months I applied only a few dollars on the principal and the balance was required to meet the interest charges. Every three months, according to the sum of money I applied to the principal, the amount applicable to interest decreased. Towards the end, I was applying a greater portion of the $40 I was remitting, to principal than to interest. At the end of six and a half years, my house was paid off, I owned my property outright. I had paid it off just like one would pay rent.

We secure benefits not only for the shareholders but for the borrowers as well. At the end of the year, when our balance sheet is made up, we are in a position to see what our profits amounted to. We apply 20 per cent of these profits to the reserve fund, and 10 per cent to the provident fund. If the year has been profitable, we say: "We will also grant a remission to the borrowers. For instance, we will remit to the borrowers 10 per cent of the interest money they have paid in." In final analysis, we have not loaned money at a rate of 6 per cent, but have loaned it at 5 per cent, and sometimes at less than 5 per cent.

At Lévis, we pay 7 per cent to shareholders and 4 per cent to depositors. In one bank alone we have a reserve fund amounting to $156,000. This reserve fund of $156,000 includes both the reserve fund and the provident fund.

Mr. LAURIN: Is there only one salaried manager at Levis?

Mr. VAILLANCOURT: One manager.

Mr. ROBITAILLE: When can a shareholder withdraw his investment?

Mr. VAILLANCOURT: At any time, upon demand.

Mr. ROBITAILLE: Without notice?

Mr. VAILLANCOURT: At Levis—Each savings bank makes its own rules. A shareholder cannot acquire more than $3,000 worth of shares. Should it happen that five or six members of the same family each have $3,000 invested, this might result in a run on the bank. Consequently, the party that wants to withdraw more than $1,000 is required to give one month's notice; that is to say, the bank can insist upon one month's notice. You can refer to article 45.

Mr. HACKETT: How long has this savings bank been established?

Mr. VAILLANCOURT: It has been established thirty years at Lévis. We do business with members only, with the shareholders. We cannot lend to those who are not shareholders.

Mr. LAURIN: Are all your shareholders farmers?

Mr. VAILLANCOURT: Ninety per cent are farmers—I am speaking of the whole Quebec district.

Mr. HACKETT: The borrower must reside in the district?

Mr. VAILLANCOURT: He must not only reside in the district, but each savings bank makes an investigation on its own account.

Mr. LAURIN: Do you lose money?

Mr. VAILLANCOURT: Not we. Never. We have not lost money in thirty years.

Mr. LAURIN: Among all these Peoples' Savings Banks, are there any that failed?

Mr. VAILLANCOURT: Yes.

Mr. LAURIN: How many of these 178 savings Banks have failed?

Mr. VAILLANCOURT: Seven or eight have failed in a period of thirty years. Among these, there are four whose affairs have not been wound up yet. The shareholders will probably not lose a cent, except in the case where a theft was committed.

Mr. LAURIN: You state that four savings banks failed?

Mr. VAILLANCOURT: Yes.

Mr. LAURIN: Why did they fail?

Mr. VAILLANCOURT: In two cases it was because the manager had stolen funds.

Mr. HACKETT: That is the reason why you are asking the Quebec government to apply a system of compulsory inspection?

Mr. VAILLANCOURT: One cannot prevent thefts even if there was an official inspection.

Mr. LAURIN: You state that 7 or 8 savings banks have failed?

Mr. VAILLANCOURT: Yes.

Mr. LAURIN: And, among these 8 savings banks, there are 4 which will not lose a cent?

Mr. VAILLANCOURT: The matter has not been settled yet.

Mr. LAURIN: The matter has not been settled yet but you claim that the shareholders will not lose anything.

Mr. VAILLANCOURT: Exactly. They closed their doors because the people wanted to withdraw their money, and as the money had been loaned out on mortgages there were not sufficient liquid assets. The savings banks closed their doors, and they said: "We will collect the money and we will return you your money after that."

Mr. VAILLANCOURT: As a rule, we have 30 per cent of liquid money or money invested in government loans or government bonds.

Mr. LAURIN: Taken from the reserve?

Mr. VAILLANCOURT: No, liquid money which we can pay out immediately, and we lend the balance to farmers. It happens in certain cases that there is a run at a certain time and it is in such cases that the savings bank is compelled to say: "Our 30 per cent is exhausted. If we reduce everybody to a state of bankrruptcy we will not be any further advanced. The savings bank is closed, we will call in the money and we will pay you.