

DATE DUE

MAY MAY	14	2009		

Canada. Parl. H. of C. Standing
 Comm. on Railways, Canals
 & Telegraph Lines, 1958. J
 Minutes of 103
 proceedings & evidence. H7
 1958

Canada. Parl. H of C. Standing
 Comm. on Railways, Canals and
 Telegraph Lines, 1958.

J
103
H7
1958
R34
A1

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament
1958

STANDING COMMITTEE
ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 1

DEPARTMENT OF TRANSPORT ESTIMATES

TUESDAY, JUNE 10, 1958

TUESDAY, JUNE 24, 1958

WITNESSES:

The Honourable George Hees, Minister of Transport; and
Mr. J. R. Baldwin, Deputy Minister.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: G. K. Fraser, Esq.,

and Messrs.

Allmark,	Grills,	McPhillips,
Asselin,	Gundlock,	Michaud,
Badanai,	Hales,	Monteith (<i>Verdun</i>),
Baldwin,	Hardie ,	Nielsen,
Baskin,	Horner (<i>Acadia</i>),	Nixon,
Batten,	Horner (<i>Jasper-Edson</i>),	Pascoe,
Bigg,	Howard,	Payne,
Bourbonnais,	Howe,	Phillips,
Brassard (<i>Chicoutimi</i>),	Johnson,	Racine,
Brassard (<i>Lapointe</i>),	Keays,	Rouleau,
Bruchési,	Kennedy,	Rynard,
Campbell (<i>Stormont</i>),	LaRue,	Smallwood,
Chevrier,	MacEwan,	Smith (<i>Calgary South</i>),
Chown,	MacInnis,	Smith (<i>Simcoe North</i>),
Creaghan,	*Martin (<i>Essex East</i>),	Tassé,
Crouse,	Martini,	Taylor,
Drysdale,	McBain,	Thompson,
Dupuis,	McDonald (<i>Hamilton</i>	Tucker,
English,	<i>South</i>),	Webster,
Fisher,	McMillan,	Wratten—

J. E. O'Connor,
Clerk of the Committee.

*Replaced on June 12, 1958 by Mr. Garland

ORDERS OF REFERENCE

HOUSE OF COMMONS,
TUESDAY, June 3, 1958.

Resolved,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines:

Messrs.

Allmark,	Grills,	McPhillips,
Asselin,	Gundlock,	Michaud,
Badanai,	Hales,	Monteith (<i>Verdun</i>),
Baldwin,	Hardie,	Nielsen,
Baskin,	Horner (<i>Acadia</i>),	Nixon,
Batten,	Horner (<i>Jasper-Edson</i>),	Pascoe,
Bigg,	Howard,	Payne,
Bourbonnais,	Howe,	Phillips,
Brassard (<i>Chicoutimi</i>),	Johnson,	Racine,
Brassard (<i>Lapointe</i>),	Keays,	Rouleau,
Bruchési,	Kennedy,	Rynard,
Campbell (<i>Stormont</i>),	LaRue,	Smallwood,
Chevrier,	MacEwan,	Smith (<i>Calgary South</i>),
Chown,	MacInnis,	Smith (<i>Simcoe North</i>),
Creaghan,	Martin (<i>Essex East</i>),	Tassé,
Crouse,	Martini,	Taylor,
Drysdale,	McBain,	Thompson,
Dupuis,	McDonald (<i>Hamilton</i>	Tucker,
English,	<i>South</i>),	Webster,
Fisher,	McMillan,	Wratten—60.
Fraser,		

(Quorum 20)

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to examine and inquire into all such matters and things as may be referred to it by the House; and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

WEDNESDAY, June 11, 1958.

Ordered,—That the quorum of the said Committee be reduced from 20 to 12 members and that Standing Order 65(1) (b) be suspended in relation thereto.

Ordered,—That the said Committee be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto.

THURSDAY, June 12, 1958.

Ordered,—That the name of Mr. Garland be substituted for that of Mr. Martin (*Essex East*) on the said Committee.

WEDNESDAY, June 18, 1958.

Ordered,—That items numbered 414 to 430 inclusive, items numbered 433 to 441 inclusive, items numbered 444 to 472 inclusive, and items numbered 512 to 516 inclusive, as listed in the Main Estimates 1958-59; and items numbered 628 to 634 inclusive, items numbered 636 to 651 inclusive, and items numbered 661 and 662, as listed in the Supplementary Estimates for the fiscal year ending March 31, 1959, relating to the Department of Transport, be withdrawn from the Committee of Supply and be referred to the Standing Committee on Railways, Canals and Telegraph Lines, saving always the powers of the Committee of Supply in relation to the voting of public moneys.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

WEDNESDAY, June 11, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

FIRST REPORT

Your Committee recommends:

1. That its quorum be reduced from 20 to 12 members and that Standing Order 65(1) (b) be suspended in relation thereto.
2. That it be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto.

Respectfully submitted,

G. K. FRASER,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, June 10, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.00 a.m. this day for organization purposes.

Members present: Messrs. Allmark, Baldwin, Batten, Bigg, Bourbonnais, Campbell (*Stormont*), Chevrier, Creaghan, Crouse, Drysdale, Fisher, Fraser, Grills, Gundlock, Hales, Horner (*Acadia*), Howe, Johnson, Kennedy, Martini, McBain, McDonald (*Hamilton South*), Monteith (*Verdun*), Pascoe, Payne, Rynard, Smith (*Calgary South*), Smith (*Simcoe North*), Tassé, Thompson, Tucker, and Webster. (32)

In attendance: The Honourable George Hees, Minister of Transport.

On the motion of Mr. Martini, seconded by Mr. McDonald (*Hamilton South*), Mr. Fraser was elected chairman.

Mr. Fraser thanked members of the Committee for the honour given him and mentioned the importance of the Committee's deliberations.

On the motion of Mr. McBain, seconded by Mr. Grills, Mr. Howe was elected Vice-chairman.

On the motion of Mr. Pascoe, seconded by Mr. Smith (*Calgary South*),

Resolved,—That a recommendation be made to the House to reduce the quorum from 20 members to 12 members.

On the motion of Mr. McDonald (*Hamilton South*), seconded by Mr. Crouse,

Resolved,—That the Committee request the power to print such papers and evidence as may be ordered by the Committee.

The Chairman introduced Mr. Hees who briefly outlined suggestions relating to future operations of the Committee.

At 10.40 a.m. the Committee adjourned to the call of the Chair.

TUESDAY, June 24, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.00 a.m. this day. The Chairman, Mr. G. K. Fraser, presided.

Members present: Messrs. Baldwin, Batten, Bigg, Campbell (*Stormont*), Chevrier, Chown, Creaghan, Crouse, Drysdale, English, Fisher, Fraser, Hales, Hardie, Horner (*Jasper-Edson*), Howard, Howe, Kennedy, Larue, MacEwan, MacInnis, Martini, McBain, McDonald (*Hamilton South*), McMillan, Nielsen, Pascoe, Rynard, Smith (*Simcoe North*), Tassé, Webster, and Wratten. (32)

In attendance: The Honourable George Hees, Minister of Transport; Mr. J. R. Baldwin, Deputy Minister; Messrs. J. E. Devine, Executive Assistant to the Deputy Minister; R. J. Burnside, Director, Canal Services; G. L. Matthews, Administrative Officer, Canal Services; A. R. Whittier, Assistant Director, Canal Services (Administration); J. N. Betournay, Assistant Director, Canal Services (Engineering); and W. A. Cook, Budget Supervisor.

The Chairman observed the presence of a quorum, read the Order of Reference, and called Item 414—Departmental Administration. He then introduced the Minister of Transport who made a short statement concerning the estimates of his Department.

Following questioning of the Minister, the Deputy Minister of Transport, Mr. Baldwin, was introduced and answered general questions concerning the functions, future plans and activities of the Department.

Copies of the Department's Annual Report 1956-57 were distributed to the members of the Committee.

At 12.40 p.m. questioning continuing, the Committee adjourned to meet again at 10.00 a.m. on Thursday, June 26.

J. E. O'Connor,
Clerk of the Committee.

EVIDENCE

June 24, 1958
10:00 a.m.

The CHAIRMAN: Gentlemen, I see a quorum.

This morning we are going to deal with the estimates of the Department of Transport. Some further items since our last meeting have been referred to us. As ordered by the house, items 414 to 430 inclusive; items 433 to 441 inclusive; items 444 to 472 inclusive; items 512 to 516 inclusive, as listed in the main estimates for 1959, and items numbered 628 to 634 inclusive; items 636 to 657 inclusive; items 661 and 662 as listed in the supplementary estimates for the fiscal year ending March 31, 1959 related to the Department of Transport have been withdrawn from the committee of supply and referred to the standing committee on railways, canals and telegraph lines, saving, of course, the powers of the committee of supply in relation to the vote of public money.

Gentlemen, I believe you would like to have a statement from the minister. I will ask Mr. Hees to outline what he has in mind.

Hon. GEORGE HEES (*Minister of Transport*): Thank you very much Mr. Chairman and gentlemen.

As I mentioned, the day we met to select a chairman, the reason for examining the estimates of this department in the committee as well as the regular examination which always takes place in the House of Commons is to make it possible for the members of the committee to more thoroughly examine and become better acquainted with the operations of the Department of Transport.

In a committee such as this the atmosphere is much more informal and more relaxed. Members can ask questions easier. We are sitting more closely together.

I think the most important thing of all is that in this kind of a committee you are allowed to ask questions of departmental officials. It is not possible to do so in the House of Commons.

In the House of Commons it is necessary for the members of the committee—some of the new members will not know this—to ask questions of the minister. I would have my officials at a table in front of me to give me the information which I need, but do not know, in order to answer questions that are asked.

In this committee you are quite at liberty, as we go along, to ask questions of me, or of my officials. I am sure that you all know the gentleman on my right, but in case there are some of you who do not, he is the deputy minister, Mr. John Baldwin.

As we proceed I will be joined by departmental officials who will be in attendance and will be able to answer specific questions in relation to various sections of the estimates.

I hope you feel quite free to ask questions at any time of myself and of departmental officials here. We will do our very best to give you the answers.

As we proceed through the departmental estimates would you confine your questions, in respect of the general item, to items that are really of a general over-all nature. If you have specific questions in respect of specific

sections, or specific operations such as airports, canals, railways or anything of that kind, would you kindly wait until that specific item is before the committee. At those times we will have the departmental officials here at the table and you will be able to direct those specific questions to them as well.

Having said those few words, Mr. Chairman, I will hand the meeting back to you.

The CHAIRMAN: Thank you Mr. Hees.

Mr. CHEVRIER: Is the minister going to make a statement in respect of the operations of the department? I understand that in the past it has been customary for the minister to make a fairly lengthy statement outlining the scope of the department. Because it is a very wide and far-reaching department, it is helpful to the members of the committee to have such a statement.

Mr. HEES: Mr. Chairman, that is a good suggestion. That is always done, as the minister knows, when the estimates come up for consideration in the House of Commons. There is not a lack of desire on my part to give you plenty of information.

This is a document which I have had prepared for me in respect of items that I think you will be interested in getting statements on. There may be a number of things I have not got memoranda on, but you will see that it is a fairly thick book. It deals with all of the items on which I thought you would like to have more specific knowledge and information as we go through the estimates.

I think you will agree with me that if I start at the beginning and go through this whole thing, it would be a very lengthy procedure. I can assure you there is no diffidence on my part in respect of discussing this department, of which I am very proud, at this more informal meeting. As we go along I will be very glad to make statements in respect of various sections. The only reason I am not doing it now is due to the fact that it is such a big department that I do not know where to begin or where to stop.

Mr. CHEVRIER: I know the minister has not got a statement prepared now, but could he make one at the next meeting? It would be so much easier for us to deal with the estimates if we had a general statement of practice in respect to the various branches of the department. Perhaps a statement of four or five pages would be sufficient. It would be useless to give the long memorandum which he has in his hand but I think it would be very useful to the committee if he would give a general statement dealing with the activities of the department, since last year, for instance.

Mr. HEES: The deputy minister suggests that perhaps it would help solve the problem if we circulated the annual report of the department. This is a relatively brief report.

Again, Mr. Chairman, there is so much, as the minister well knows, that it becomes impossible to deal with—

Mr. CHEVRIER: Thank you for calling me "the minister". I am receiving that title even in the House of Commons.

Mr. HEES: I should say the former minister. I have been used to calling him "the minister" for a number of years.

I certainly will have a statement like that, prepared in the normal way, for presentation in the House of Commons. However, as the former minister well knows, in respect of the St. Lawrence seaway alone there is a very great deal to report. There is a great deal to report in respect of the expansion of the department, in respect to airport construction, in respect to things that we have done in the aircraft field. This is a very, very big subject. I would not like to have to repeat what I may say here again in the House of Commons.

I think if the hon. member for Laurier will go along with my suggestion that we deal with the subjects as we go along, he will find it will work out all

right. I assure the hon. member for Laurier that when the estimates of my department come up for discussion in the house I will then make the normal statement.

Mr. FISHER: I would like to particularize, Mr. Chairman, in respect of something I would like a statement on, and that is the question of waste, extravagance and patronage which has been discovered by the minister in the department, or which has not been discovered by the minister. I would like his views, having regard to this department, in that respect.

He will remember that it was generally put forward, I understand by his party, that there was considerable waste, extravagance with regard to government operations, especially in regard to this particular department. We also have heard that there is patronage. Could the minister give us some information on these subjects?

Mr. HEES: Yes, I will be very glad to.

As far as waste and extravagance is concerned, I have made several statements to the press on being asked about this matter since I took over office. I have said on several occasions, and I have great pleasure in saying again, that I find this is an excellent department. I have not been able to find—which does not mean that it does not exist—outright examples of needless waste and extravagance.

When asked last summer what my attitude was in respect of so-called patronage, my answer was, and still is, that when a job is open in the department which is not a civil service position—naturally most of the jobs come under the Civil Service Commission where necessarily competitions are held completely outside of the jurisdiction of this department—having regard to appointments that are non-civil service, we try to obtain the best type of information we can as to the individual who is best suited and fitted for the job. In every case possible we try to make sure that the best man or woman gets the job.

Mr. FISHER: Has there been any particular pressure from any one area of the country in respect of patronage? I ask this question because I have the impression, having talked to certain members of parliament from certain areas, that they are rather dissatisfied with the present set-up.

Mr. HEES: Mr. Chairman, I think that if the party to which the hon. member belongs, ever forms a government he will find that human beings are the same no matter what party they belong to. I am sure that the Premier of Saskatchewan would tell him that when he formed a government he had a tremendous amount of pressure brought to bear by all sections of the province of Saskatchewan in respect of jobs which the faithful, who had worked very hard in order to get the C.C.F. party in power, felt they were entitled to. Every government in the world is subject to pressures of this kind and I am sure they always will be. We try to handle the job of filling these positions in a fair way. I do not think I can elaborate any more in regard to that.

Mr. FISHER: Could the minister comment in respect of the pressure being stronger in one area than in another?

Mr. HEES: No, I do not think I could comment on that.

Mr. FISHER: The pressure is equal?

Mr. HEES: The pressure is spread fairly well across the country. I am sure the situation was the same when the Liberal government was in power, and I am sure it would be the same if the C.C.F. party ever formed a government.

I might say, Mr. Chairman, that the pressure does not only come from government members, but from all members of parliament who would like

to find positions for their friends, and so on. This pressure cannot be related to any particular party.

The CHAIRMAN: Gentlemen, we are dealing with the departmental administration.

A—Department

Item 414. Departmental Administration \$2,144,060

Mr. HOWARD: Mr. Chairman, to get back to the question Mr. Chevrier asked, or raised, about a general statement from the minister in opening the subject matter of the department, I think it would be most advantageous to the committee to have such a general statement made. Otherwise we are likely to find ourselves in the position, as outlined by the member for Laurier and by yourself later on, where we will be held back in respect of particular questions until we come to the particular items in the estimates. We are very likely to find ourselves, towards the end of our considerations of these estimates, having a number of questions of a general nature which we cannot raise because of the fact that they are not particularized by votes, and we would then be unable to raise them because we would have then dealt with the general application of the policy of the Department of Transport.

I am not a member of the mines, forests and waters committee, but I attended a hearing of that committee in its initial stages. The Minister for the Department of Northern Affairs and National Resources made a fairly comprehensive and detailed statement in respect of the policy of the government as applied to that department.

As I said, while I am not a member of that committee, listening to this statement had a great deal to do with straightening things out in my mind as to what the policy of that department was.

I do not think the Department of Transport is much larger in scope or more general in its application across the country than this department is.

The CHAIRMAN: Mr. Howard, the minister has said that he would make a statement of this nature. When we reach the end of our sessions we will allow—I know the minister will back me up in this—the members to ask questions in respect of anything regarding administration despite the fact that a specific item might not appear in the book. Would that be satisfactory? We will guarantee you that an opportunity will be given to ask questions as long as they deal with administration.

Mr. FISHER: I think it would be desirable if we could proceed in such a way that it would not be necessary for us to go over this entire subject matter again in the house.

Mr. HEES: Mr. Chairman, if I might add something here; when we are dealing with canals, and the specific thing you have in mind regarding canals is not actually printed in the estimates and there is no amount in respect of it, there will be no limitation placed on you, or any member, in regard to asking questions about the general subject of canals.

When we come to the subject of aids to navigation, air, marine or otherwise, there will be no limitation placed on you in respect to asking questions about those matters. In fact, we are not going to place a restriction on you at all. This is one of the advantages of committee discussions such as these.

Here you do not have a chairman, as you do in the committee of the house, who cracks down on you if you get a little out of line. In this committee it is our intention to give you all the information we can. There is no intention on my part to hold information back at all.

You have asked me to make a general statement in respect of the policy of this department. I could sum it up in this way: it is our intention, and I think it is our duty, as I see it, to provide facilities in order to help commerce and development throughout the country in every way we can.

In other words if you have a suggestion in respect of improving a harbour, building an airfield, improving an airfield, building an air terminal, improving a canal, building a canal, or in respect of anything that comes within the jurisdiction of this department, and if the economical need and justification can be clearly shown, then within the limitations placed upon us by the House of Commons in regard to the voting of money to carry out such projects, we will do whatever we possibly can to meet the needs of expansion in this expanding country.

I think that summarizes the general philosophy of this department, and certainly summarizes my own philosophy as the minister in charge of this department. Where the economical need and justification for an expansion can clearly be shown, then within the limits of the money that parliament votes, we will do it.

Is that a fair enough statement?

Mr. HOWARD: With the assurance of the minister and the chairman, if the occasion arises when something of a general nature comes to mind, that we will be able to ask questions in that regard, I think that will be satisfactory.

Mr. HEES: That is right.

As a matter of fact, everything that is done by my department is listed somewhere under one or other heading in these estimates. As you will know, having looked the estimates over very carefully, as I am sure you have done—

Mr. HOWARD: Thank you.

Mr. HEES: I am sure you have done so, as a conscientious member of parliament. You will know that every section we administer is listed here as an estimated item.

If you have questions pertaining to things that are not handled by our department I am afraid I cannot guarantee to answer them, but I will try. My officials will attempt to answer all questions pertaining to the activities of my department whether they are listed under headings in the estimates or not. There is no desire or intent to hide anything so that you will not be able to examine it here. If that was the case I certainly would not have been in favour of bringing my estimates before this committee as well as in the house.

In this committee you have a very good opportunity of examining all the estimates of the Department of Transport. You have a much better opportunity than you would have in the much more formal atmosphere of the committee of the house where you do not have the opportunity of questioning departmental officials. A much more thorough examination can be made here.

The CHAIRMAN: Gentlemen, the details of the administration item appear at page 534. Are there any questions in respect of administration?

Mr. CHEVRIER: Mr. Chairman, could we find out the number of employees in the department as compared to the number during the last fiscal year so that we can see whether they are increasing or decreasing?

I would also like to know the minister's reaction to the statement, made yesterday by the president of a crown company, that because of a formula that he had brought into effect in the Central Mortgage and Housing Corporation he was able to cut down on the number of employees, at a tremendous savings. I do not know whether the minister has had an opportunity of looking at that article.

Mr. HEES: I have not seen the statement.

Mr. CHEVRIER: This is a statement of Dr. Bates, the president of Central Mortgage and Housing Corporation. He says that he has reduced the number of employees in that crown corporation from 2200 and some odd to 1800 and some odd at a savings of quite a few millions of dollars. I do not know whether any attention has been given to that statement or not. However,

dealing with the first part of the question, I thought perhaps we could get an answer to that, and perhaps the minister would like to make a comment in respect of the latter part.

Mr. HEES: While the deputy minister is looking that information up, I could answer that question generally.

This department is expanding and has been expanding steadily over the past few years. We are endeavouring to do the job that we have to do in the most economical way and with the least number of employees. If any member of the committee feels that at a certain place certain employees should be laid off, or feels that the job could be done with fewer employees, we would be very interested to listen to their suggestions.

Mr. CHEVRIER: I think the minister must have misunderstood what I said. Perhaps I should put it another way by explaining what Dr. Bates said.

Dr. Bates was formely a deputy minister of a government department. Naturally he was a member of the civil service. He moved from that department to a crown corporation. He made the statement in respect of that crown corporation, when the committee was considering the estimates of that corporation, that because of a formula which he had adopted it was possible to reduce the number of employees substantially and thereby save a large sum of money; and he said that if this can be done for crown corporations, it can also be done for the department.

I am not saying that the Department of Transport is not an expanding department. Of course it is. I am not saying that employees should be cut down in numbers.

I do ask the minister, however, if he will look at the statement of Dr. Bates or ask his deputy minister to look at it and see if it is not possible to give some application of that method in the Department of Transport. Perhaps Dr. Bates is all wrong. On the other hand, there may be a good deal in what he has said.

Mr. HEES: In answer to Mr. Chevrier let me say that we shall be very glad. I have not seen the statement yet, but we shall be very glad to look at it to find out what he did say and how he did it. Anything which can do the job more efficiently is of great interest to us and we shall examine it.

The CHAIRMAN: Perhaps Mr. Baldwin might answer the question.

Mr. BALDWIN: Yes. The main estimate figures are what I shall speak from since that is what we are concerned with at the present time. The 1957-58 staff branch of the department numbers 12,658 for the purpose of the printed estimates as compared to the 1958-59, the present year, which numbers 13,373. That is for the department only and not for the associated agencies.

Certain additional positions will be required to the extent of 300 in number as well. These are provided in the supplementaries which were tabled more recently to cover extra administrative functions.

Mr. CHEVRIER: How many did you say?

Mr. BALDWIN: Roughly 300 more in the supplementaries.

Mr. CHEVRIER: Does that include the crown corporations?

Mr. BALDWIN: This is departmental only.

Mr. CHEVRIER: Have you any idea what the others come to.

Mr. BALDWIN: I do not think they have reference to Canadian National Railways and Trans Canada Air Lines.

The CHAIRMAN: That covers this committee's estimates anyway.

Mr. BALDWIN: Or to the Air Transport Board, or the Maritime Commission, or the Board of Transport Commissioners.

Mr. WEBSTER: I was going to say that if you had read Mr. Bates' statement the way I read it, Central Mortgage and Housing Corporation ran into soft times when there was little business to do and they laid off employees. Then when they became busy again they did not re-employ those people. That is the reason they were laid off.

Mr. FISHER: I think that Mr. Chevrier has misinterpreted the Bates' statement. The point he made, following Mr. Webster, was that it was a crown corporation and was not tied by the Civil Service Commission, and that it was able to adapt itself much better. We have a department that is expanding and because of technological changes a certain number of positions and classifications must become supernumerary. How do you handle that in this department, Mr. Minister? Do you find that civil service regulations have the tendency of restricting you in the disposition of employees and in switching them into new classifications?

Mr. HEES: In an expanding department such as this I think it has pretty well or largely been found that with the number of jobs opening up and increasing, any chap who had become supernumerary because of technological changes, can be absorbed very easily along with the new people that you have to take on.

The CHAIRMAN: Perhaps Mr. Baldwin may have something to add.

Mr. BALDWIN: I am not sure that I have the number of civil servants readily handy.

The CHAIRMAN: Perhaps you could have it for us at the next meeting.

Mr. BALDWIN: Yes.

The CHAIRMAN: Mr. Baldwin will get that figure for the next meeting giving the number who are civil servants and the number who are not civil servants in the department. Are there any other questions on 414?

Mr. CHEVRIER: Might we have the number of employees in the crown corporations even though their estimates are not here, because they do come under the jurisdiction of the minister? I think it would be well for us to have them. I would not include the employees of the Canadian National Railways or of Trans Canada Air Lines, but I would include the National Harbours Board, the C.O.T.C. and the Maritime Commission.

Mr. HEES: I think I have given you the Maritime Commission.

Mr. CHEVRIER: Could we have them in one lump number. I do not mean right away.

The CHAIRMAN: Mr. Baldwin can get them for us at the next meeting.

Mr. BALDWIN: Yes.

The CHAIRMAN: We can have them for the next meeting.

Mr. FISHER: I have to leave to go to another committee, Mr. Chairman, but there are three general topics in which I am interested. Could the minister advise us when he would like to have a discussion of them. First of all, there is the fairly large change being contemplated in the Canada Shipping Act which will probably involve departmental estimates. Secondly, there are prospective changes in the regulatory functions of the department in relation to the C.B.C. I was wondering when they would be coming up.

The CHAIRMAN: We would not be able to discuss those two subjects here.

Mr. CHEVRIER: Why?

Mr. FISHER: And the third one is—

Mr. HEES: Mr. Chevrier asked "why". I find that you cannot discuss legislation that is in contemplation or in preparation before it is actually introduced.

Mr. CHEVRIER: No. But you can say whether or not you intend to amend the Canada Shipping Act at this session and that disposes of the matter.

Mr. HEES: I think what Mr. Fisher wanted was a great deal of information regarding an increase or decrease in employment that would be caused by these things that he mentioned, not just whether or not they were going to take place. There is no question about their taking place. We intend, as soon as possible, to bring in an amendment to the Canada Shipping Act and an amendment to the railway act.

Mr. CHEVRIER: I certainly want to discuss it.

Mr. HEES: All I can say is that I could not go into the details of what we propose until those details are decided.

Mr. FISHER: Let us take a specific point. I understand amendments are possible to section 324 of the Canada Shipping Act. It would surely affect the number of men under employment in the department. Will it be possible to go into that on the estimates?

Mr. HEES: No. That is something you will have to wait to debate until the bill comes forward. I cannot debate a bill in anticipation.

Mr. FISHER: The estimates are something provisional, something projected into the future.

Mr. HEES: I should be glad to discuss anything that is listed under these various sections or items or, as I said earlier, items or things that are happening at the present time, or perhaps general matters that you might like to ask questions about for the future. But I cannot give you specific answers in anticipation of legislation. It just cannot be done.

Mr. FISHER: What about the third topic, the whole question of north-south air routes?

Mr. HEES: I cannot tell you any more about that except that we have had some meetings with United States authorities and we are hoping to be able to resume those meetings and talks again as soon as possible. But I cannot tell you anything more specific than that, and I won't try to.

The CHAIRMAN: Are there any other questions, gentlemen, on 414?

Mr. HOWARD: I do not know if this would come under the heading of questions or not, although the minister may want to comment on it. But I raise the question partly because it affects those of us who are from the west and partly because it affects members who are from the eastern part of Canada as well.

It relates to a matter which the minister raised a number of times in years past about passes, if you want to classify them as such, on aircraft or on T.C.A. particularly, in as much as that is a cross country route which may be extending out to private airlines as well.

I would like to ask whether or not there is any reluctance because of the overwhelming majority that the government has, to proceed with this sort of plan or not. I do not know. It could well be that there is a bar, as a cause of failure to follow through with the original idea of providing passes or trips for members who are from the extremities of the nation.

There have been a number of suggestions made as to the application of this idea such as finding or deciding on a certain radius from Ottawa—say a thousand miles or 1500 miles or something like that; but I am not too much concerned with the particular detail of the distance a person must come from before the system would apply to him.

However, I certainly think that some very active consideration again should be given to the question in order that members from the Atlantic and the Pacific areas will be placed more on a par with members who

come from central provinces, particularly Ontario and Quebec where they can get home practically every weekend or if not, at least at more regular times than can members who come from other parts of the nation.

I would not be opposed: in fact I think it might be a more sensible approach to institute this system so that it would include the right to travel by T.C.A. aircraft at any time that you might so desire; but I would be quite agreeable—as I am sure would any of the members who would be affected—if a plan were instituted whereby such an arrangement could be made comparable to the scheme which now applies to T.C.A. employees.

As I understand it under that system T.C.A. employees can get trip passes, but they might be “bumped” if there are paying passengers for the aircraft who would thereby take up all the seats available. But that would be quite acceptable. I do not think anybody would mind waiting for an extra day or something of that nature in order to be able to get home on some occasion and to keep in touch with his family and keep in touch with his constituents to a greater degree.

Also, I do not think it would be too unacceptable to limit the use of such passes to once a month or once every two months or something like that, and place some restriction on the number of times you could use a pass throughout the year or throughout the session, and place a restriction along the same line as is placed on T.C.A. employees, and decide on circumscribing area so that you must live beyond a certain distance before you are able to participate in this sort of arrangement.

I hope that something of this nature will be considered not in the light of politics or of the individual party which raises it, but rather in the light of its application to members so that they may more equitably discharge their duties and keep in touch with their constituents.

If the minister would care to make a statement regarding the suggestion, it would be perfectly all right. I do not raise it particularly as a question but more as an idea which has been brought up a number of times in the past; and I hope, or I intend, if I am able to do so in the house—if I do not break a leg or something in the meantime—to raise the question on the departmental estimates, and I hope at that time that members of the house who are not members of this committee will be given an opportunity, if the question is raised, to participate in the discussion and to express their ideas about it.

I am sure that it would be a generally acceptable idea to all members who live in the extreme parts of the nation regardless of the party to which they belong. I would observe also that there is one particular party which would not be affected at all in western Canada, but if it were, I am sure their ideas would be the same as mine.

The CHAIRMAN: Mr. Howard, I believe the minister will be making a statement on that subject but I would say that if you questioned the Ontario and Quebec members upon going home each weekend or every other week, I feel quite sure that, as most of us would say, he would tell you it is not a pleasure trip because when we do get home it is sometimes a headache with all the interviews we have.

Mr. HOWARD: I would just as soon have the headache in conjunction with being able to get there. There are headaches here too.

Mr. HEES: In answer to what Mr. Howard has said, all the members who have been here for some time know my views on the desirability of what he has said. They are well known.

When I was in opposition I spoke on a number of occasions asking the government of the day to provide passes for those who live—I believe I put a

stipulation of more than 400 miles away from Ottawa. I drew attention to the fact that for those living in Toronto it was very easy to get home on weekends by train.

But this is a matter of cost to the taxpayer. It is that and no more. The cost would be to provide each member of parliament one round trip, that is, from Ottawa to the nearest airport in his riding and back to Ottawa. The cost would be \$25,000.

I think you will find it surprising that if you limit it to people who live outside of a radius or further away than a radius of 400 miles from Ottawa, it would only reduce the bill by \$3,000 to provide one trip for every member of parliament who lives more than 400 miles away from Ottawa; it would cost \$22,000 per trip.

This is something which is a live matter. It is under consideration; and as I have said, it is a matter or a question of whether the public or the taxpayers should be asked to pay or not.

The CHAIRMAN: Is it a return trip?

Mr. HEES: Yes, it is for a return trip from Ottawa to the nearest airfield in the riding of the member, and a return trip to Ottawa for a member of parliament; one time out and back, and it would cost \$25,000.

Mr. HOWARD: Concerning this figure of \$25,000, that is based on the supposition that the crown or the government provide the actual fare for that return trip, assuming that we thought of it in terms of travelling on pass. But what about the situation where there is a seat available but no paying passenger, and where you are not replacing a paying passenger? What about that situation? Because if you think of it in terms of "trip passenger miles" it costs so much to take an aircraft from here to somewhere else. If a person pays then there is a certain income but if he does not pay, or if no one else pays for him, if he would not be replacing a passenger, it would not necessarily have the same relationship to the cost that it would have if you computed it on the basis of paying passengers.

Mr. HEES: I have spoken to the president of Trans Canada Air Lines on that basis as well. The only cost then would be for the provision of meals and the cost would be inevitably less. It would be something, I think, around \$3,000 for everybody to travel back and forth.

Mr. HOWARD: For meals?

Mr. HEES: That cost would be relatively small, but T.C.A. feels it would be a rather unsatisfactory way and that members would find it to be a very unsatisfactory way to travel.

Although certain members have said that they would not mind being "bumped" off, if somebody should come in at the last moment and you have to give up your seat and wait for four or five hours—there is no place drearier to wait than an air terminal—

Mr. HOWARD: Except a railway station!

Mr. HEES; That is right, a railway station; but the president of T.C.A. feels that members of parliament to whom that might happen once or twice on a long trip—although they might outwardly say it was all right, they would inwardly nurse a severe grudge against T.C.A. Moreover, it would be a relatively tough job for a clerk behind the counter to say to a member of parliament at the last minute "I am sorry but you cannot go because there is somebody going ahead of you".

They do not think it would work out. It is not ruled out at all as the hon. member knows because I have discussed it with him. It is all very much under consideration, and I shall certainly work for the best possible solution that can be found. But I think you will realize from what I have said that it does constitute quite a problem.

Mr. HOWARD: I wonder if the minister would try to find out how this policy is applied with regard to T.C.A. employees, how many T.C.A. employees take advantage of the standby services, and how much is the estimated cost for their meals or whatever it may be?

Mr. HEES: I think that T.C.A. employees are treated on the basis that they are allowed to travel if there is a seat available.

Regarding your other question as to how it affects T.C.A. employees and how they like it, I think that question might more properly be asked of Mr. Gordon McGregor when he comes before the committee which will be in about two weeks' time.

The CHAIRMAN: That will be the sessional committee.

Mr. HEES: That question might more properly be asked of Mr. McGregor because at that time he can give you all the information you want.

Mr. HOWARD: The question has been asked and the figures will be obtained in the meantime.

The CHAIRMAN: Mr. Baldwin will be able to get them.

Mr. SMITH (*Simcoe North*): Too much emphasis cannot be placed on the cost of returning to one's constituency as being a reason for not giving a privilege.

It just happens I return to my riding quite often by air and I find that the people to whom I talk to there are very surprised to find that I have to pay my own way home. The general public think we already have passes on T.C.A. Furthermore I think my constituents generally think it is worth their while to get me home even if they should give me a pass. I think we are apt to over-emphasize the matter of cost. It is not a great factor with me personally, because I happen to live not too far from here. But I really think we should not put too much emphasis on the cost of returning members to their ridings at least once during the session because people think we do it anyway.

The CHAIRMAN: Our constituents also think that our telephone bills are paid for us.

Mr. CHEVRIER: I want to go to a change of subject.

Mr. DRYSDALE: As a member straight from the west coast I think we should not have taken the round trip basis of \$25,000 and back for a 400 mile radius, and I feel that the consideration is put on the wrong basis because if Ontario and Quebec were included you would eliminate possibly 150 members.

As for the people who come from the extremities, they are faced with a three or four day trip, and we should give them the possibility, perhaps, of at least one round trip each session to return to their respective communities.

If the cost factor is extremely important, I am sure that the members who live in Quebec and Ontario, and even those of us who live so close to our constituencies would perhaps make the sacrifice of allowing the eastern and western members to return to their respective provinces at least once a session.

As to the question of payment, I do feel that payment should be made to T.C.A. rather than to have that particular line in effect subsidizing the particular members of parliament. And as to the question of availability on planes, I think that the members would be willing to take their chances.

Mr. CHEVRIER: Is that not provided for already?

Mr. DRYSDALE: During the session?

Mr. HEES: It has been arranged on occasion during the past; there was one arrangement made under special order in council.

Mr. CHEVRIER: I wonder if the minister or the deputy minister could give us a statement on the present status of the air agreements with the United Kingdom and with the United States, and what number of routes does T.C.A. now have into the United States; and if there is any change in the status from last year.

I think it would be interesting for us to have a general statement on the air agreements as they now stand, and on what Canada has in mind for the future in respect to those various airlines.

Mr. HEES: Mr. Baldwin has been more intimately connected with that phase, so he is the expert on it.

Mr. BALDWIN: As the hon. member knows, we have from a dozen to two dozen international air agreements because every international service requires that there be a bi-lateral agreement between the governments.

Most of them are working satisfactorily and there is nothing at the present time to report. I refer to New Zealand, Australia, Japan, the Argentine, Chile and Peru.

Those agreements are in existence and the services are operating to those countries and there is nothing very active in that connection at the present time.

The only recent activity has been in respect to the United States and the extension of additional services to Europe.

A recent agreement with Switzerland has led to the addition of T.C.A. service to that country. The Belgium agreement has been dormant for a long time but it is now in use by both states.

There have been informal discussions with the United Kingdom regarding certain possible modifications of the existing agreements but they have not been concluded and they will be carried on further in the coming months as to whether additional services or routings should be provided between Canada and the United Kingdom.

We also have some current discussions going on with France regarding a slight modification of routings there to provide for greater freedom of routes at each end, one from Air France and one from T.C.A. They are active at the moment and they are being carried on through diplomatic channels.

There has been some discussion about a bi-lateral agreement with Italy but it has not led to anything so far; and there have been informal discussions with the United States having to do with the opening up of more routes on the trans-border pattern.

Mr. CHEVRIER: Does T.C.A. go into Rome?

Mr. BALDWIN: I think the answer is that no decision has been made by the government. It will be a governmental decision as to the opening of an airline to and from Rome. That would have to be participated in bi-laterally.

Mr. CHEVRIER: Does T.C.A. want to go to Rome?

Mr. BALDWIN: It is a very important traffic point.

Mr. HEES: It seems to me to be about the most popular route in the world at the moment.

Mr. BALDWIN: With respect to trans-border routes I think there has been an agreement in principle on both sides on the desirability of adding more routes to the trans-border pattern. Perhaps I should not elaborate on it because the matter is still under negotiation. We hope there will be resumption of these discussions in the next few weeks or months.

Mr. CHEVRIER: How many trans-border routes are there now?

Mr. BALDWIN: As a guess I would say there are probably from 18 to 21 between the two countries.

Mr. CHEVRIER: Might we have a short written statement circulated concerning the trans-border routes?

Mr. HEES: You mean as to how many exist at the present time?

Mr. BALDWIN: I can tell you from memory. We have one from Victoria to Seattle via T.C.A.; and one from Vancouver to Seattle via American Airlines.

Mr. HEES: We could leave it for the next meeting when we could give them to you on paper. Mr. Baldwin could run through them quickly for you.

Mr. CHEVRIER: Could I ask another question before we leave this? What is the position of the trans-Pacific line?

Mr. BALDWIN: The one to Australia?

Mr. CHEVRIER: Having regard to British commonwealth agreement.

Mr. BALDWIN: Yes.

Mr. CHEVRIER: And having regard to the New Zealand Australasian carrier?

Mr. BALDWIN: The Canadian Pacific Air lines serves Honolulu, Fiji, and New Zealand and is under operation at the present time. The Quantas service which is an Australian air line operates a reciprocal service and comes to San Francisco terminating with an extension to Vancouver.

Mr. CHEVRIER: Is that a weekly service?

Mr. BALDWIN: I think it is a twice weekly service which is operated by C.P.A. and Quantas.

The CHAIRMAN: Are there any other questions in respect of administration?

Mr. WRATTEN: Mr. Chairman, are we still dealing with item 414?

Mr. HEES: We have wandered away a little.

Mr. WRATTEN: Having looked at this list of officers that we have here I was wondering whether the increase in the number of employees was a result of more work and more jobs in this department, or is it a case of having more help in order to get bigger promotions for some of the heads of the departments?

Another thing I am interested in knowing is, are the heads of the departments, and the deputy minister, sure that these people are working for us, or are they sitting on their "fannies" reading newspapers as I have seen them do on many occasions when walking through the offices?

Mr. HEES: I have been in charge of this department exactly one year ago yesterday. It is impossible, as you realize, to see everybody at work all the time, or to see most of them at work any of the time. From what I have been able to see all the operations of the department are being done well and the people that are employed, to my knowledge, are needed.

Mr. WRATTEN: Are all the employees of this department here in Ottawa?

Mr. HEES: Oh, no. They are spread throughout Canada. There is 15 per cent of our employees located in Ottawa with the other 85 per cent spread across the country.

The CHAIRMAN: Are there any further questions in respect of item 414?

Mr. HORNER (*Jasper-Edson*): Has there been any re-organization of the branches within the Department of Transport since the present minister took office?

Mr. HEES: What do you mean by "re-organization"?

Mr. HORNER (*Jasper-Edson*): I am also becoming a little bit alarmed particularly in respect of the additional administrative officers that are creeping into this department. I think perhaps in respect of governmental services we should have a rule that every time we form a new board we scrap an old one. This situation could become monstrous. It could reach the point when we have more people working for the government than we have left.

Mr. HEES: I can assure you, Mr. Horner, that we have not formed any new boards during the past year. There have been additional people employed to do additional jobs in the various and many fields of activity that we operate in.

As I say, to the best of my knowledge, I have examined the operations of the department, and I do not think I can sum it up better than by saying that

I feel the various branches, various sections, are operating properly and doing the jobs for which they are required.

If, at any time members in their own constituencies feel that there are too many people being employed, we would be interested in hearing about it. I would think that a constituency would be the best place for a member to make an examination. I am sure if you came down and talked to Mr. Baldwin he would tell you what operations we have in your constituencies. You could then go around and look the whole thing over. You would be doing us a great service by doing so. You could then come back and tell us where you believe certain people could be laid off and where you believe a more efficient job could be done. We would give very serious consideration to this information. We are just as anxious as anybody else to do the job better for less money, if it can be done. We are looking all the time for ways of doing just that.

So far as I can see, I believe the job is being done well by people who are required to do it. If you can show us at any time that we are using too many people to do a job, or it is being done inefficiently, we would be very pleased to give consideration to it. We would appreciate any such information and examine it thoroughly.

Mr. DRYSDALE: Mr. Chairman, I wonder, for the benefit of myself and one or two of the new members, if the minister could tell us exactly what happens within the department when a new position is created, and who is responsible for creating such a new position? Could you also tell us how the over-all review is made of the present employees in order to ascertain whether or not that position is necessary or whether somebody should perhaps be transferred to another department?

I realize this is a very general question but I wonder if you could give us an outline of what takes place?

Mr. HEES: I will ask the deputy minister to answer that question.

Mr. BALDWIN: The procedure that is followed is, once a year roughly, about this time of year in fact, every operating unit of the department, whether it is a field organization or a headquarters has to put in its requirements for the following year commencing April 1. In other words, they have to put in, nine months in advance, what they think they need in terms of staff needs based upon their assessment of the present work load, and what is likely to develop the following year.

These are analyzed in each case by the headquarters' staff of the unit concerned: if it is civil aviation, for example, it is examined by the director of civil aviation; if it has to do with the canals branch, it is analyzed by the director of canals in conjunction with our personnel services staff as well.

These reports are then put into a general pocket, if you like, which becomes subject to extreme and intensive examination by a special committee consisting of representatives of the department, the treasury board and the Civil Service Commission.

Representatives of each of the services have to appear before them. The committee adjusts the request. Sometimes they are approved, sometimes changed and sometimes eliminated.

Both before they go to the special committee and after they have been to the special committee they have to be sent to the senior officers, either the director of the branch or myself, and at the appropriate time reviewed by the minister so that we can make sure that we are satisfied as well.

Finally, out of this procedure, comes an over-all consolidated report, as it is known, of this establishment's committee and this goes to the treasury board as the approved or recommended additions in establishment for the next fiscal year.

It is a long and involved process and involves a pretty extensive screening at every step.

In some areas of the department we work on what really is a mathematical formula that has been agreed to by the treasury staff and the Civil Service Commission. It is mathematical formula that we can apply to work loads in the field in a given area, having regard to the number of requests, which can then be calculated or transferred into terms of man hours which gives us the estimate for the coming year.

In other cases, where no formula is in existence, or is applicable, we merely have the estimated individual jobs for an individual project. For example, if we took over the Abbotsford airport from the T.C.A. we would have to ask the Vancouver district authorities what staff is required to operate this airport. Their answer would come in and be put through this very extensive screening process.

The CHAIRMAN: Are there any other questions gentlemen?

Mr. WRATTEN: In regard to the heads of these departments, are they hired and paid on the basis of their executive ability, or on the basis of the number of people they have working under them?

The CHAIRMAN: I think we will ask Mr. Baldwin to answer that.

Mr. HEES: They are hired, I would say, on the same basis that a foreman, or a section head, or a departmental manager, or an office manager, in industry are hired, depending to a certain extent on the amount they would receive in a particular field in private industry. It would depend on their training, their technical knowledge, just the same as if we were hiring people in a civilian capacity.

The other considerations, of course, are responsibilities, the number of people they handle, the amount of money which comes under their control and so on.

I would say in assessing what a man is worth that it is done on the same basis and in the same way as it is done in civilian establishments.

Mr. WRATTEN: I ask that question, Mr. Chairman, because it is well-rumoured that the more these estimates can be padded the higher the salary. I just wondered if that was what was going on in your department. I am not criticizing you.

Mr. HEES: Thank you.

Mr. WRATTEN: I am interested in saving money.

Mr. HEES: So am I.

Mr. WRATTEN: I have been a member of municipal and county councils. We always go through these estimates with a fine tooth comb. If you look at this list you see assistants looking after assistants who look after assistants, and somebody is assisting them, and I am just wondering if you need them all. In municipal and county councils when we draw up the budget, if we find an employee that is not needed, we cut it out.

I think the people of Canada expect us to do the same thing here. If there is an opportunity of saving money anywhere at all I think it is our duty to save it.

I am only asking these questions in order to get information. I have heard rumours lately, I have heard rumours in respect of what happened years ago, and I believe the people who come down here must have a sense of responsibility in respect of what we do here.

I am not accusing any member of padding and getting away with a lot of money, but I think the members who are sent here by the people of Canada have the responsibility of saving as much money as possible.

I realize the minister cannot look after the whole department. I know it would be impossible for him to go through every branch in order to see that everybody was working. Each department has a head who is responsible to the minister in this regard.

What I want to know is, are they operating their departments as reasonably economically as possible? As I said a few minutes ago, I have walked through this building and have noticed a lot of people who are not working. I have seen this at other times than during the noon hour, unless the noon hour extends from twelve o'clock to four o'clock, or something like that. Perhaps we have an extended coffee break. That seems to be a problem around these buildings as well.

Mr. HEES: I think I can answer that question in this way: as the deputy minister has outlined, we are continuing to look at the operations of our various sections and branches to see if they are operating as efficiently as we believe possible.

In regard to taking on additional people, or raising the salaries of individuals, that is gone into very carefully and a recommendation comes to me. If I approve it, that does not mean it is granted. Then it must go before the toughest board in Ottawa, the treasury board. They are very tough. If you do not believe me try to get something through them some time.

It is the job of the staff of the treasury board to scrutinize every expenditure of money that the government makes. They examine very carefully indeed every recommendation for additional positions or for increases in salaries. I am sure at some time you will sit in at a treasury board meeting. If you do, I think you will agree that there is a very demonstrable reason for taking on additional personnel or increasing salaries.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I would like to ask a question.

Anyone who knows anything about the salaries paid in private industry and in private enterprise will realize that the salaries paid to individual employees of the Department of Transport certainly are not excessive. As a matter of fact, it is a matter of some concern to me that you are able to hire employees at such low salaries.

Mr. HEES: That is very true, Mr. Smith. One of the big problems with which the government is faced is the extremely attractive salaries offered by civilian industry. This is a problem we are up against all the time.

Mr. SMITH (*Simcoe North*): I have just been attempting to hire a librarian, and I have been wondering if you are able to hire qualified librarians, in view of the low rate of salary you offer.

Mr. CAMPBELL (*Stormont*): I notice in Blakely's column in the *Gazette* his suggestion that when people are employed as civil servants it is exceedingly difficult to get rid of them, even if the circumstances warrant it. Most of us are perhaps interested in that ourselves. I wonder if the minister would care to comment on that?

Mr. HEES: I think that the Civil Service Commission is very fair. I am not quite sure what you would like me to comment on.

Mr. CAMPBELL (*Stormont*): I did not ask a specific question so I cannot expect an answer. Is it more difficult to reduce a civil service staff than it is to reduce staff in an ordinary corporation?

Mr. HEES: Yes, very much so. In an ordinary corporation you can just fire an individual if you feel that he is inefficient.

Mr. CAMPBELL (*Stormont*): What additional protection does the civil service provide? Supposing it is desirable in a department to reduce the staff because of the decrease in the volume of work, and so on, what would happen?

Mr. HEES: I think I should ask the deputy minister to answer that question in detail.

Mr. BALDWIN: Again this is part of this procedure of reviewing the establishments. If a position is no longer considered necessary you must go through this same mill. It may be that at the end of the mill, as I said earlier, there

may be a certain number of positions eliminated because the work concerned is no longer considered necessary or essential.

If that is the case then the job is eliminated and the employee no longer has a job. However, because of the traditions that are associated, if you will, with civil servants, there is very great pressure applied, not only to ourselves, but to the commission, to insure that we make every possible effort to see that the individual is fitted in somewhere else.

That is perhaps not an unreasonable thing at all. If an employee cannot be fitted in and his job has been abolished, then he requests certain superannuation rights, I believe. I am not an expert in this field, but an employee has certain rights under the provisions of the Civil Service Superannuation Act.

Apart from that, if an employee is not doing the job that he is supposed to do, or is inefficient or unsatisfactory, it is within the power of the department to down-grade him.

Again my recollection is that once an employee becomes a regular classified permanent civil servant he cannot be discharged, as distinct from the situation of a position being abolished.

Mr. CAMPBELL (*Stormont*): In other words, the protection afforded by the Civil Service Commission is normally much greater than that afforded by the ordinary efficient union, is that so?

Mr. BALDWIN: That is a rather hard question to answer, sir. However, I believe the answer would be yes. It is a matter of opinion on my part.

Mr. HOWARD: Following along the lines of the question just raised, I wonder if it is the attitude of the minister if—and I do not like the term as it applies to individuals—public servants, or people working for the government are placed in the same position as employees working in private concerns in so far as their right to organize a union and have a bargaining agency, with all the normal responsibilities. I wonder if the establishment of such an agency, having grievance procedures so that it could challenge the decision of the minister, or the heads of the departments with respect to the discharging of an employee, and with the power to appear before an arbitration board, would alleviate some of the objections apparently being raised by some members?

The CHAIRMAN: Mr. Howard, I believe that the civil servants have a very strong organization or union of their own. They have their own bargaining agents, do they not, Mr. Baldwin?

Mr. BALDWIN: There are two or three different organizations in the civil service. There is the professional institution, the civil service association and the civil service federation, each of which speaks on behalf of employees under certain circumstances.

Mr. HOWARD: With deference, Mr. Chairman, I would say that the various civil service organizations are not comparable to trade unions and do not in fact operate in the same way as a union does. They do not have the authority or the responsibilities, and are not able to process the various problems that do arise in the same way that a union would.

Mr. HEES: Mr. Chairman, I would suggest that this is a matter that goes a little beyond the scope of the Department of Transport. It is a matter that has to do with high government policy. It is a matter, as the hon. member knows, that has been discussed from time to time with various governments. I am afraid I am not in a position to answer the question.

Mr. HOWARD: I was hoping you would.

Mr. HEES: I cannot blame you for trying.

Mr. HARDIE: I am afraid I arrived at this meeting late, as a result of three committees sitting at the same time. When I arrived Mr. Baldwin was

making reference to the fact that the Department of Transport was taking over the maintenance of the airport at Abbotsford, B.C. My question is this: what is the experience of the Department of Transport in respect to the taking over of airport maintenance, having regard to the number of persons employed by the Department of Transport as compared to the number formerly employed by the Department of National Defence?

Mr. BALDWIN: A great deal depends upon the standard of maintenance and operation that is set down as the objective for the particular airport concerned. I say, in general terms, that we usually operate with a smaller staff. That is not necessarily a criticism of the Royal Canadian Air Force, because they may have set themselves higher standards for military purposes and because of higher density use, or something of that nature. When we take over an airport it is operated strictly as a civilian airport, with restricted use.

Mr. HARDIE: I am wondering particularly about the airport at Whitehorse, Yukon. I heard in another committee this morning that there was a decision being made that the Department of Transport were taking over the maintenance of the Whitehorse airport, and I wondered if the minister could comment on that?

Mr. HEES: We are trying to allow a wide range of discussion here, but that has to do with a specific item. I wonder if you would mind waiting until we reach the item dealing with airports. We will be very glad to deal with that question then.

The CHAIRMAN: Mr. Howard, that is covered under item 460.

Mr. HEES: We are trying to keep a balance here. We do not want to be restrictive, but we would like to deal with specific items individually. The item you are dealing with now is item No. 460. I think if we dealt with your question at this time we would find ourselves dealing with questions in respect of every airport in Canada.

Mr. CHEVRIER: Mr. Chairman, I would like to ask the minister if he would give us a statement in respect of the report of the royal commission on coastal shipping, which came down recently. I am sure the minister has had an opportunity of reading that report.

This report contains some recommendations. It deals mainly with the operations of the Department of Transport.

I wonder if it is possible to have a statement in respect of departmental views with reference to the implementation of those recommendations.

Mr. HEES: Mr. Chairman, I am afraid that is a matter that is still being considered by the government itself. As a result of the many things the government has had to consider recently, it has not been possible to deal effectively with that report.

Mr. CHEVRIER: Is there any consideration being given to the re-defining of the coast of Canada? I have heard the interesting suggestion that the coast-line of Canada should be re-defined and that the line of demarcation should be from Cap-des-Rosiers on the south shore of the St. Lawrence through the west point of Anticosti island. I know that that was considered at one time. I know also that many people were in favour of this and that many were opposed to it. I wondered if any consideration had been given to this suggestion?

Mr. HEES: No.

Mr. DRYSDALE: Mr. Chairman, while we are still on the administration item, I was wondering if perhaps Mr. Baldwin could advise the committee as to the degree of modernization the department as a whole has been able to effect with reference particularly to dictating machines and electric type-

writers. Are they used to any extent within the Department of Transport, or has the Department of Transport had any requests in this regard?

Mr. BALDWIN: We are now moving into a field about which I am sure I cannot speak with the degree of knowledge that our service expert could.

We do use both standard and electric typewriters. Electric typewriters are generally used where a large number of copies are involved. There is a pretty standard controlling procedure regarding the issuance of electric typewriters that is laid down for government services as a whole. We must control the over-all procedure with respect to situations under which we use electric typewriters as distinct from ordinary typewriters.

Having regard to dictating machines, they are available to those people who make use of them. Our own experience is that individual habits vary a great deal. Dictating machines just do not suit every individual.

When an employee has a large amount of dictation to do a request for a dictating machine is forwarded and one is issued.

Perhaps the greatest degree of modernization that is taking place in respect of this field has regard to the increasing use of the automatic I.B.M. type of machines, and various punch card systems used for the compilation of data in one field and another, and the rapid analysis thereof.

Mr. DRYSDALE: Would you feel that the Department of Transport is at least equal to ordinary businesses as far as the type of equipment used is concerned?

Mr. BALDWIN: I would think so.

Mr. CHEVRIER: I would like to ask what the position is with reference to railway lines. There are short lines being extended, sometimes by the C.N.R. or sometimes by the C.P.R. for which no mention of expenditures is made in the estimates. There are, of course, private lines built by virtue of an act of parliament. Could the minister give some indication of what the position is with reference to railway line extensions in general?

Mr. HEES: There are none that I know of planned at the present time. There are two branch lines for which bills were put through at the last session, as the member for Laurier knows.

There is quite a lot of discussion going on at the present time preparatory to what we hope will be a bill covering a railway in northern Alberta. We hope it will be put forward at this session.

I am not in a position to discuss the details of that because, as the member for Laurier knows, the details have not been settled yet. This is a matter that still has to be decided.

As far as individual extensions are concerned, I am not aware of any. When Mr. Gordon comes before the committee in two weeks' time he will be able to give you further information in that regard. However, I am not aware of any other planned extensions at the present time.

Mr. CHEVRIER: When lines are extended less than seven miles it is the practice of the C.P.R. and C.N.R. to secure authorization from the minister under one of the sections of the Railway Act. There is no way of knowing what goes on because bills are not required. These extensions are done by virtue of a particular section of the Railways Act.

Are there any extensions to lines contemplated either by the C.N.R. or the C.P.R.?

Mr. HEES: I am not aware of any requests by either railroad.

The CHAIRMAN: Are there any other questions on administration?

Mr. HOWARD: Mr. Chairman, this is a suggestion. It is not confined to this particular department, but relates to the manner in which the estimates book is prepared. I only raise the question in order that there might be something

done to make it a little easier for some of us who want to look closely at the estimates book. In the vote part of the book it lists the estimates and in the left-hand column indicates the number of the votes. For instance, we are on page 414 and when we get into the details we find that there is no reference to the number of the vote in the details and it requires a great deal of looking back and forth from one section of the book to another. If we are looking at the detail part. I wonder if it would be more advantageous, in future years, to arrange the details in such a way that they would indicate the number of the vote alongside the details?

Mr. HEES: I think that is a good suggestion. It was always my impression those numbers were listed.

Mr. CHEVRIER: The details were always at the rear of the book in my experience.

The CHAIRMAN: In the eighteen years I have been here the details have always been where they are now; but the details have been expanded some in the last few years. Mr. Chevrier might remember when we had a very thin book with a very few details.

Mr. HOWARD: Perhaps now is the time to get it thin again.

Mr. HEES: Just try.

The CHAIRMAN: This is a good suggestion. I think it would have to go before the finance minister.

Mr. HEES: I will speak to the Minister of Finance and put forward the suggestion which you have made here.

Mr. HARDIE: I would like to ask a question supplementary to the question asked by Mr. Chevrier. Since the proposed railway along the south shore of Great Slave lake was mentioned in the speech from the throne there must have been some planning going on in the Department of Transport. I wonder where those plans stand at the present time?

Mr. HEES: A great deal of work, I can assure you, has been going on both by railways and by the Department of Transport. As a matter of fact just yesterday afternoon I received a delegation from the government of British Columbia putting forward their ideas as to what the route should be. We have received numerous delegations and are doing a great deal of work on it. It is going forward at the fastest possible pace and as soon as possible I will be putting forward, with my colleague the minister of northern affairs, a cabinet document for discussion in cabinet. As soon as possible we will, we hope, bring forward a bill; but as the former minister knows when you have a matter as controversial as this with various potential routes it cannot be settled hurriedly. We are working as hard and as fast as we can and I assure you nothing is being left undone to reach, we hope, the right solution in the shortest space of time.

Mr. HARDIE: I asked the minister last fall when a survey would be made and the minister indicated a survey had been made of the ground. Could the minister tell us something about this survey and what were the results of this survey?

Mr. HEES: An economic survey was made; but since that time a great deal more information has been presented to the department which has been studied by the railways and by us. It is remarkable the number of opinions that can be brought forward as soon as something like this is mentioned in an election campaign or in the speech from the throne. We have had a tremendous amount of additional information given us. In all fairness we must consider this information thoroughly and carefully, which we are doing, and all I can say is we are going ahead as fast as we can and have very good people, I believe, working on it. As soon as we can we will come up with a proposition.

Mr. CHEVRIER: Does the economic survey indicate it will be a profit or a loss?

Mr. CROUSE: What does that have to do with this?

Mr. CHEVRIER: If we are entitled to discuss railways in general, a railway of that nature which has been mentioned in the speech from the throne surely is an item under which it can be discussed. I do not want to bring up any question which should not be brought up here but of all the questions which have been discussed surely this one can be. I was asking if the minister could tell us what the profit and loss estimate is or perhaps he might give us an idea what the cost will be. I have heard several variations of it.

Mr. HEES: All I can say, Mr. Chairman, is whatever method is decided upon will require federal assistance; there is no question about that. This whole matter is in a state of flux at the present time. It is being discussed right at this very moment.

Mr. CHEVRIER: I know you cannot give the details and I am not asking for that; but I wondered if this question would be in order. Could some indication be given as to whether the northern Alberta railways will provide a portion of the capital cost of the railway?

Mr. HEES: Yes; they definitely will.

The CHAIRMAN: Are there any other questions on administration?

Mr. CHEVRIER: Yes. I would like to get a statement on the position of the overseas telecommunications activities. What was the cost of the cable which was built from Canada to the United Kingdom, how is it operating, is it so that consideration is being given to the construction of another cable? Could we have a general statement?

The CHAIRMAN: The minister has a statement he will read to you I believe.

Mr. HEES: First of all, I will mention the Atlantic telephone cable which was built in 1956. The first heading is the original six-voice circuits:

These became fully occupied during the daily peak periods from the time the cable opened for business at the end of September, 1956.

Relief has now been provided (December 7, 1957) by the introduction of channel splitting equipment inserted on five of the original six circuits—thus producing a total of eleven all of which are virtually occupied during the peak hours of 9 a.m. to noon Montreal time. Arrangements were also made to rent one additional circuit from A.T. & T. effective December 21, 1957—making a total of twelve.

Mr. CHEVRIER: How many circuits are there altogether in the cable?

Mr. HEES: Thirty-six.

Mr. CHEVRIER: How many are taken over by the American Telephone and Telegraph Company and how many are given to us?

Mr. BALDWIN: We have six. I have forgotten the division, but we have six.

Mr. HEES:

Original eleven telegraph circuits—

These are now fully occupied by telegraph, telex and private leased teletype services, and relief has been provided by equipment installed to double the original eleven telegraph circuits, namely to 22 circuits.

Expansion—

In addition to the establishment of circuits between Canada and the U.K. in September, 1956 by way of the trans-Atlantic cable and

operation of circuits to the West Indies and to Newfoundland, C.O.T.C. have opened the following circuits to overseas points:

- a) Montreal to Germany—direct telegraph in 1955
- b) Montreal to Paris—direct telegraph in May, 1956
- c) Vancouver to Sydney, Australia—radio telephone and radio telegraph in November, 1956
- d) Vancouver to Japan—direct radio telegraph—June, 1957
- e) Vancouver to Wellington, New Zealand—direct radio telegraph—December, 1957
- f) Montreal to Italy—direct radio telegraph—April 1, 1958

International telex service, introduced into Canada by C.O.T.C. on December 3, 1956, is now available for direct customer-to-customer teleprinter operation with at least 30 foreign countries throughout the world. The growth and demand for this service is extremely gratifying.

A new head office building in Montreal was completed and occupied on March 9, 1957.

New radio stations in the vicinity of Vancouver, as well as a new office in that city, were completed and put into operation on November 1, 1956. As a result, Canada for the first time is in direct communication with Australasia by telephone as well as by telegraph. Telephone business had previously been routed through San Francisco.

Future—Trans-Atlantic—

The telegraph capacity mentioned above should be ample for a reasonable time for all Canadian trans-Atlantic needs. As regards telephone capacity it is obvious that available circuits are insufficient and, accordingly, plans are already in hand for a cable between Canada and the U.K.—to be wholly Canadian and British owned and operated.

Preliminary route surveys are currently being carried out—designs developed, and engineering plans made. The cable will provide 60 telephone circuits between Canada and the U.K.—a number of which will be extended to Europe to provide through working with the principal countries of that continent.

Mr. CHEVRIER: Are they put on the same basis as the 36 circuit cable, so many for A.T. & T. and so many for Canada?

Mr. HEES: The new one is of course only Canadian and U.K. shared.

Mr. CHEVRIER: How is it divided as to circuits?

Mr. HEES: Fifty-fifty.

Telephone circuits will be broken down into telegraph channels as required and for standby purposes in the case of interruption of the first T.A.T. cable. Completion is expected by 1961 at the latest. The cost of the whole project will be about \$28,000,000 against \$42,000,000 for the T.A.T. cable with 36 circuits.

Commonwealth System—

The commonwealth telecommunication system is in the main made up of low capacity telegraph cables and radio telephone and telegraph circuits.

In view of recent technological advancement in the telecommunication field e.g. the coaxial submarine repeatered cable (TAT) it is obvious that some consideration must soon be given to the further modernization of all or a portion of the said telecommunication system, in a manner similar to that which has been done and is being planned for the Atlantic.

Communication Services—

It is planned to open direct radio telephone and telex services to Japan in the near future as soon as final negotiations with that country are completed.

Program Services—

The telephone cable now permits high fidelity voice and music transmissions for broadcasting purposes and this too introduced a further important source of revenue which we (C.O.T.C.) expect to expand.

Picture Transmissions—

Excellent quality picture transmissions are now available across the Atlantic and it is expected that this service, the availability of which had previously been erratic owing to unstable radio conditions, will be much more in demand.

The CHAIRMAN: Is that satisfactory to you, Mr. Chevrier? Are there any other questions?

Mr. CHEVRIER: I do not know that it is but it is in answer to my question.

Mr. HARDIE: I wonder if the minister would give us a statement concerning the taking over by his branch of the wireless communication systems in the Northwest Territories and parts of the Yukon and parts of the northern provinces of Canada?

Mr. HEES: I would rather you take that up when the telecommunications division comes up for discussion, if you do not mind. It is item 451.

Mr. CHEVRIER: Could we have have a word on oil pollution? It was raised in the house the other day in debate and also by way of a question. There is a considerable amount of pollution on the St. Lawrence by oil and by other methods also. I wonder if the departmental officials have given any consideration to asking the government to extend the studies made by the International Joint Commission in international waters? The International Joint Commission was given the problem of considering the pollution of water on the upper Great Lakes right down to Lake Erie and, because of a request made by certain people in Ontario, the commission's inquiry was extended to cover Lake Ontario. I wonder if some consideration should be given to this, or would the minister care to say something on the question of extending the purview of this inquiry as far as the international boundary at least is concerned because I do not think the International Joint Commission can go beyond that. There is still a great field for their activities and the recommendations they have made in the upper Great Lakes have been outstanding and excellent. I understand in certain portions of the Great Lakes their recommendations are being put into effect, particularly in cities such as Sarnia, Windsor and Detroit and the like. I take it a step further and suggest that something should be done about it in Canadian territory along the international boundary right down below Quebec. The pollution by oil on the St. Lawrence is just terrible particularly in the Montreal area.

A member rose the other day from the other side of the house and brought attention to what is happening in Lake St. Louis. It is abominable. I am sure the officials of the department would feel in sympathy with that. My purpose in bringing this up is two-fold. First, could consideration be given to asking the International Joint Commission to extend its study to the international boundary line, and could the departmental officials give some consideration to taking action with reference to that part of the St. Lawrence which is in Canada?

Mr. HEES: Our responsibility as I understand it regarding water pollution has to do only with the pollution caused by ships, and we do have very strict control over that. I know a number of cases have come to my attention

which have been investigated and dealt with. But, pollution generally, as I understand it, is within the jurisdiction of the provinces.

Mr. CHEVRIER: Not in the international section. The government of Canada referred this whole matter of pollution, in all its forms, to the International Joint Commission in the international section. There is no doubt that while perhaps the provinces have quite a keen interest in this, they have not the means nor the facilities, therefore the International Joint Commission was given the task of studying it. I was asking with reference to international waters first and Canadian waters second. Notwithstanding the control which you may have over oil being dropped from ships, there is no doubt in the port of Montreal and eastward in the more inhabited parts of the St. Lawrence the amount of oil that is being dropped is tremendous and is affecting the health of the citizens.

Mr. BALDWIN: On the question of pollution, the fact is that the steamship inspection company has only, within the last year, been getting its organization in shape to cope with this. It was only last year we were given legislative authority to deal with this. We realize there is quite a serious problem, not only in Montreal, but in the river below Montreal. The problem has been primarily one of getting cooperation of ship operators. If we do not get their cooperation we show them we mean business if they break the existing regulations which prohibit the dumping of oil. Patrol has been one of the problems that has been encountered. We want to see what goes on. This year for the first time, in addition to the barge facilities in the harbour itself which are available for taking surplus oil, we are trying to put in an experimental patrol down river from Montreal with a small craft for that purpose to see whether we can develop better control down-river. If the boat control does not work we may have to go to helicopter control. However, we are well aware of the problem.

Mr. CHEVRIER: Can anything be done in the international section?

Mr. HEES: I will be glad to take that up with the chairman of the International Joint Commission to see what can be done.

Mr. SMITH (*Simcoe North*): I understand that the International Joint Commission is headed by General MacNaughton and is responsible to the Department of External Affairs.

The CHAIRMAN: Yes.

Mr. CHEVRIER: Could we have a statement about winter navigation on the St. Lawrence? There has been a great deal about it in the press and I know the Department of Transport is keenly interested in that subject. Years ago they established a patrol to find out what the movement of ice was like. The questions I would like to ask are these: first is it contemplated to use icebreakers in the fall, as in the past, to break the channel from Quebec to Montreal? Next, what is the position east of Quebec; is it possible because of new scientific methods to open up the St. Lawrence to navigation for the twelve months of the year? Apparently it is possible to do that now at Seven Islands, Rimouski, and perhaps Baie Comeau, and other points. Could we have a statement covering the whole field as to the future for twelve months navigation on the St. Lawrence?

Mr. HEES: From where to where on the St. Lawrence? Up as far as Montreal?

Mr. CHEVRIER: I dealt first with the icebreakers which break the ice up from Quebec to Montreal and next with anything below Quebec, because I understand there are some ports which are open all the year around, for instance, like Rimouski. Is it possible to bring navigation right into the city of Quebec? Will it be possible to do that in the future because of the new scientific methods?

Mr. CROUSE: On the point raised by Mr. Chevrier, does the question of cost not enter into the matter? We have seen a seaway built and we are afraid it means the abolition, practically, of our inland coasting business due to the fact that there is no protection provided. The English ships can now carry grain at approximately a third of a cent cheaper than Canadian coastal ships. This will mean that perhaps in the next ten years there will not be any Canadian ships carrying grain on the Great Lakes. Also the C.P.R. must provide the rails and equipment to carry these goods and at fixed charges. We are providing a waterway, and I notice by these estimates that we are increasing the number of canal men and the total cost is being borne by the Canadian taxpayers. The suggestion which is put forward would only increase the burden of the taxpayers while decreasing the amount of freight carried by the rails and eventually increasing unemployment. We can employ more people on the seaway at a cost to the Canadian taxpayers but every time we do that we diminish employment on our other carrying systems which are the two railways. I think the point of providing the extra services should be considered by the steamship companies who may be located in England; it is up to them to say whether or not the St. Lawrence should be kept open and not something which should be done at a cost to the taxpayers of Canada.

Mr. CHEVRIER: May I make a statement on this. My friend is misinformed. The St. Lawrence seaway is not a cost to the taxpayers of Canada. It is a self-liquidating project to be paid for by the imposition of tolls. The minister told you that in the house.

Mr. CROUSE: That is to be proved.

Mr. CHEVRIER: It is a fact. It has been done by statute. The St. Lawrence seaway will not cost the taxpayers of Canada one nickel; it will be paid for by tolls.

So far as the other point is concerned it would strike me that if we had navigation on the St. Lawrence for twelve months of the year it would help employment, particularly in the winter months. That is exactly the program which the government seeks to establish. It is to give winter employment. Surely navigation will give winter employment rather than halt it.

Mr. HEES: I have a statement which I think will be useful on our icebreaking operations:

The primary objective of the department is to develop a combined operation based upon the use of icebreakers, aerial survey ice forecasts, and all-year operation of certain aids, as well as provision of improved marine aids to help the winter navigation in the lower St. Lawrence, Gulf and Atlantic areas generally. This is being achieved by the gradual development of a larger fleet of icebreakers, the training of a group of ice forecasters and the gradual elaboration of plans for increased aerial ice survey.

The department now has five icebreakers, as well as two agency vessels, strengthened to work in light to medium ice, in service. One additional major icebreaker, the Labrador, is under refit. Three more icebreakers are under construction, one of which is for the western Arctic and one of which will be a larger vessel than any icebreaker presently in Canadian service; we expect to add to this at least one more icebreaker and possibly two to three agency vessels strengthened for work in ice, in due course.

Mr. CHEVRIER: What about the question of navigation on the St. Lawrence in the winter months? Could we have a statement on that?

Mr. HEES: Our first job, as I say, is to make it possible for ships to move freely in the Atlantic area in the lower St. Lawrence and the Gulf of St. Lawrence; that is what we are aiming to do at the present time. As to the future, I am not able to say. It is something we will just have to find out about as we go along.

Mr. CHEVRIER: What has been the experience of the Department of Transport so far in regard to the icebreakers that were provided for the lower St. Lawrence? Have they been operated successfully during the winter months?

Mr. HEES: Yes. All the reports that we have received show that they have been very successful.

Mr. CAMPBELL (*Stormont*): Is it not much more difficult to maintain the open water in the area east from Pointe-au-Pic where you have tidal conditions and salt water than it is in the upper Lakes and upper channels where you have fresh water and greater freezing conditions?

Mr. HEES: I think perhaps there is much truth to what you say.

Mr. HOWARD: What is the intention of the committee in respect of the adjournment?

The CHAIRMAN: We will have to adjourn in a few moments as there is a labour delegation coming into this room. We could perhaps go on for a few minutes in an attempt to clean up the administration item. If we could it would be very nice.

Mr. HOWARD: I have a couple of questions that may give rise to additional questions which may result in our not being able to complete the administration vote within the next few minutes.

The CHAIRMAN: That will be all right. You ask your questions. We will stay here until we are forced to move out. There are 200 people coming in here. Their meeting was scheduled for twelve o'clock but I think we could go on for a few more minutes.

Mr. HARDIE: I have one question, Mr. Chairman, arising from the annual report which we have just been given. On the last page, in the financial summary, there is a reference to an expenditure of \$12,400,000 from funds provided by the Department of National Defence. I wonder if you could explain that expenditure?

Mr. BALDWIN: That expenditure covers a variety of services that we provide on military accounts, sir. A great many of the departmental services are used by the military branches and by civil entities as well and therefore are not charged back to the Department of National Defence. When we supply something especially for the Department of National Defence only, we expect them to reimburse us. This item covers a variety of things.

It is the cost, for example, of "C" supply to the mid-Canada line, which is a military operation, and the Department of National Defence reimburses us for doing this. It covers the cost of certain meteorological services that we provide solely for military flying establishments. It covers the cost of certain communication facilities relating again to air traffic control having regard to air military intelligence, which we put through our telecommunication unit.

This item breaks down across a variety of fields where we do special jobs because we are in a position to do them. Since they are jobs done for military purposes only we are reimbursed for them.

Mr. KENNEDY: Mr. Chairman, on the Atlantic coast we have winter docks. Our overseas commerce is going to be conducted by foreign ships. If these foreign ships intend to use the ice docks I think consideration should be given to the idea of placing some of the responsibility for opening these docks on these people.

The CHAIRMAN: Thank you Mr. Kennedy.

Mr. HOWARD: I do not want to get into the realm of the details of the estimates, but I notice items listed at the bottom having reference to the approximate requirement for increases in the rates of pay to employees of the department. I wonder if we could perhaps have some indication as to the manner in which requests or appeals are made, by the organization which is composed of employees of the Department of Transport, and what structure exists which allows them to make requests for increases in pay to the government, and whether any requests relating to this particular fiscal year have been made?

Mr. BALDWIN: Yes. We have a pretty well established procedure whereby a group of employees who feel that they have a salary problem—and they all seem to feel that way—may bring forward their requests and discuss them, in the first instance, with the senior officials of the service concerned. They may be radio operators, they may be lockmen and that sort of thing. They can discuss it with the senior officials of the service concerned, and representatives of the personnel branch of the department who take care of all these matters.

The outcome of these meetings may then be a matter of further reference, since we are not free to account, on our own, to the Civil Service Commission and the treasury board, if the type of employee concerned is a classified employee—that is a permanent civil servant. If he is a casual employee it then becomes a matter for reference to the Department of Labour which is responsible for making recommendations for a prevailing rate class. The procedures are well established.

Mr. HOWARD: The second part of the question has to do with whether requests had been made for adjustments or increases in this fiscal year.

Mr. BALDWIN: Yes, there are several current requests at the present time.

Mr. HOWARD: What is likely to happen to these requests?

Mr. HEES: They will receive consideration.

Mr. CHEVRIER: And sympathy?

Mr. HEES: Well, of course.

Mr. CHEVRIER: I intended to say that I read, with interest, the minister's statement in respect to the ICAO general assembly. I wonder if we could have a statement in regard to what transpired at the assembly and what problems were mainly discussed this year.

I wondered also if there was consideration being given to a reduction in rates for crossing the Atlantic, and elsewhere for that matter, as well as what the position is, vis-a-vis, the members of ICAO residing in Montreal. Have these employees been receiving any better treatment from the government of the province of Quebec than heretofore? I am sure that the minister's charming personality would do a great deal to assist them. I feel sometimes that they are probably treated harshly, although I am sure the Department of Transport and its officers have done their best to make them as happy as possible.

I realize it is important to keep the general assembly at Montreal if possible.

Mr. HEES: As Mr. Baldwin was actually at the conference, and as I only went there to make an opening speech, I will ask him to answer that question.

Mr. MACINNIS: Mr. Chairman—

The CHAIRMAN: Just a minute. Could we have Mr. Baldwin's answer first?

Mr. MACINNIS: I cannot hear what is going on.

The CHAIRMAN: Would you speak louder. Mr. Baldwin?

Mr. BALDWIN: Yes.

The ICAO assembly this year was what we call a routine assembly as distinct from a major assembly which takes place every three years. It concerned itself almost entirely with administrative problems and with the work on its budget for the next year. Next year it will be a major assembly, wherever it takes place.

Apart from consideration of administrative and budgetary matters the only things the assembly dealt with especially were important technical assistance, in the field of aviation, to certain underdeveloped countries, and aviation and its special role in respect of the new techniques needed to meet the jet age.

In so far as the latter part of the question is concerned, that is the so-called diplomatic immunities to representatives of foreign governments—

Mr. CHEVRIER: Before you come to that, what about the rate?

Mr. BALDWIN: You refer to fares across the Atlantic?

Mr. CHEVRIER: Yes.

Mr. BALDWIN: That does not come within the jurisdiction, sir, of IACO. That question is settled by the air lines through IACO, the air lines association.

As far as diplomatic immunities in respect of the province of Quebec, I am not aware of any outstanding grievance or complaint at the present time.

The CHAIRMAN: Did you hear that Mr. MacInnis?

Mr. MACINNIS: I did not hear the question so I did not pay any attention to the answer.

Mr. HEES: Would it be possible, so that everybody could hear, for members who are sitting down at the far end of the table to come up closer? We will all be a little closer then.

The CHAIRMAN: Are there any more questions?

Mr. CHEVRIER: Where will the next meeting be held?

Mr. BALDWIN: It has not yet been decided, sir.

Mr. CHEVRIER: Have any other countries been mentioned in respect to the next meeting other than Canada?

Mr. MACINNIS: I think the chairman better take care of Mr. Chevrier.

Mr. CHEVRIER: I do not know what that means.

Mr. MACINNIS: Every time I get on my feet to ask a question he intercedes from his seat.

The CHAIRMAN: Do you want to ask a question?

Mr. CHEVRIER: I am sorry, I apologize.

The CHAIRMAN: Do you wish to ask a question?

Mr. MACINNIS: Apologize to the chair, not to me.

The CHAIRMAN: I beg your pardon?

Mr. MACINNIS: I was speaking to Mr. Chevrier.

The CHAIRMAN: Do you wish to ask a question Mr. MacInnis?

Mr. MACINNIS: No.

Mr. CREAGHAN: I would like to refer to page 5 of the annual report. I wonder if the minister or his deputy could explain to me the reason there is no mention of Trans-Canada Air Lines on page 5? I presume that that corporation should be listed there.

Mr. HEES: I am advised by the deputy minister that the transfer bringing the Trans-Canada Air Lines back within the jurisdiction of my department only took place about July 1 of last year. Trans-Canada Air Lines before that time was not under the jurisdiction of the Department of Transport, it was under the jurisdiction of the Department of Trade and Commerce.

Mr. WRATTEN: Mr. Chairman, if we are going to discuss this annual report I have a further question.

We are still operating this service to Yarmouth, N.S.—Bar Harbor? I see that in 1956 this service went into the "red" in the amount of \$304,000. Are we still operating that service?

Mr. HEES: I think that is a matter that should be discussed when Mr. Gordon comes before the committee. That is a C.N.R. operation.

Mr. WRATTEN: I thought we were getting into a discussion of this annual report and that I had better ask the question now.

The CHAIRMAN: That subject goes to the standing committee on Government owned railways and shipping.

Mr. HEES: Anything having to do with C.N.R., T.C.A. operations or shipping will be dealt with when that sessional committee sits two weeks from now.

Mr. CHEVRIER: Mr. Chairman, I would like to get some information if I can as to the present status of the international and interprovincial road transport.

I have forgotten what legislation was brought into effect by virtue of a judgment of the Supreme Court of Canada covering international and interprovincial highway transportation. Following the conference between the provinces and the federal government, the effect of which was to give the provinces the right to administer provincial and international highway transport, there has, as I understand, been a great deal of complaint. Whether those complaints have been brought to the minister's attention or not, I do not know.

Mr. HEES: No, Mr. Chairman, we have not received any complaints or briefs from provinces in that regard.

Mr. HOWARD: I appreciate that this subject matter may be dealt with in the details of the estimates under particular votes, but I think it would be helpful to the committee in its consideration of these matters if we had further information in regard to the subject matters in the annual report. At the top of page 22 of the annual report there is reference to two new ships built in the united Kingdom for service in Newfoundland. The cost of these ships is listed there. There are a number of questions which arise out of this statement. Who operates these particular ships after they are built and who pays for them? I imagine that the Department of Transport provides the actual money for these ships, but I am interested in who operates them, and also if there are any other ships of the same type, in the same kind of service, built and paid for in the same way, providing service to the same general area.

If it is not possible to get the information in detail, could we have the amount of the capital expenditure that has been made for those particular ships that are in service there?

Mr. HEES: I do not mind answering the general question about these particular ships but, as far as the details are concerned, I wish you would wait until the actual item comes up.

These ships are operated for the government by the Canadian National Railways, and the yearly deficit is made up by a subsidy paid to the Canadian maritime commission. These ships form part of the Newfoundland coastal service and are operated for the government by the Canadian National Railways.

Mr. SMITH (*Simcoe North*): Mr. Chairman, who operated these ships prior to Confederation?

Mr. HEES: I beg your pardon?

Mr. SMITH (*Simcoe North*): Who operated these ships prior to Confederation?

Mr. HEES: I imagine Newfoundland operated them themselves.

Mr. SMITH (*Simcoe North*): Did they operate at all prior to Confederation?

The CHAIRMAN: Are there any other questions?

Mr. HOWARD: I have a question on the same subject. It relates to the requests that have been made over the years for the expansion of our own shipbuilding industry in Canada. I just wondered why these ships were built in the United Kingdom, not that I am opposed to having them built there, but because I am concerned with the development of our own shipbuilding industry.

Mr. HEES: I can answer that. These ships were built in 1951 in Great Britain for the Canadian National Railways. In 1951 or 1952 the contracts were placed by the Canadian National Railways. I do not know the details concerning these contracts. I was not in office at that time.

Mr. HOWARD: I realize you were not in office at that time, or even at the time they were delivered for that matter. That is perhaps why you cannot give us the reason why this took place. I hope that in the future if such ships are to be built that we will attempt to develop and expand our own shipbuilding industry. The expansion of this industry is a problem which faces the employees of shipbuilding firms and the general public residing in areas where these industries are located.

Mr. HEES: I would think that if the member heard the announcement I made in the house last session in respect to the number of contracts on hand that he would appreciate that my views are the same as his in that regard. We are having additional ships built for this service and we expect to place contracts for those ships in Canada.

The CHAIRMAN: Are there any other questions in respect of the general administration item? If not—

Mr. CHEVRIER: Yes. There was a question I wanted to ask about air service.

The CHAIRMAN: Could you leave that question until we reach the item covering air service?

Mr. CHEVRIER: Mr. Chairman, I do not think this item should pass this morning. I would like to discuss a number of other things.

The CHAIRMAN: All right.

Mr. CHEVRIER: I would like to know what effect the speed of aircraft is having on landing strips. Is the Department of Transport forced again to build longer and stronger airstrips across Canada because of these faster aircraft that are being developed, and what is the position with reference to the I.L.S. systems that have been installed? Are we installing any more I.L.S. systems or have we now turned to the newer system of ground control approach? I wonder if the minister or perhaps the deputy minister could give us some information in that regard?

Mr. HEES: Regarding the newer and bigger aircraft, as Mr. Chevrier probably knows, we are lengthening and strengthening a number of airstrips in Canada that are being used by those larger aircrafts.

As far as the I.L.S. systems are concerned, they have proved satisfactory and we are installing more of them.

Mr. CHEVRIER: Have we any ground control approach systems in operation?

Mr. HEES: We have one ground control approach system in operation at Gander. That is the only one we have.

Mr. WRATTEN: Mr. Baldwin gave a very good explanation of that whole subject to the few of us who were in that other room the other day. He told us all about these air strips.

Mr. HEES: You are referring to the study group that was set up?

Mr. CHEVRIER: I am not a member of that study group so I was not there.

Mr. WRATTEN: That is your own fault. You could have been.

The CHAIRMAN: As there is a labour delegation of some 200 coming into this room I would ask for a motion to adjourn.

Mr. HOWARD: I so move.

The CHAIRMAN: The motion is seconded by Mr. Crouse.

The next meeting will be held in this room at 10.00 o'clock Thursday morning of this week.

HOUSE OF COMMONS
First Session—Twenty-fourth Parliament
1958

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND
TELEGRAPH LINES

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 2

DEPARTMENT OF TRANSPORT ESTIMATES

THURSDAY, JUNE 26, 1958

WITNESSES:

The Honourable George Hees, Minister of Transport; and Messrs.
J. R. Baldwin, Deputy Minister; R. J. Burnside, Director, Canal
Services; A. Watson, Associate Director, Marine Services.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Gordon K. Fraser, Esq.,

and Messrs.

Allmark,	Garland,	McPhillips,
Asselin,	Grills,	Michaud,
Badanai,	Gundlock,	Monteith (<i>Verdun</i>),
Baldwin,	Hales,	Nielsen,
Baskin,	Hardie,	Nixon,
Batten,	Horner (<i>Acadia</i>),	Pascoe,
Bigg,	Horner (<i>Jasper-Edson</i>),	Payne,
Bourbonnais,	Howard,	Phillips,
Brassard (<i>Chicoutimi</i>),	Howe,	Racine,
Brassard (<i>Lapointe</i>),	Johnson,	Rouleau,
Bruchési,	Keays,	Rynard,
Campbell (<i>Stormont</i>),	Kennedy,	Smallwood,
Chevrier,	LaRue,	Smith (<i>Calgary South</i>),
Chown,	MacEwan,	Smith (<i>Simcoe North</i>),
Creaghan,	MacInnis,	Tassé,
Crouse,	Martini,	Taylor,
Drysdale,	McBain,	Thompson,
Dupuis,	McDonald (<i>Hamilton</i>	Tucker,
English,	<i>South</i>),	Webster,
Fisher,	McMillan,	Wratten—60.

J. E. O'Connor,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, June 26, 1958

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.05 a.m. this day. The Chairman, Mr. G. K. Fraser, presided.

Members present: Messrs. Asselin, Baldwin, Baskin, Bigg, Bourbonnais, Brassard (*Chicoutimi*), Campbell (*Stormont*), Chown, Creaghan, Drysdale, English, Fisher, Fraser, Horner (*Jasper-Edson*), Howard, Howe, Martini, McBain, McDonald (*Hamilton South*), Monteith (*Verdun*), Nielsen, Pascoe, Rynard, Smith (*Simcoe North*), Tassé, Tucker and Wratten.—27.

In attendance: The Honourable George Hees, Minister of Transport; Messrs. J. R. Baldwin, Deputy Minister; J. E. Devine, Executive Assistant to the Deputy Minister; R. J. Burnside, Director, Canal Services; G. L. Matthews, Administrative Officer, Canal Services; A. R. Whittier, Assistant Director, Canal Services (Administration); J. N. Betournay, Assistant Director, Canal Services (Engineering); W. A. Cook, Budget Supervisor; A. Watson, Associate Director, Marine Services.

The Chairman observed the presence of quorum.

On the motion of Mr. Pascoe, seconded by Mr. Wratten,

Resolved,—That the Committee print 750 copies in English and 250 copies in French of its minutes of proceedings and evidence relating to the Estimates of the Department of Transport.

The Chairman called upon Mr. Baldwin to answer questions asked at a previous meeting of the Committee.

Item 414—Departmental Administration—was called.

Mr. Hees and Mr. Baldwin answered questions relating to the operations of the Department.

Item 414—Departmental Administration—was adopted.

Item 628—(Supplementary) Departmental Administration—was called and adopted.

Item 415—St. Lawrence River Joint Board of Engineers—Canadian Section—was called and adopted.

Item 512—(Supplementary) Loans to the St. Lawrence Seaway Authority—was called and adopted.

Item 416—Canal Services—Administration—was called and Mr. Burnside having been introduced to the members of the Committee was questioned.

Item 416—Canal Services—Administration—was adopted.

Item 417—Canal Services—Operation and Maintenance—was called and adopted.

Item 418—Canal Services—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and adopted.

Item 629—(Supplementary) Canal Services—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and adopted.

Item 513—Canal Services—Acquisition of Land—Cornwall Navigation System—was called and adopted.

Item 661—(Supplementary) Canal Services—Acquisition of Land—Cornwall Navigation System—was called and adopted.

Item 419—Marine Services—Administration—was called and Mr. A. Watson having been introduced to members of the Committee was questioned.

Item 419—Marine Services—Administration—was adopted.

Item 420—Marine Service Steamers—Administration, Operation and Maintenance—was called and adopted.

Item 421—Marine Services—Construction or Acquisition of Vessels and Equipment—was called and adopted.

Item 634—(Supplementary) Construction or Acquisition of Auto-Ferry Vessels and Equipment—was called and adopted.

Item 422—Aids to Navigation—Administration, Operation and Maintenance—was called and adopted.

Item 630—(Supplementary) Aids to Navigation—Administration, Operation and Maintenance—was called and adopted.

Item 423—Aids to Navigation—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and adopted.

Item 631—(Supplementary) Aids to Navigation—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and adopted.

At 12.30 p.m. the Committee adjourned to meet again at 10.00 a.m. Tuesday, July 1, 1958.

J. E. O'Connor,
Clerk of the Committee.

EVIDENCE

THURSDAY, June 26, 1958.
10:00 a.m.

The CHAIRMAN: Gentlemen, I see a quorum.

We will be dealing the estimates of the Department of Transport this morning. Could we have a motion regarding printing?

Mr. PASCOE: Mr. Chairman may I make the following motion: that the committee print 750 copies in English and 250 copies in French of its minutes of proceedings and evidence relating to the estimates of the Department of Transport.

The CHAIRMAN: Who is the seconder of that motion?

Mr. PASCOE: The motion is seconded by Mr. Wratten.

The CHAIRMAN: You have heard the motion that we print 750 copies in English and 250 copies in French of our minutes and evidence. Are you agreeable gentlemen?

Motion agreed to.

The CHAIRMAN: Mr. Nielsen, would you like to come up so that you will be a little closer? You and Mr. Asselin could come over to this table so we could see you.

Gentlemen, at the last meeting there were a few questions asked, and the deputy minister said he would secure the answers to those questions for you. I am going to ask Mr. Baldwin if he will now give those answers.

Mr. J. R. BALDWIN (*Deputy Minister of the Department of Transport*): Yes, sir.

The first question that was left outstanding, Mr. Chairman, was a question in relation to the breakdown between classified and casual employees in the Department of Transport, and the number employed in certain associated agencies.

For the purposes of the Department of Transport, I am going to give the figures roughly, in round numbers. As you will appreciate, the prevailing rates class of employees fluctuates almost from day to day.

The Department of Transport employs the services of roughly 10,600 classified employees and roughly 3,100 casual employees who are not classified civil servants.

In respect to the number of personnel employed by associated agencies, the Air Transport Board employs 59 classified, no casuals; the Board of Transport Commissioners employs 164 classified and no casuals; the Canadian Maritime Commission employs 25 classified, no casuals. The Canadian Overseas Telecommunication Corporation employs 175 regular employees and 189 who are not classified as regular. You cannot use the division of classified versus casual there because they are not under the Civil Service Commission.

The St. Lawrence Seaway Authority employs 396 regular employees and 44 casuals; the National Harbours Board unfortunately has not been able to collect its final data because they had to wire their reports, and the chairman has informed us this morning that we have not that information available yet. It will be available later.

That completes the answer to the first question relating to the number of personnel.

The second question that was outstanding related to the existing trans-border air routes between Canada and the United States, sir.

If it is satisfactory from your point of view and the point of view of the committee, rather than read this lengthy statement it might be your wish to have this added to the record of this committee. It is in fact the annex to the existing agreement listing all such routes.

The CHAIRMAN: Is it agreed that this be added to the record of the minutes?

Mr. FISHER: That statement relates to what exists now rather than future objectives?

Mr. BALDWIN: This relates to what exists now.

The CHAIRMAN: Is that suggestion agreeable?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Would you like that added as an appendix, or printed at this point?

Mr. FISHER: I think the statement should be printed right in the minutes.

The CHAIRMAN: Thank you.

1. The air agreement between the U.S.A. and Canada, signed at Ottawa, June 4, 1949, provides in the annex thereof:

"Schedule 1

An airline or airlines designated by the government of the United States shall be entitled to operate air services on each of the air routes specified via intermediate points, in both directions, and to make landings in Canada at the points specified in this paragraph:

Seattle	— Whitehorse
Seattle	— Vancouver
Fairbanks	— Whitehorse
Great Falls	— Lethbridge
Great Falls	— Edmonton
Fargo	— Winnipeg
Washington	— Montreal
Washington	— Ottawa
New York	— Toronto
New York	— Montreal
New York	— Ottawa
Either New York or Boston	— Quebec
Boston	— Montreal
Boston	— Moncton
United States	— Edmonton-Alaska and beyond
United States	— Gander-Europe (including Azores) and beyond

In addition to the points enumerated above, an airline or airlines of the United States will be authorized to stop in Windsor on any domestic service for which they are now or in the future may be authorized by the United States government to serve Detroit.

In consideration of the special circumstances existing on the routes from New York and Washington to Montreal and Ottawa the government of Canada agrees that the designated airline or airlines of the United States may serve both Canadian points on the same flights, provided that the carrier or carriers shall exercise no cabotage rights in Canada. Similarly in consideration of the special circumstances existing on the routes from Great Falls to Lethbridge and Edmonton the government of Canada agrees that the designated airline or airlines of the United States may serve both Canadian points on the same

flights, provided that the carrier or carriers shall exercise no cabotage rights in Canada."

"Schedule 2

An airline or airlines designated by the government of Canada shall be entitled to operate air services on each of the air routes specified via intermediate points, in both directions, and to make landings in the United States at the points specified in this paragraph:

Victoria	— Seattle
Whitehorse	— Fairbanks
Winnipeg	— Sault Ste. Marie, Michigan-Toronto
Toronto	— Chicago
Toronto	— Cleveland
Toronto	— New York
Montreal	— New York
Halifax	— Boston
Canada	— Honolulu-Australasia and beyond
Canada	— Tampa/St. Petersburg-Bahamas and/or points in the Caribbean and beyond

In addition to the points enumerated above, an airline or airlines of Canada will be authorized to stop in Detroit on any domestic service for which they are now or in the future may be authorized by the Canadian government to serve Windsor."

2. By and Exchange of Notes, dated November 22 and December 20, 1955, the following amendment was made:

Route "Winnipeg-Sault Ste. Marie, Michigan-Toronto" was deleted and the following route was inserted:

"Eastern Canada-Sault Ste. Marie, Michigan-western Canada".

(This was the result of an agreement that, pending construction of an airport at Sault Ste. Marie, Ont., Canadian airlines should be permitted to use Kinross field at Sault Ste. Marie, Mich., on any domestic service for which they were authorized by the government to serve Sault Ste. Marie, Ont. Canadian authorities agreed the services of Canadian airlines using Kinross would be available to U.S. traffic destined for or coming from Canadian points).

The CHAIRMAN: Gentlemen, we are now dealing with estimates.

Item 414—Departmental Administration.

Are there any further questions in relation to item No. 414, administration?

Mr. WRATTEN: Mr. Chairman, last Tuesday we were asking questions about the 600 extra employees. I wonder if the minister or deputy minister could tell us if the reason for that additional number is because the Department of Transport has taken over some obligations of other departments, or is it a direct increase of 600 employees? I know they have taken over the responsibilities of looking after certain airports, and so on, is that not right?

Hon. GEORGE HEES: (*Minister of the Department of Transport*): that is right.

Mr. WRATTEN: Is this increase of 600 employees a result of taking over the responsibilities of other departments, or is it strictly an increase of new employees?

Mr. HEES: It is partly the result of one and partly the result of the other. This is a result I think of perhaps both suggestions. The responsibilities

of the Department of Transport have increased considerably. We have also taken over some of the work of the Department of National Defence in regard to airports.

Mr. BALDWIN: This is a rough estimate, Mr. Wratten, because I am speaking on a memory basis, but probably close to half of that increase represents the result of facilities that we have taken over which we will be operating ourselves. Probably three-quarters of that increase, or slightly over three-quarters, represents the result of taking over new facilities including those taken over which we now have to operate such as the Labrador, and things of this sort, with the balance of slightly less than one-quarter being accounted for by what you might call the normal growth of supporting organizations.

Mr. FISHER: At our last meeting, Mr. Baldwin, you gave a sort of a run down as to where these places were. For example, you mentioned the taking over of the Labrador. Would that have had an affect on this increase?

Mr. BALDWIN: That would account for roughly 100 of the 600 increase.

The CHAIRMAN: Are there any other questions on the administration item?

Mr. FISHER: In connection with the statements relating to the Labrador being taken over by the Department of Transport, and that the government was very anxious that this transfer of the Labrador take place, what is the Department of Transport's feeling in respect of the matter?

Mr. HEES: We were very, very happy to get this excellent ship because it makes a very good ice-breaker for use in the winter time. It will also be doing exactly the same kind of summer work up in the Arctic as before. We feel that we will be getting more use out of the Labrador because it will be used as an ice-breaker in the winter time and used in the same way as the navy used it in the summer, for northern patrol and experimental work and so on.

Mr. FISHER: I suppose there will be a loss in that the naval people will no longer have northern training, or is there some arrangement for that?

Mr. HEES: I suppose you could say that the naval people feel that if they are not operating the ship they will not be able to train with it. However, in respect of the question of cutting down on the number of staff required to operate it, the navy requires 200 men as a result of the different type of operations they carry out whereas we require only 100 men.

Mr. SMITH (*Simcoe North*): Not that Mr. Fisher's original question was relevant to the matter we are discussing now, but since he brought up the matter of the Labrador, during its northern expeditions in the summer, will it carry naval personnel who are trained as scientists?

Mr. HEES: These facilities are available for the use of the Defence Research Board in the summer time when the Labrador is operating in the north.

Mr. FISHER: Is the cost of the Baffin inquiry to be charged to this department under administration?

Mr. HEES: The immediate cost of the inquiry will be charged to the Department of Transport, but not the cost of repairs to the ship.

Mr. FISHER: Yes.

Mr. HEES: This subject would fall under marine services, item No. 419.

Mr. FISHER: As far as repairs to the ship are concerned, is there an item in the estimates covering that?

Mr. HEES: In regard to the question of repairing the ship I would simply say that the ship belongs to the Department of Mines and Technical Surveys. However, in so far as the inquiry itself is concerned, the Department of Transport must bear the cost.

Mr. WRATTEN: Mr. Chairman, I would like to say that I did not think the few remarks I made the other day would have such repercussions. Apparently there are a lot—when I say “a lot” I mean a good number of civil servants—who are very concerned about what is going on. I do not know whether this is the appropriate place to bring this up or not, but I wonder if the minister could go to the treasury board and acquire enough money to complete an investigation of his department, conducted by a firm of efficient experts—not a group from the Civil Service Commission itself, but a firm of experts who know the score in relation to business administration—in order to find out whether we do have people employed who are not doing a job for the government. I would be perfectly willing to apologize if an investigation of this type proved that I was wrong. However, as a result of letters and phone calls that I have had in the past two days I feel that I am on the right track. I feel the people in this country are concerned about this situation. I do not know whether I am in order or not, but I would like to see a complete over-all investigation in respect of one department of the government to see if this situation exists, and if it does, then a follow-up in respect of the whole civil service.

If Mr. Bates, as he has stated, could make a change in his personnel, effecting a savings to the country of some \$2,500,000 while operating as efficiently, then I think the same thing could apply to other departments. I would like to see an investigation like this carried out.

I feel the people of Canada would be behind such an investigation. I think the people of Canada expect us to operate as economically as possible.

The CHAIRMAN: Are there any other questions in respect of item 414 gentlemen?

Item agreed to.

Item 628. (Supplementary) Departmental Administration—Further amount required	\$98,720
---	----------

Mr. HOWARD: Would it be possible for the minister or his deputy to give us a general breakdown as to what this item covers?

Mr. BALDWIN: Are you speaking of the supplementary item, sir?

Mr. HOWARD: I am speaking of the supplementary item, 628.

Mr. BALDWIN: Yes.

The breakdown is primarily in relation to personnel.

We have been under some criticism in respect to our failure to be as expeditious as we should be having regard to a substantial number of land purchases that we are engaged in for various purposes.

This sum of money will provide some additional assistance to the land branch staff in the Moncton and Montreal areas with the hope that this will help them get ahead with their work a little faster.

We have also been under some criticism for our failure to proceed as expeditiously as we might in handling some of our purchase accounts. There is a small item here for an additional clerk, grade 3 and a typist for the purchasing branch with the hope that we can get ahead with the settlement of some of our accounts a little more rapidly.

The small addition in the personnel division again largely relates to the very large growth of the air services branch. We hope this will assist them in handling their personnel matters.

This item involves a series of things of that sort, sir. I think those are the main ones.

Mr. HOWARD: These items are all contained in the main item No. 414, covering departmental administration?

Mr. BALDWIN: This all comes under departmental administration, yes.

Mr. FISHER: I have a question arising out of the point Mr. Wratten brought up.

How long has it been since the Civil Service Commission has analyzed its headquarters administration from the point of view of staff and efficiency? Has this been done recently?

Mr. BALDWIN: There is an analysis conducted every year through the medium of the special establishments committee that I mentioned at the last meeting, sir. In addition to that we are constantly in the process of either making, ourselves, or with the assistance of that special committee—usually they do it at our request—what we call special unit surveys.

These special unit surveys are going on all the time. As one survey is finished we make a request for another in another area. These are really surveys of the administration, which the Civil Service Commission undertakes, of a detailed operation of a given unit. However, these detailed surveys are not made of every unit every year. Making again a rough guess, I would say that in rotation every unit is covered by one of these unit surveys on a cycle of two to four years.

Mr. FISHER: I would like to ask a question of the minister.

The idea of having a parallel to the Harbour Commission in the United States has been mentioned a number of times by members of the party to which the minister belongs while they were in opposition. Has any thought been given to that idea? What is the minister's opinion in respect of the effect such a commission would have on his department? Would the minister recommend against such a commission at the present time?

Mr. HEES: If the government decided to set up such a commission I would not recommend against it at all. This would be a matter of government policy, not departmental policy.

Mr. HOWARD: Mr. Chairman, I have a question in regard to something that probably should have been dealt with under the main item, and this is one of the reasons why I had hoped that we would have an opportunity to ask questions on specific items as they arose.

My question relates to the unit surveys that are carried out from time to time. Am I correct in my recollection that recommendations as result of these unit surveys are forwarded to the department in respect of administrative or structural changes? I am not sure this applies to the Department of Transport, but it is my understanding that a number of these recommendations that have been made by the group making the survey have been completely ignored by the administrative officials, and have not been put into effect. This situation causes some frustration to the people making the surveys.

As I said, I do not know whether this situation exists in the Department of Transport, but could the minister make a statement in regard to it?

Mr. HEES: This does not apply to our department.

Mr. BALDWIN: We in this department have found these surveys to be very helpful. While I would not guarantee that we have accepted 100 per cent of the suggestions, they act as a very important guide to us.

Mr. HOWARD: Generally these recommendations are accepted?

Mr. HEES: In respect of this question of staff efficiency, I would again like to repeat that individual members of parliament could make a great contribution in respect of the Department of Transport's operations within their own ridings if, when they saw that an operation was not being carried out as efficiently as it should be, or could be done with fewer employees, they made recommendations to the officials here in Ottawa. We would certainly give very serious consideration to any such recommendations.

The fact is, nearly all recommendations coming from members of parliament are of the nature of violent protests again the cutting down of services within their ridings. As a matter of fact, members are always anxious to have the services increased in their own ridings.

I am very sincere when I say that we would welcome any recommendation you could make which would result in a more efficient and better job being done. We would welcome any such recommendation. If after studying it we found that a recommendation was upheld, we would certainly take the appropriate action.

Mr. FISHER: Mr. Chairman, I would just like to state in regard to my own riding that I have been very pleased with the services of the Department of Transport as I have seen them. I think these services are done on a very high plain. From what I have seen around the Fort William and Port Arthur harbours, I would say that we are receiving full value from the men employed there.

Mr. HEES: Thank you.

Mr. McDONALD (*Hamilton South*): I would like to say the same in respect of Hamilton.

Mr. HEES: I am sure that it is the same for all of you. I think all the members may just as well be placed on the record as having said that.

Mr. HOWARD: I was wondering if you were going to ask for a vote on that.

Mr. HEES: I am sure it would be unanimous, Mr. Howard.

Mr. HOWARD: I would like to express my ideas in respect of the suggestion just made by the minister. I know the suggestion was made in all sincerity, but I would be reluctant to delve into the details of the administration of a branch of a department to see if it was being run efficiently or not. I would rather see this investigation carried out by these people who conduct the unit surveys now, or some comparable group. This could be done by a group having knowledge of administrative structures and of business management, or something of that nature. They would be in a position to relate their appreciation of the relative efficiency of any branch of the department to the department itself. I do not think members of parliament would be capable of carrying out such an investigation, and for that reason I personally would be reluctant to do this.

Mr. HEES: What I had reference to, Mr. Howard, was that if you had an airport, a harbour, a canal or another operation of that type in your riding, and it seemed to you that every tie you passed through that airport, or stood on a dock, or happened to be in the vicinity where these operations were being carried out, that there were a lot of people standing around, or that an operation did not appear to you to be efficient, it would be appreciated if you would pass that information along to us. Then, without having delved into the situation ourselves, but with this information, we could take a very serious look at the situation.

Mr. WRATTEN: We have been trying to take an airport off your hands for quite a while.

Mr. HEES: I sincerely hope we will be able to work that problem out.

Mr. PASCOE: Mr. Chairman, I have had several letters from people residing in my constituency in regard to the slow payment for the purchase of land. Did I understand the deputy minister to say that the passing of item 628 would have the effect of speeding up these payments?

Mr. BALDWIN: This particular item relates to the personnel in eastern Canada. We are hoping to make some improvement in the next estimates for western Canada.

There again, the problem has been one of very careful review. We have been asked to go a little slower in this regard.

Item agreed to.

Item 415. The St. Lawrence River Joint Board of Engineers—Canadian Section...\$132,090

Mr. FISHER: Could the minister give us a brief review of the scope of this item?

Mr. HEES: I would be very glad to.

The joint board of engineers was established by the Canadian and United States governments to approve on behalf of the two governments the plans and specifications for the power works in the St. Lawrence seaway, having regard to the Ontario Hydro Electric Power Commission and the New York State Power Authority, to insure that the works were actually constructed in accordance with the approvals given.

The object, of course, was to make sure that the power construction phase was technically satisfactory and conformed with the over-all requirements for the seaway. In other words we had a plan for the seaway and we had a plan for power development and we wanted to make sure that the power development did not interfere with the overall plan for the seaway.

This joint board of engineers was set up, and that is what their job has been.

Mr. FISHER: Will their job disappear?

Mr. HEES: Their job will disappear as soon as the work is completed. This board will disappear next year.

Item agreed to.

Item 512. Loans to the St. Lawrence Seaway Authority in such manner and subject to such terms and conditions as the Governor in Council may approve \$128,000,000

Mr. CAMPBELL (*Stormont*): Mr. Chairman, I would like to ask a question in regard to the previous item, the St. Lawrence River Joint Board of Engineers—Canadian Section.

Having regard to extra work that has been necessary in regard to the bridge at Cornwall in order to meet the specifications of the United States army engineers, I was wondering if this deficiency was discovered by this particular engineering board, or whether they would have any connection with such a situation. What responsibility would this board have in that regard? Were they acting in an inspection capacity? If they were acting in that capacity perhaps they should have discovered this engineering deficiency earlier.

Mr. HEES: I am awfully sorry, I could not get what you were saying, Mr. Campbell.

Mr. CAMPBELL (*Stormont*): I was referring to the extra work that has been required on the bridge at Cornwall in order to make the foundations conform to the requirements of the United States Army engineers. Apparently there was considerable additional work and expense involved in this in order to meet the specifications of the United States army engineers.

I am wondering if this engineering board acted in an inspection capacity, and if so, why they did not discover these inadequacies earlier and thereby perhaps have prevented the necessity of this additional expensive work. Would this be a responsibility of your department?

Mr. HEES: I can give you an answer in respect of the inadequacy. This inadequacy was not an inadequacy in plans. The inadequacy occurred because of the actual placing of the concrete.

This method of the placing of concrete inside the caissons is a new method. It was one that did not work out very well in this particular case

on the first attempt. We hired the best firm of civilian consulting engineers that we could obtain in order to find out who was to blame, whether our own inspectors or the people who actually laid the concrete. This firm was not able to determine exactly who was to blame. It turned out to be one of those borderline cases where the blame could have been laid to either one or the other. It was indeed an unfortunate thing.

Air got into the concrete. This could not have been discovered until the concrete was actually laid and the piers tested.

Mr. CAMPBELL (*Stormont*): A supplementary question. If the origin of the fault or error cannot be discovered and the responsibility for this error cannot be placed then presumably the contractors do not have to assume liability for it?

Mr. HEES: That is right. I assure you we did everything possible. We brought in this outside firm of engineers in an attempt to determine who was to blame but it was impossible to do so.

The CHAIRMAN: Any other questions on item 512?

Mr. FISHER: Has the minister noted that an attempt is being made by the American legislative people to free the United States equivalent of the St. Lawrence Seaway Authority from any departmental connection? I just wondered whether this would have any possible effect on its Canadian equivalent?

Mr. HEES: Yes. The deputy minister tells me that the story he saw was to the effect that it was being taken out of commerce and put under the defence department. We do not know anything more than that.

Mr. CHOWN: Of \$100 million authorized in the 1957-58 estimates—

Mr. HEES: Would you like to come up closer so that we could perhaps hear you a little better?

Mr. CHOWN: I must attend another committee meeting, Mr. Chairman, so I was sitting close to the door.

Of the \$100 million in respect of item 512, how much was actually spent?

The CHAIRMAN: That is the figure for the 1957-58 estimates?

Mr. CHOWN: Yes.

Mr. HEES: In regard to that question, \$98,624,484 was spent on construction and allied projects, and \$4,694,000 was spent on construction of facilities and equipment. It was a little bit over the \$100 million mark.

Mr. CHOWN: You spent more than the \$100 million?

Mr. HEES: Yes.

Mr. CHOWN: To follow this point up, Mr. Chairman, I would like to suggest that it might be helpful if the deputy minister could supply us with the actual expenditure of these larger items, for comparison purposes. Perhaps it could be supplied in the form of a mimeographed sheet. I know this is dealt with under public accounts, but it is rather unrealistic if you do not have the comparison before you. Could the steering committee consider that?

Mr. HEES: We have all the details here. If there are any questions which you would like to ask, go ahead and ask them.

The CHAIRMAN: Have you a question, Mr. Chown?

Mr. HEES: If you would like to look it over later, we have it all in the book here and would be glad to have you, or any other member of the committee, take a look at these details any time.

Mr. CAMPBELL (*Stormont*): I have a question, about the financing of the St. Lawrence seaway authority. Perhaps I should know about this. Do all

the funds and appropriations for the St. Lawrence seaway authority go through the Department of Transport, and are they in that budget, or do they go directly from treasury to the seaway authority?

Mr. BALDWIN: They are part of the printed estimates under this heading of loans and they come under the departmental budget in a separate item under the heading "seaway".

Mr. CAMPBELL: I suppose it is analogous to the C.B.C. which reports to the Minister of National Revenue similarly.

Mr. FISHER: Usually in respect of these large projects the projected costs are lower than what actually develops as the work goes along. Has that been the case in respect of the St. Lawrence seaway?

Mr. HEES: In many instances, yes. A number of the original estimates were made some time ago and labour and other costs have increased. Also in some instances difficulties have been encountered which required slightly different treatment than was previously considered. If there are any changes or increases they are submitted, first of all, to me by the seaway authority and recommended by me to the treasury board and passed by the treasury board.

Mr. FISHER: In following this whole project through the newspapers one has the impression that most of the pressure descended upon Ontario Hydro in relation to changes in shifts. Did that affect the department in any way at all?

Mr. HEES: I do not know of any real affect it had at all.

Mr. CAMPBELL (*Stormont*): On this matter of loans, this would be supplementary to the treasury appropriations for the seaway authority; would it not?

Mr. HEES: No. The appropriations are made by loan from the government of Canada to the seaway authority. All the money put into the seaway is in the form of a loan to the seaway and will be paid back by means of tolls over the next fifty years.

Mr. CAMPBELL (*Stormont*): This item here, I believe, is supplementary to the ordinary item?

Mr. HEES: No.

The CHAIRMAN: This is under loans and investments, item 512.

Mr. WRATTEN: This is the regular yearly loan to the St. Lawrence Seaway?

Mr. HEES: Yes. Each year the seaway authority estimates, like any other department, what it will need for the next twelve months.

Mr. WRATTEN: This is their money for the next year's operations?

Mr. HEES: Yes.

Mr. SMITH (*Simcoe North*): Presumably the Minister of Finance would issue \$100 million in bonds to cover the money advanced to the seaway over a long term?

Mr. HEES: The Department of Finance gets its money in various ways.

Mr. SMITH (*Simcoe North*): In this type of long-range investment it would be paid for presumably by some loans.

Mr. HEES: We do not worry how they get it as long as we get the money we need.

Item agreed to.

Item 416. Canal Services—Administration, \$162,855.

Mr. FISHER: Is it true, Mr. Chairman, that the American authorities at the Sault refused to allow foreign shipping to go through their canals and that foreign shipping is routed through the Canadian canal.

Mr. R. J. BURNSIDE: (*Director of Canal Services, Department of Transport*): There is an arrangement with the Americans whereby they do not pass passenger vessels or foreign vessels. They are passed through our side of the canal will not be in a position, in the future, to take the large ocean ships

Mr. FISHER: Rather than security reasons?

Mr. BURNSIDE: I meant to say security, and safety. Theirs are the larger locks and they are deeper than ours and carry the greater volume of traffic actually—the freighters. Since we cannot reasonably deny them passage, which we have no desire to do actually, they are allowed to carry on through the Canadian side of the lock.

Mr. FISHER: This raises questions for the future in connection with which I had a letter from the minister in relation to the carrying through of the final deep sea operations into Lake Superior. As I understand it the Canadian canal will not be in a position, in the future, to take the large ocean ships which may be going up into Lake Superior. Is that correct?

Mr. BURNSIDE: That is correct. It would entail the construction of a new lock on the Canadian side.

Mr. FISHER: What discussions have there been with the American authorities? It seems, from what the gentleman said, Mr. Chairman, that you will have a bottleneck in the future which might keep us from obtaining full advantages in the future on Lake Superior. What arrangements have been made to see that foreign ships will use the big canals in the United States after the dredging lower down in the lake system has opened it up?

Mr. BURNSIDE: That question is allied to the situation which now prevails in respect of oilers or gasoline carriers. If a gasoline carrier is too large to go through our locks, they are permitted to go through the American locks although the danger from a large ship is greater than from a smaller ship. Nevertheless they do not deny passage to a vessel. It is probably a matter of convenience that if we can handle them we are glad to take them because the risk is not so great if some disaster should happen. As far as I am aware the same will apply when the seaway comes into operation and there are large foreign vessels too large for us to handle.

Mr. FISHER: Is this deemed to be a satisfactory situation at the present time by the department?

Mr. BURNSIDE: Yes; as far as we are concerned. We feel we are not suffering. The risk is quite minor. The risk is certainly not as great as the risk involved in allowing them through the Welland ship canal.

Mr. FISHER: How do you explain that the Americans have this slightly different concept in respect of security than the Canadian authorities have?

Mr. BURNSIDE: That is pretty hard for me to answer.

Mr. WRATTEN: Are there any tolls on the Sault canal?

Mr. HEES: No.

Mr. WRATTEN: If our big boats are allowed to go through the American canal it is a two-way deal and we do not suffer at all?

Mr. HEES: No.

Mr. McDONALD (*Hamilton South*): Is there any truth in the story that the Americans are surveying for a channel between Lake Ontario and Lake Erie for a canal something similar to the Welland canal?

Mr. HEES: I have not heard of it. There has been some newspaper speculation, but we have not heard of anything authoritative.

Mr. FISHER: Returning to the questions in respect of Sault Ste. Marie, when these big foreign ships go through the American canal are they required to have pilots on board?

Mr. BURNSIDE: Not at this time.

Mr. FISHER: In other words, the Americans will let these ships go through without a pilot?

Mr. BURNSIDE: To the best of my knowledge; yes.

Mr. CHOWN: What is the depth of the St. Lawrence seaway canal system and what limitations, due to the depth, are put on the capacity and size of ships with their respective drafts, when they go through the system?

Mr. HEES: This whole St. Lawrence seaway system is being built to accommodate 27-foot draft; at least the canals will be 27 feet in depth which will take a ship, I am informed, of not more than 25 or 25½ feet in depth.

Mr. CAMPBELL (*Stormont*): Why was it necessary, in the construction of the seaway, to close down the existing canal at Cornwall? I believe it was contemplated that the Cornwall canal would continue to exist and I believe there are vested interests who would like to have the same possibilities for free transit which they have had for over a hundred years in that area. Would there be any insurmountable engineering difficulties involved in retaining the full use of the Cornwall canal in conjunction with the hydro and seaway development; and if not why was this not done?

Mr. HEES: I have something here which might answer the question: "A portion of the Cornwall canal covering locks 15 to 19 will be kept open for 14-foot navigation to allow shipping to serve the Cornwall area."

Mr. CAMPBELL (*Stormont*): Precisely; but why was the whole canal not continued? From an engineering standpoint was it impossible? You have a facility there which provides a service. It could continue to provide a service. Was it essential for engineering purposes that this be closed down?

Mr. HEES: It is largely a matter of cost.

Mr. BURNSIDE: I think the cost would be excessive to provide for a fourteen-foot navigation through there. New facilities are provided in a slightly different way. The ships will be able to move as freely and with greater facility than they did before. They can still come into and service the Cornwall area. The dike is situated upstream from Cornwall and the ships can come up that far and will continue to do so for the foreseeable future.

Mr. CAMPBELL: I do not know whether or not this is the place to ask this question, but would someone care to make a comment on the article in the *Journal* of last night. It was to the effect that under the International Rapids Act it specified at that time, and evidently it was the original contemplation of the planners, that the existing fourteen-foot canal service would be maintained right through and it would not be just a means of access to the Cornwall industrial area.

Mr. BURNSIDE: The fourteen-foot navigation is being maintained and it will go through the new lock on the American side—the two new locks—and will pass freely. As a matter of fact a considerable amount of planning has gone into the preparations to accomplish that very fact so that the ships would be permitted to go through.

Mr. CAMPBELL (*Stormont*): It is only maintained in the sense that the greater contains the smaller. If the 27-foot draft vessels can go through the two American locks, obviously the 14-foot draft vessels can also. To that extent 14-foot navigation is preserved. But you could also say that the 14-foot navigational channel has been replaced by a larger one on the American side. That was not what was originally contemplated according to the article and according to a cursory reading of the statute in this connection. The way the statute reads one could interpret it that the original contemplation was to preserve the existing facility in the Cornwall canal area, in other words,

straight through navigation; so there would be two parallel systems, one for less than 14-foot draft traffic and the other the deep water seaway down through the United States portion where tolls, of course, will be charged. This is, of course, a matter of tolls.

The CHAIRMAN: Would you mind speaking a little slower?

Mr. HEES: If we had continued the 14-foot canal about which you are speaking, the cost would have been so great that it would have been the obvious thing to build the regular full draft channel on the Canadian side and make it an all-Canadian seaway.

Mr. CAMPBELL (*Stormont*): That is, of course, what I am hoping in the near future will eventually be done.

I have another question which perhaps is not a fair one. Will the closing down of the existing 14-foot navigational canal at Cornwall be likely to hasten or impede the eventual construction of an all-Canadian canal? That is a matter of speculation.

Mr. HEES: That is a matter on which I am afraid I would not like to speculate.

Mr. FISHER: The department and the government has encountered a great deal of trouble, and representations, in respect of taking care of the old Welland canal in relation to complaints from the communities involved that it is a hazard in terms of life and everything else. Are we going to have a problem like this when these other canals are put out of circulation?

Mr. BURNSIDE: They will all be drowned; they will be flooded out.

Mr. CHOWN: I have heard that had the St. Lawrence seaway system been cut to a depth of another three feet, in other words, thirty feet it would have carried quite a few additional ships. Not knowing much about ships, would the witness be prepared to say how much traffic was cut out and perhaps also give us an idea of how deep the draft is of ships larger than twenty-seven feet.

Mr. HEES: I think probably the only man who could give you the answer to that question is not here today, Mr. Chevrier who was the Minister of Transport at that time. All these decisions were taken about ten years ago. Neither Mr. Burnside, Mr. Baldwin nor myself, are conversant with the thinking or the discussions at that time. I am afraid I do not know the reasoning which made the government at that time decide on building it 27 feet as opposed to 26, 28 or 30. The decision was made at that time and plans laid, and the seaway built.

Mr. CHOWN: Could you tell me the extent to which the drafts of big ships go; do they go as high as 40 feet?

Mr. HEES: They can go to 40 or more feet. I am told that the modern big tankers can go well over 40 feet. You have to draw a line somewhere and the decision was made on 27 feet.

Mr. CHOWN: Could we have a tonnage in respect of that figure of 27 feet?

Mr. HEES: No. You cannot because there is a great difference in the tonnage carried by a ship which is built to travel through the lakes and canals and one which is built to travel into the open sea. I would say that you can carry about twice the tonnage on a ship that does not go on the open sea because the sides come pretty well straight down and the bottom is almost flat. They are designed that way. I am told they would break up very quickly if they went out into the open sea. That is why there will be a great deal of trans-shipping still which will take place at Montreal and at other towns because it will pay the people who are doing the shipping to bring grain down and/or up in ships which are not designed to go out into the open sea and are designed just to travel through the canals and the great lakes.

To answer your question, it is impossible to tie tonnage to the depth of a ship.

Mr. SMITH (*Simcoe North*): As a result of the fact that I come from a part of the country where a great many of these ships are being built, I would say that the depth of the canal is determined by the design of the ship. They consider what the main cargoes are going to be that will be going through the canal and relate it to the economical size of the ships in relation to the draft and then they come up with a figure—27 feet—which is best.

The CHAIRMAN: Just a minute, Mr. Smith. When you turn away the reporter cannot hear what you are saying.

Mr. SMITH (*Simcoe North*): The draft of a ship does not necessarily relate to the tonnage, because some have very flat bottoms and some are very high. The depth of a canal is largely related to the type of cargo that ships are required to carry.

There was great discussion carried out by our experts at home during all that time. It was decided after those discussions that 27 feet was the figure that was most economical in relation to the ships that would be using the canals.

The CHAIRMAN: Thank you Mr. Smith.

Mr. CAMPBELL (*Stormont*): I am very conscious of the inadequacies of this present deep-sea canal.

The deep-sea canal system is the responsibility of the previous administration and more particularly the responsibility of the former ministers of transport and the previous heads of the seaway commission. Nevertheless, it remains our responsibility to pull what we can of the chestnuts out of the fire and salvage what we can of the—I will not call it fiasco, that would be completely unwarranted. However, it is our responsibility now to make the best of what we have.

The answer that I received to my previous question was that the only reason why we could not maintain two parallel systems of canals; the Canadian 14-foot canal with an American 27-foot lock, for which there would be tolls of some sort, was because of the additional expense.

The CHAIRMAN: Mr. Campbell, would you slow down a little so the reporter can get it?

Mr. CAMPBELL (*Stormont*): The additional expense involved was given as the reason it was not feasible.

I understand that in the present 14-foot deep channel,—in other words the old Cornwall canal—there are just about two or three locks at the moment that will be closed down.

Now, the cost of operating two or three small locks, and the cost of employing the number of men required to maintain them to my way of thinking would be negligible in proportion to the cost of the whole project. Is cost a sufficient reason? I mean, if there are no insurmountable engineering barriers in respect of maintaining the existing old Cornwall canal, surely the relatively negligible cost would not be a sufficient factor to warrant the discontinuance of it even if it meant a 14-foot deep channel for local package trade, if you will.

Mr. BURNSIDE: The scale of the seaway envisaged a channel route on the Canadian side as well as on the American side. In none of the schemes, I believe, was it intended to maintain a 14-foot channel as such in its present condition.

In order to provide for future plans it is necessary to flood out these two locks above the seaway dyke. To my knowledge it was never a feasible proposition to maintain them as 14-foot units. The 14-foot ships, as they continue to exist, or as long as they continue to exist, can use the new and larger facilities, as they are presently doing in the Welland canal.

It would be an uneconomical and excessive cost to attempt to continue to maintain those 14-foot channels as such on the Canadian site. They will be flooded out.

Mr. CAMPBELL (*Stormont*): Would you care to relate the cost of the new channel to the additional cost of maintaining the 14-foot inside channel?

Mr. BURNSIDE: No, I am afraid I cannot.

Mr. FISHER: My question is directed to the minister and relates to what was in effect an economical interpretation in relation to a certain amount of trans-shipping that is still going to take place. It seems to me implicit in what he said, that lakes ships will still have a competitive advantage within this system. If we accept that argument why is it that the dominion marine association and other lake shippers are so anxious that there should be discriminatory tolls charged against foreign ships because they are afraid they will not be able to compete. I think their concern is expressed by the fact that they made representations to the royal commission on coastal shipping that some form of protection should be given them.

Mr. HEES: What discriminatory tolls are you referring to?

Mr. FISHER: I am referring to discriminatory tolls against foreign ships. That is, they feel that there should be an addition toll craged to foreign ships.

Mr. HEES: I am not in a position to explain the thinking of the dominion marine association, Mr. Fisher. I have enough trouble trying to explain matters that come within my own jurisdiction.

Mr. FISHER: I just wanted to get on record the feelings of the Department of Transport in respect to a protection of that kind.

Mr. HEES: I do not think I should be called upon to comment on the thoughts of the dominion marine association, or anything else to do with them?

Mr. FISHER: It seems to me, Mr. Chairman, that in this particular case the minister has given us an interpretation of the future based upon the belief that lake shipping will more than hold its own, and that there will be a considerable amount of trans-shipping. I just wanted to point out that the fears expressed by the inland shipping interests would seem to indicate that they did not accept that argument.

Mr. HEES: If they do not accept that argument that is their right. I have stated the case as I understood it and as it has been explained to me by shipping people.

Mr. CAMPBELL (*Stormont*): To paraphrase that question, has foreign shipping any comparative advantage over the existing inland canal ships?

Mr. HEES: No.

Mr. CAMPBELL (*Stormont*): They obviously have the one advantage of a cheaper wage scale?

Mr. HEES: That is right.

Mr. CAMPBELL (*Stormont*): That is the only advantage?

Mr. HEES: Yes, I believe so.

Perhaps I might elaborate on that situation. Any ship coming to Canada and passing through our canals would actually have a disadvantage compared to lake ships which can carry more per passage through the locks.

Mr. CAMPBELL (*Stormont*): Of course, ship coming to Canada would already have a cargo. They would not make a special trip to handle local shipping?

Mr. HEES: No.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I think there is one advantage that Canadian ships have. Package freighters which are Canadian built are equipped to mechanically handle cargoes quicker, and designed to handle Canadian cargoes.

The same thing would apply to ore carriers, or our combination wheat and ore carriers. They are designed to handle the maximum cargo that they will receive in Canada and for that reason have a considerable advantage over foreign ships which are usually of the other type.

Mr. RYNARD: Mr. Chairman, there are two questions I would like to ask. The first question is, could there be a survey made, through this department, so that we could know what towns and what cities will be affected along the waterway as a result of the fact that we will be handling ocean shipping as well as lake shipping, and whether ocean shipping will have an effect and whether lake shipping will have an effect. I am particularly concerned with this question.

We have elevators and so forth, and I am wondering if this department could initiate a survey to find out what the effect will be upon those towns and cities along the seaway. I appreciate that you have not got the answers with you at the moment. I could hardly expect that.

However, I wondered if a survey such as that could be carried out so that every city and town would know pretty well what to expect and be in a position to make plans for the future.

My second question has to do with the Trent valley canal that was started in 1826, and the waterway that was supposed to have been completed.

This waterway was started as an imperial project and was supposed to have been completed years and years ago. Every minister of the Department of Transport and the Department of Trade and Commerce has considered this waterway and given it their blessings. These ministers in the company of the leading engineers of those days have explored the potentials of this waterway.

In 1916 due to a war crisis dams were built and water power facilities were installed. A marine railroad was built there. That marine railroad was supposed to be a temporary thing. However, since that time the canal has been completely neglected. It was completely forgotten and neglected for 22 years during the Liberal administration.

We believe there are dozens of reasons for going ahead with such a plan. One of the most important reasons is that the founder of this country, Champlain, was the man who first travelled on that waterway. I think all of us can look up to him with a sense of pride because he was the man who came to that land, the first farming land of Canada, and the man who mingled with those Indians and wanted to make the Indian nation an equal nation. This is important especially when we consider that the Spaniards about the same time were colonizing down in Mexico and slaughtering the Indians there.

I believe we have a real national appeal, from the Atlantic to the Pacific, in that the French, English, Irish, and Scottish form one genetic group. We have great common ground in that this is the greatest and longest waterway in the world.

Gentlemen, I make my appeal to you to finish this great waterway that was commenced in 1826 but which over the years has been forgotten.

The CHAIRMAN: You are speaking of the lock at Swift rapids?

Mr. RYNARD: I am speaking of the lock at Swift rapids, yes.

The CHAIRMAN: And you are speaking of the Severn river.

Mr. RYNARD: That is right.

Mr. BALDWIN: On the first question, Mr. Rynard, the matter of the overall type of survey that you mention is a little bit difficult to contemplate in terms of organization. However, we are trying to achieve very much the same sort of thing at the present time by means of a joint travelling team, along with the Department of Public Works, composed of both engineers and economical advisers from the two departments. This team has been visiting quite a number of the harbours involved in the Great Lakes' system at the request of the local municipal authorities.

We have been discussing the matter with the local authorities. This team reports, to the Department of Public Works, what they think the future holds, or will hold for a particular area. So that, in fact, is what is being done by this team project.

The second point regarding the Trent valley canal, of which we are very proud because of the fact that it is one of the important historical and attractive tourist waterways of the North American continent, is that we are anxious to improve the facilities there and are doing our best to accomplish that.

The question as to whether the admittedly old marine railways should be replaced by new canals now, or should, on an interim basis, be replaced by a new, better and bigger marine railway until the traffic proves the necessity of having a canal, is purely one of dollars and cents.

Our discussions with the treasury board so far have indicated that the next step would probably appear to be a bigger and better marine railway since the present ones are rather poor.

We have this plan in mind, and if the waterway traffic should develop even further then further consideration might well be given to the question of canals.

Mr. RYNARD: Mr. Chairman, I am very happy to hear that assurance given by the deputy minister. I would just like to remind him of the fact that he does not get up that way very often, but I can assure him that I was over that road last Sunday and know that the number of boats going through there is terrific.

During one day last year there were more boats put through than there were during the whole season in 1939. In 1957 there was double the number of boats going through than there was in 1955.

I am sure, Mr. Baldwin, that if you build another marine railway there you will not be able to handle the traffic or size of boats that will necessarily have to go through. I am sure you are sympathetic from a national standpoint, and I appreciate that, but I wish you would take a good long look at the situation there.

The CHAIRMAN: Thank you Dr. Rynard.

I might mention that I was president of the Trent waterway development association for six years. This association represented all the cities and towns for 250 miles along the canal.

Mr. RYNARD: I should have mentioned that fact, Mr. Chairman.

Mr. CAMPBELL (*Stormont*): Apropos of Dr. Rynard's first question, let me say that about every four of five years the city and municipal authorities of Cornwall have made representations to the previous administration and ministers of transport in order to get something in the nature of a coherent economical survey of the harbour potential of Cornwall.

I am delighted to say that it was a result of this present administration—in fact very recently, about two weeks ago—that we had a full completely comprehensive inspection of the harbour potential at Cornwall. There were these—what shall I say—very responsible experts who came down there. They spent two days going into the whole thing extensively interviewing anyone who wanted—

Mr. HEES: Could you slow down Mr. Campbell? We do not want any of these "pearls" to be missed by the shorthand reporter who is having difficulty in getting down everything you say. I would not want him to miss any of them.

Mr. CAMPBELL (*Stormont*): I am sure this will be of tremendous benefit to the realistic plans in the local area, because there have been a lot of roseate conceptions in that area, as there no doubt have been in other seaway areas.

The value of this extensive survey, of course, locally is determined by the availability of the report to the local authorities. I understand that that report has not been completed yet. I would hope that at least the relevant portion of that report will be made available to the local authorities as I am sure it will be of very great use to them in the realistic planning for the future.

Mr. FISHER: In relation to the question raised by Dr. Rynard, I have discovered that last year the people who made the most surveys were geographers from the University of Chicago. As a matter of fact one of them was hired by the government of Manitoba to make a survey of the potential development of the area.

The only public surveys that have been carried out in Canada that have received any publicity were those made by a geographer from the University of Western Ontario.

It seems to me that Americans, especially from the ports of Milwaukee and Chicago, have made better studies of the potentialities of the St. Lawrence seaway, and how it will affect the communities. I am afraid that the Canadian surveys did not give much consideration to places as small as Cornwall, and I put Cornwall in the same category as Port Arthur and Fort William when comparing it with Milwaukee and Chicago.

I was wondering if we could hope for a study in this regard, in broader and more general terms such as has been introduced in the United States.

Mr. HEES: As the deputy minister has said, we have made many surveys of various areas. As you know, we made quite an extensive survey of the Lakehead harbours, as a result of which we constructed facilities there to meet the needs which would be created by the completion of the seaway.

Regarding the extra traffic and extra business that will occur in those ports is something which I think is going to be very difficult to forecast. To me it appears very much like the building of a highway. The benefits accruing to the people living along that highway are largely dependent on the efforts of those people themselves. In other words, a person who builds an attractive hotel, an attractive restaurant, a shopping centre, or something of that kind will reap the most benefits which will be in proportion to the imagination and energy he puts into it.

I think that the ports along the St. Lawrence seaway are going to derive benefit in direct proportion to the amount of energy expended in an attempt to attract business to that port. I do not think it is possible for us to forecast with any accuracy what the advantages are in an exact way. We could arrive at a rough idea, as we did in the case of the Lakeheads. We have decided that certain port facilities are justified and we are going to go ahead and build them after the harbour commission is set up.

To go further than that would, I think, be getting into the realm of speculation. I think this might even be dangerous in that if you painted a glowing picture to a certain community the people might take it as an indication of something that is actually going to take place and build facilities in expectation of what they believe is going to take place. If it did not take place then there would be serious trouble.

I think that what we are doing is the successful thing to do. I am only too glad to assure the committee that as port facilities anywhere in Canada are justified—that is an extension of them, building them or enlarging them

within the powers that we have we will develop them. We will assist, in every way we can, any particular community that can justify the need. I think that is our job.

Mr. FISHER: Just for the sake of the record, I was wondering if that kind of an answer was satisfactory to the gentleman representing those areas that will be affected.

Mr. HEES: I hope it is satisfactory.

Mr. SMITH (*Simcoe North*): I do not think you can make any accurate estimate. We have people who want large package freight docks and such facilities. However, I do not think that until enough traffic begins to move through the canal that we will have any accurate knowledge in respect of the necessary facilities, except in certain obvious places such as at the Lakehead.

However, in regard to the small communities I do not think, until the traffic starts moving through the canal, that you can get an accurate picture of the needs.

Mr. HEES: That is right.

Mr. SMITH (*Simcoe North*): We have had in our own town a very similar case in respect of a controlled access highway—the famous “400” highway. When that was being built the municipal officials at the time cried “ruination”, and said that the businesses were all going to move out and that everyone would be broke. The situation did not develop at all as was expected. It turned out to be the best thing that ever happened to Barrie. All the businesses that were supposed to go bankrupt are expanding.

I feel that we will have a similar experience in respect of the seaway. Except, in respect of Fort William and Port Arthur, which are the vessel terminals, which they have to compete with the traffic from Duluth, I do not think you can really say what is going to happen that will affect places like Collingwood and Midland.

Mr. RYNARD: In regard to that point, would not the fact that we have storage space for wheat in Midland and Collingwood have a reasonable effect on the expected traffic there?

Mr. HEES: I think that the people of those communities themselves are in as good a position to forecast the business that is liable to accrue than we are. If you would like to check with the people in the Department of Transport, I am sure they will discuss the situation with you, and will be able to tell you what the situation is. However, we do not possess, a crystal ball which would enable us to forecast with any accuracy what will take place in the future. I am sure that the officials of the department will give you all the help they can regarding the technical details of this St. Lawrence waterway.

Mr. RYNARD: We all know there is a shortage of elevator space. In these areas of which I speak they sell and store wheat. I would think that it would therefore be possible to pretty well know what ships are likely to come there. In other words, I would assume that there will not be too much effect. That would be my assumption.

I am of the opinion that a survey should be made. I think you will eventually have to make a survey, Mr. Minister, either through your department or through the Department of Trade and Commerce in order to be sure of that point. I certainly am not asking you to give us an answer this morning because I know that would be impossible, but I wondered if an investigation could be carried out along those lines.

Mr. CAMPBELL (*Stormont*): I made the boast in my previous remarks that I did not want to pinpoint the hon. gentleman down to answering, but

will these individual economic surveys in respect of particular communities be released to the particular communities? Will that be the policy of the Department of Transport?

Mr. HEES: We will discuss the matter with the Department of Public Works. These surveys are being carried out by the Department of Public Works and the Department of Transport jointly through this team I mentioned earlier. However, I believe this would be possible.

Mr. CAMPBELL (*Stormont*): Would it be useful if there was some correlation of these various reports that have been made so that some over-all pattern might be arrived at, or would the results of such correlation be nothing more than an intelligent guess?

Mr. HEES: That is right. What is going to take place in Cornwall will not necessarily have any effect on what is going to take place in Toronto, Hamilton or at the Lakehead. I think that each of the situations is a situation unto itself because of its location, and because of the traffic potential, and as a result of port facilities and so on.

Mr. CAMPBELL (*Stormont*): I suppose that if a ship stopped at Cornwall it probably would not stop at Kingston but would continue on to Toronto and vice versa?

Mr. McDONALD (*Hamilton South*): It would continue on to Hamilton.

Mr. HEES: It is difficult to say a ship is going to stop at one place and not at another. I think it depends on the services that a community offers. You may have ships stopping at Cornwall, as you may have stopped, for five or ten years, in a certain store. Then suddenly you decide that the service was not good enough and that you would go to another store. So might ships stopping at Cornwall suddenly decide that for some reason—perhaps because of better service—they would go on to Kingston, or to Toronto.

As a result of that, for us to try to tell you that you are going to have a certain volume would be very dangerous and misleading.

I think the whole thing depends upon the facilities available, the amount of services that are provided in ports for the moving of goods once they are landed, and so on. There are very many factors that enter into it.

Mr. CAMPBELL (*Stormont*): This problem of the anticipation of traffic requiring services is perhaps a version of the old dilemma, which came first the chicken or the egg.

On the other hand, if there are existing services they in turn will attract new industries to the locality.

Mr. HEES: My suggestion to you would be for you to have a talk with some of the senior officials of some of the leading ship companies at Cornwall, or in any community that will be affected by this seaway, and on the basis of what they tell you, you perhaps could guess what the future might hold.

These ship companies will be competing with ship companies of other ports for the business. It will be a very competitive business.

Mr. WRATTEN: Mr. Chairman, I believe the minister has negotiated an agreement for the filling in of the old Welland canal with the municipalities involved, is that right?

Mr. HEES: Yes.

Mr. WRATTEN: Has that work started yet?

Mr. BALDWIN: The engineering planning is now taking place. We hope to let a contract during the course of this summer.

Mr. FISHER: Following that up, I received a letter from Mayor of Merritt on the other day expressing the view that while they had made an agreement and

were going along with the plan, they felt that it was not completely satisfactory from the municipality's point of view. I wonder if the deputy minister could comment in regard to that grievance?

Mr. BALDWIN: That is a rather tall order, Mr. Chairman.

All I can say is that negotiations have been going on with the three municipalities for periods of from four to five years in an attempt to find a solution to this problem. We have the concurrence of these three municipalities, but whether they are satisfied with the agreement or not I do not know.

This is a scheme which has been approved by the treasury board. It is quite a costly scheme which we hope to start this summer.

Mr. WRATTEN: I am very happy to know that the minister has been able to negotiate that agreement and that the canal is to be filled in.

Mr. FISHER: A point directly connected with the kind of service that can be expected there came to mind while I was reading the Congressional Record the other day. We must admit that in the United States there are a number of interested people who are against the St. Lawrence seaway, and have been consistently against it. One of the arguments expressed in the Congressional Record is that the Welland canal within three years would be a bottleneck, and that the Welland canal would not be in a position to carry the traffic that is expected to come along. Could the gentleman in charge of the canal services say whether our department has studied this problem and whether they agree with that general prognosis?

Mr. HEES: Yes. Our estimate is that this difficulty will not occur until much later than that. We estimate it will certainly not occur within ten years. We feel there will be plenty of time after ships start to move through the canal to assess the actual need. We feel there will be plenty of time for us to evaluate the shipping that will use the canal. It is pretty well agreed that we will have plenty of time to complete additional locks if those locks are needed. If the locks are needed they certainly will be built.

Mr. FISHER: The second point I wanted to bring up also has reference to canals and refers to a statement made by a member in the House of Commons the other day which was also referred to by a house representative. It has to do with the question of the Americans spending so much money in dredging the Saint Clair river to which Canada is not contributing at all. It seems to me this may be a point of future conflict and disagreement between the two countries when compared to the fact that Canada is contributing to the cost of the Welland canal system, and in fact to the cost of the whole St. Lawrence Seaway Authority.

Has the Department of Transport considered this particular point, and has it any opinions in respect of it?

Mr. HEES: This is simply a deepening of the American waterway. There has been no discussion between us and the American government about it. There has been no request that we share the cost with them.

Mr. FISHER: This is a very expensive dredging project, is it not?

Mr. BALDWIN: The dredging project on the Saint Clair river is an expensive one. I do not think that it is any more expensive than the dredging work that has been done anywhere else.

Mr. CREAGHAN: While we are still dealing with canals, gentlemen, I would like to direct a general question to the director.

We have had much discussion here this morning about an all-Canadian seaway and the extensions to it. If the committee members would look at the map hanging on the wall in this committee room, you will see on the east coast a slightly red area which probably represents Prince Edward Island. Immediately to the south is the Northumberland strait, and south of that

is the mainland of New Brunswick and Nova Scotia. Immediately south of that again is Chignecto bay. There is a small strip of land about 16 miles in length separating the Gulf of St. Lawrence or the Northumberland strait from the water on the east coast of the New England states.

In ten years' time when the seaway becomes overloaded we might be told in eastern Canada that if we built a Chignecto canal it would double the traffic in the seaway. One hundred years from then we still would not have a Chignecto canal.

It seems to me that before we have an all-Canada seaway it would be more national in scope if the Department of Transport considered seriously building a Chignecto canal. It would only be 18 miles long. The canal in central Canada will be hundreds of miles long yet it is being built.

I would suggest this is the time for this committee and the Department of Transport to seriously consider making a survey and to start building this long needed and much desired canal.

If it were built, 600 miles would be cut off the distance that ships must travel from the New England states to Montreal; at a great savings. Ships travelling from Montreal to the New England states must now go into the Gulf of St. Lawrence around Cape Breton island and south from there. With the building of the Chignecto canal 600 miles would be cut off that distance. This would assist lake shipping because it would provide an all-protected route. Lake ships cannot now go down to Halifax, Saint John and Boston, because they would have to go out into the Atlantic. We could provide an all-protected waterway by building a 16-mile canal between New Brunswick and Nova Scotia. The building of this canal was promised a long time before a central Canada canal. I think it was first considered in 1836.

Mr. RYNARD: It was in 1832.

Mr. CREAGHAN: Since 1832? Talk of that canal has been going on in Atlantic Canada; long before Confederation. It would improve lake shipping, it would improve the seaway and it would be good for the nation as well as being good for Atlantic Canada.

Could the director supply this committee at a later date, if he cannot do so today, with a statement regarding the views of the Department of Transport in respect of conducting a new survey in regard to that canal?

Surveys have been conducted by private industry in New Brunswick and Nova Scotia for many years. A recent survey was conducted in 1957 by a new Canadian immigrant professor of St. Joseph's University. That was given a lot of publicity in the last three or four months. I wonder if the director is familiar with this new survey and whether or not the department has any new plans.

Mr. HEES: This project has been looked at from time to time in the past. The surveys in the past did not indicate to the previous government—that this government—that there was economic justification for building a canal. Now we have asked the Department of Public Works to make a preliminary engineering review and bring engineering costs up to date and to give us a cost estimate. When we receive that we will make another economic study to see whether or not there is a better picture than was evident before. The matter is under study by the department at the present time.

Mr. CREAGHAN: Thank you. The most important point that has always been neglected in previous surveys has been that there is not enough shipping in the local area to warrant it. On a national basis it would mean that the lake boats which come down to Richibucto and Newcastle and other little ports on the east coast of New Brunswick to get pulp-wood or some such thing

would be able to go through and pick up merchandise in the United States. I think it would not only help the maritimes but would also help lake shipping in central Canada.

The CHAIRMAN: Are there any other questions on item 416?

Shall item 417 also carry?

Items 416 and 417 agreed to.

Item 418. Construction or acquisition of buildings, works, land and equipment, including payments to provinces or municipalities as contributions towards construction done by those bodies \$2,531,177

Mr. FISHER: On item 418, I wanted to ask will the vote for the development at the lakehead come under 418 next year?

Mr. BALDWIN: No, sir. That would normally be a vote under the estimates of the Department of Public Works, in all probability.

Item agreed to.

The CHAIRMAN: Shall item 629 of the supplementary estimates carry?

Supplementary item 629 agreed to.

CANAL SERVICES

Item 513. To provide for the acquisition of land required in connection with the development of the 27 foot Cornwall Navigation System \$100,000

Mr. CAMPBELL (*Stormont*): In respect of that item, I do not have a question to ask because I do not know anything about it; but I feel I should have questions and that perhaps I should make some investigation and be in a position to ask some intelligent questions. I feel it incumbent on me to be in a position to ask some questions.

Mr. HEES: The deputy minister will make a short statement.

The CHAIRMAN: I might say at our little study group that the deputy minister explained most of this to us.

Mr. BALDWIN: The purpose of this item, which is a continuing item from last year, is merely to allow the department to acquire the necessary lands which would be required if at some time the Canadian government decides to complete the all-Canadian seaway. The seaway authority and ourselves felt that practically speaking if we could acquire those lands that it would be wise to acquire them now and hold them rather than wait until some later date when it might involve some difficulties.

Item agreed to.

The CHAIRMAN: Shall item 661 of the supplementary estimate carry?

Item 661 agreed to.

Item 419. Marine services administration including agencies \$812,360

The CHAIRMAN: Are there any questions on this item?

Mr. FISHER: Is this a general item which would reach right down to item 425?

Mr. BALDWIN: Most of it comes under item 420.

The CHAIRMAN: We now have with us Mr. A. Watson who is the Associate Director in charge of steamer construction and operation program. The details of this item are on page 543.

Mr. HOWARD: I saw something a minute ago in respect of a lighthouse at Prince Rupert.

Mr. BALDWIN: That actually comes under item 421.

The CHAIRMAN: We are on item 419.

Mr. BALDWIN: That question comes under item 421.

Mr. FISHER: Is this the point at which I would be able to ask a question in relation to the icebreaking service in Lake Superior and, if so, would you give me a brief account of the change in departmental policy which has taken place in the past year in respect of icebreaking?

Mr. BALDWIN: Are you referring only to Lake Superior?

Mr. FISHER: Yes?

Mr. BALDWIN: We have not previously had, on the upper Great Lakes, any departmental vessel with icebreaking characteristics. We have had to rely either on United States coast guard assistance or on private tugs where need arises. The work at the lakehead was done by private tugs. We have had private companies, at the lakehead, at the end of and the beginning of the season do that work and they are still doing it. But the construction program does include in it a new vessel for the upper Great Lakes, from Georgian Bay on to the lakehead area, which is now being constructed and in fact will be launched, I believe, within the next month. This vessel will be built to icebreaking standards and we hope it will enable us to do a better job on our own.

Mr. FISHER: Will the vessel be stationed at the lakehead in the winter and clear it out first?

Mr. BALDWIN: I would prefer to answer that question in six months' time when we are at the completion stage; this is at present still under consideration. Our thinking at this stage is that it will probably winter at the lakehead.

Mr. FISHER: In that respect I brought to the department's attention representations from the fishing village of RosSPORT to the effect that it has been the custom there for the icebreaker to go out to pick up the lighthouse keeper at RosSPORT and in effect that was giving that village a week or two weeks head start in its fishing season by opening up the harbour. I imagine that will come to a complete stop because of the new arrangements. Is there any possibility of consideration being given to carrying on with that side service to this community?

Mr. HEES: We will look into that particular situation and give you an answer at the next meeting.

Mr. CAMPBELL (*Stormont*): In respect of persons employed on the existing old Cornwall canal who will be obliged to transfer elsewhere, and who I understand will lose their classification on transfer is there any way in which they could retain their present status and still be transferred?

The CHAIRMAN: That does not come under this item, but the deputy minister will answer it.

Mr. BALDWIN: This is a canal item. However, we do have a carefully planned program to do our best to absorb the personnel on the canals which are being flooded out and closed down. We have not been able to guarantee that every individual concerned will find identical employment at his identical present salary, although we are doing our best in that connection by an approach along several lines. Basically it is to keep on a number of persons past the normal retirement age rather than retire or replace them. We have obtained the cooperation of the seaway authority recently in giving as favourable treatment as possible in respect of the employing of our canal personnel, who are being displaced, in the new positions the seaway is opening up. Some of these have been taken on and others will be taken on. Where they already have a need for a man, we have let him go and are getting on with a casual replacement.

In the adjacent canal areas where we have a continuing canal operation as vacancies occur we are doing our best to accord preferential treatment to those employees who are being displaced; but in the cases where we do not have a comparable job and where the civil service commission has not been

able to find a comparable job, rather than put the man out on the spot and discharge him, if we have a vacancy at a lower grade we offer him the vacancy and advise him that he will have preferential treatment.

Mr. NIELSEN: One would think at first glance that the Yukon has no concern in maritime affairs, but a glance at the map will show we do have a coast-line. I have heard lately a good deal about the expansion of the department's operations in the Arctic. Would the minister make a statement on those operations?

Mr. HEES: Yes. I have something here on that:

The Department of Transport's tasks in the Arctic are resupplying of joint weather and defence stations, also DEW line and mid-Canada line, icebreaking and convoy assistance for shipping, provision of marine patrol and transportation services in the eastern Arctic for other departments, primarily northern affairs and health and welfare, and the organization and provision of supply services for Canadian government departments, civil and military, and for United States military services authorities as well.

In the western Arctic, the department makes arrangements for the movement of supplies for other Canadian departments. The greatly increased supply needs arising from the United States DEW line will be met by use of the Mackenzie river route, trans-shipment of supplies at Tuktoyaktuk near the mouth of the Mackenzie and distribution to western Arctic points from there by special ships, both tankers and dry cargo vessels, which have been provided by the United States government to the Department of Transport for this purpose, primarily to meet DEW line requirements. The principal operation agency is to be Northern Transportation Company, but the department in addition is to provide a special icebreaker to work in the western Arctic during the summer months to assist in this operation and will organize helicopter assistance to the extent necessary.

In the eastern Arctic our departmental operations are much larger. There, in addition to substantial volume of various types of ship-to-shore equipment, the department has been operating six to eight departmental ships for various purposes, and we expect that the number will increase to a dozen or more within the next few years. These vessels each summer visit the most remote and northerly points. In addition we have had under direct charter commercial vessels for eastern Arctic supply work. Operations include the resupply of the joint weather stations; the patrol carried out by the "C. D. Howe" in taking government personnel to various northern stations; the work carried out by a number of icebreakers which not only assist navigation through Hudson straits into Hudson bay and through the eastern Arctic generally but themselves carry supplies as well; and the general provision of a large amount of cargo for civil developments as well as for the major sea lift connected in supplying the mid-Canada line for the Canadian Department of National Defence and the DEW line in the eastern Arctic for the United States Air Force. My department has now taken over marine supply operations to the mid-Canada line and for the DEW line into the Foxe basin area with the expectation that the balance of the DEW line work around Baffin island will also be taken over by the department within the next year or year and a half.

Mr. NIELSEN: That answers my question in respect of these Arctic operations. I have a good many more questions which I could put to the minister concerning the coastal operations between western United States, Alaska, western British Columbia, and Yukon-Alaska. I do not believe I would be able to cover them in four minutes.

The CHAIRMAN: We will sit until 12:30.

Mr. HEES: Ask your questions.

Mr. NIELSEN: First of all it requires a short explanation. The policy I understand, both in the United States and Canada, is to reserve coastal shipping to ships of their own respective registrations. This has caused, in the long run, a higher transportation cost in the north, both in Alaska and the Yukon. I know we are not concerned with the development of Alaska, but again looking at the map it will be seen readily this is an economic island and you will see it is tied in with the development of northwestern Canada.

First of all I am wondering if any extension of the work done by the Northwest Planning Commission has been undertaken since 1957 in respect of the possibility of reducing the cost of shipping up the west coast into Alaska and the Yukon, because economically we must consider these two in the same light when considering transportation costs. Secondly, I wonder if any thought has been given by the government and this department, to date, along the lines of possible subsidies for shipping at the coast. I say subsidies, because the shipping period is only from the first weeks in May until the end of October. It is essentially a one-way haul.

The back-haul has increased in recent years because of mining operations, but it is still a long way from being an economical operation. Because of these economical features and because the United States has the small and more cumbersome freight vessels as opposed to the trim vessels used by Canada on this coastal trade which are carrying freight in essentially passenger vessels, perhaps we should use the vessels in use by the United States. Perhaps some relaxation of the basic policy as far as it is applicable to the policy of confining the shipping to ships of national registry could be relaxed.

My question is, has the department or the government given any thought to making some sort of inquiries along these lines?

Mr. BALDWIN: You are referring, sir, apparently to shipping along the B.C. coast? Are you talking about movement around Alaska to the western Arctic?

Mr. NIELSEN: No, I was talking about shipping from the western United States along the B.C. coast.

Perhaps I could explain a little further. The port of Seattle is roughly 600 miles south of Prince Rupert. Shippers from mid-western United States and western United States must ship, in bond, as far as they can go; to the rail head at Prince Rupert, and from there they must use United States ships to go north, so they must ship from the port of Seattle. Whereas, if these regulations that exist in both countries—and I suppose with a good deal of justification—could be relaxed in so far as it concerned the north Pacific region allowing shippers from the mid-western United States to ship by Canadian vessel, and for our shippers in Canada to ship by United States vessels, the cost factor might be lowered a good deal.

Mr. BALDWIN: I am again not quite sure that my answer will be adequate. It would amount to saying that we now understand that the United States authorities guard their coastal shipping laws which protect their coastal ships in this regard, rather jealously. We have at no time been aware of any indication that they would be prepared to relax their regulations or their laws allowing our Canadian ships more favourable treatment.

I think I would feel rather strongly that unless there was some indication of their willingness to relax their stand that there is very little point in our considering the relaxing of Canada's stand.

Mr. NIELSEN: Quite so. I do not suggest for a minute that one should do it without the other.

What I was suggesting is this, Mr. Chairman, this is not the first time that this sort of thinking has been brought forward. I suggested at the outset that the ships that are now used for the freighting of cargo by the United States could be used more adequately in this coastal trade by using those which are under Canadian registry.

My suggestion is that perhaps the Department of Transport could consider extending the inquiries that were initiated with the north Pacific planning commission which was, in the first instant, a commission conducted jointly by the United States and Canada, but because of the improvement in war conditions in the Pacific the United States dropped out of it, and it was completed by Canada.

One of their inquiries was directed along those lines. I could see that it would bear considerable fruit. Perhaps now that Alaska is approaching statehood the United States government may take a more active interest in a more economical development of this area.

I suggest that the whole Pacific northwest including northern B.C., northern Alberta, western Northwest Territories, as well as the Yukon is tied in with the same factors that affect the economical development of Alaska, so I think the possibilities of generating some cooperation as far as that area is concerned is very good.

Mr. HEES: Mr. Nielsen, thank you for your suggestion. We will take note of it and look into this situation.

Mr. NIELSEN: I have one further question, Mr. Chairman. I would like to get an explanation in this regard: I understand there have been subsidies for coast shipping in that area. I can think of one company that has been subsidized for a long time. I am wondering if some sort of approach might not be made, in conjunction with this government's thinking as to the northern development, to assist in the reduction of transportation costs into these areas by considering a direct subsidization of coastal shipping to Skagway?

Mr. HEES: We have got given consideration to that so far. However, we will take note of that suggestion, Mr. Nielsen.

Mr. ASSELIN: I would like to know how much it costs to operate an ice-breaker in the winter time?

Mr. HEES: Your question is, how much does an ice-breaker cost to operate?

Mr. ASSELIN: Yes.

Mr. BALDWIN: The cost depends on the size of the ship, of course.

Mr. ASSELIN: Would take the *C. D. Howe* for example?

Mr. BALDWIN: The *C. D. Howe* has been laid off for the winter. I am advised that it costs roughly \$280,000 for one of the minimum sized ice-breakers per annum.

Mr. WATSON: Would you like to know how much it costs for a winter season?

Mr. ASSELIN: Yes, how much does it cost to operate an ice-breaker for the winter season?

Mr. WATSON: I do not believe it would cost an awful lot. I would estimate the cost to be approximately \$40,000 or \$50,000 for laying-up and fitting it out. This cost would not be incurred if the vessel were kept in operation all year round.

Mr. HEES: You would estimate the cost at \$50,000?

Mr. WATSON: About \$50,000, yes.

The CHAIRMAN: It would cost \$50,000.

Mr. WATSON: That is if you did not have to lay the ship up and fit it out, but operated it all year.

Mr. HEES: The deputy minister feels that the practical cost to consider would be the year round cost.

Mr. BALDWIN: That cost would run around one-quarter of a million dollars.

Mr. CAMPBELL (*Stormont*): Further to the matter brought up by the member for Yukon, and because the Americans tend to regard their interests like a threatened virginity, would it not be a matter for consideration to extend these subsidies more particularly to the shipping of bulk products in that area, namely the B.C. coast-line? Would that not be a more practical and feasible way of providing transportation for bulk products?

Mr. HEES: I am informed that those operations are working very successfully at the present time without subsidization.

Mr. NIELSEN: Following that up, Mr. Chairman, I want to make it clear that this legislation which is now in effect in the United States permits the transportation of merchandise within continental United States through routes recognized by the inter-state commercial commission. That is, where such routes are, in part, over Canadian rail lines, and their own, or other countries' water facilities, it is permissible under their legislation.

I have explained why I considered Alaska to be part of the economical development of our own Canadian Pacific northwest. Alaska is specifically excluded from that regulation, so that this results in American shippers being denied the port of Prince Rupert and Canadian vessels so that the legislation has in effect denied to Alaska the use of Canadian steamship lines in order to take advantage of more favourable transportation costs afforded by existing rail communications between Prince Rupert and the interior points and the United States.

It must be remembered that Prince Rupert is at Alaska's front door. Prince Rupert is the last Canadian port that can be utilized for northern coastal shipping.

Having regard to my suggestion you must also bear in mind, if you will allow me to say so, the anomaly in the United States legislation itself.

Item agreed to.

Item 421. Marine Services—Construction or Acquisition of Vessels and Equipment	\$22,230,000
--	--------------

Mr. HOWARD: I have found the page, Mr. Chairman, plus a number of other things probably.

The first question I want to ask has reference to the light ship that is now proposed, and I imagine lighthouses, for example. Is this ship now under construction?

Mr. BALDWIN: Yes, sir.

Mr. HOWARD: Where is it being built?

Mr. BALDWIN: On the west coast by Yarrows Limited of Victoria.

Mr. HOWARD: That answers the main part of my question. When do you expect that it will be completed?

Mr. WATSON: We hope it will be completed next June in time to go into operation.

Mr. HOWARD: Very good.

Having regard to aids to navigation—

Mr. SMITH (*Simcoe North*): That is the next item.

Mr. HOWARD: No. I thought it was the next item but it is not.

The CHAIRMAN: That is a subheading for item No. 422.

Mr. HOWARD: This item is listed under the same vote number.

Mr. BALDWIN: This is a subheading for item 422. Item 422 appears on the wrong line.

Mr. HOWARD: I beg your pardon.

Mr. BALDWIN: Item 422 should be one line higher.

Item agreed to.

Item 634. Railways and Steamship Services—Construction or Acquisition of Auto-Ferry Vessels and Equipment—Further amount required \$115,000

Mr. HOWARD: I wonder if the minister would explain what this item covers?

Mr. BALDWIN: This is an item covering an auto-ferry vessel for service between Wood islands, Prince Edward Island and Caribou, Nova Scotia at an estimated cost of \$3,661,000.

Item agreed to.

Item 422. Aids to Navigation—Administration, Operation and Maintenance, including a contribution to the International Association of Lighthouse Authorities in the amount of 2,000 Swiss francs, notwithstanding that payment may exceed or fall short of the estimated equivalent in Canadian dollars that is detailed in the Estimates \$5,868,450

Mr. HOWARD: The minister probably realizes that there has been a number of suggestions made by the Prince Rupert Fishermen's Cooperative arising out of their annual meeting last winter in regard to aids to navigation along the coast of B.C. Could I ask what has been happening in that regard?

Mr. HEES: The deputy minister advises me that if you are going to get into the details of lights and so on that he will have to give the answers at the next meeting.

Mr. BALDWIN: If you require the details in respect to individual buoys or lights I will have to get that information for you.

Mr. HOWARD: Reference has been made to a fog-horn and additional lights, or improved lights at Cape Scott, which I understand is considered as a rather costly project. In conjunction with that item there was, a few years ago, a fairly extensive undertaking in respect of a lighthouse somewhere north of Cape Scott either on the mainland or on an island which was supposed to provide shipping aids, or navigation aids to boats which would be primarily going from Jamaica to Kitimat. I would like to know what the cost was of providing that particular lighthouse and also whether it is used to any extent. It is my understanding that it was placed in the wrong place.

Mr. BALDWIN: Do you remember the name of that lighthouse offhand?

Mr. HOWARD: I am afraid I do not.

The CHAIRMAN: Could you find out the name of that lighthouse and let the deputy minister know?

Mr. BALDWIN: Would it be of any help, sir, if I gave you a list of the improvement items we have estimated for the Prince Rupert district?

Mr. HOWARD: Would that cover the Prince Rupert electorate district?

Mr. BALDWIN: It covers the Prince Rupert marine agency which covers that area of the coast.

Mr. HOWARD: Would it cover the west coast to Vancouver island?

Mr. BALDWIN: No, that would be under the Victoria agency. I have both of those here.

Mr. HOWARD: Yes. Could you give us the suggested changes for both of those areas?

Mr. BALDWIN: Yes.

We are reconstructing the fog alarm building at Lucy island which, you know, is off Prince Rupert itself, at an estimated cost of \$25,000. We are

reconstructing the facilities at Lawyer island in the Skeena area. That involves a fog alarm building. We are reconstructing the facilities on Barrett rock. We are putting in small facilities on Pointer island, Ivory island, Langara island and Cape St. Jones. Those are some of the intended improvements of facilities for the west coast this year.

I will have to acquire the detailed information in request of Cape Scott and the lighthouse north of that.

Mr. HOWARD: Yes. I will try and find out the name of this point. It was built a few years ago but I do not recall the name offhand.

Mr. HEES: If you find that name would you telephone Mr. Baldwin?

Mr. HOWARD: Yes.

Mr. SMITH (*Simcoe North*): In respect of aids to navigation, is there a level at which the Department of Transport stops providing buoys and varies other signals in relation to commercial traffic and in relation to pleasure craft?

I understand the Georgian bay development association hired the author, Kenneth McNeil Wells, who is also a boatman, to survey the Georgian bay area generally. As a result of that survey he reported that in the matter of aids to navigation and markers for pleasure boats, they were very deficient. Now, is that within the scope of the Department of Transport or does the Department of Transport confine its aids to navigation activities to commercial navigation?

Mr. BALDWIN: I cannot give you a categorical answer because the extent of our activities there is usually a matter of the funds that are made available to us through the treasury board.

Primarily our responsibility has been related to the provision of appropriate aids for commercial ships. Since our jurisdiction and responsibility covers all marine work we do feel that as pleasure boating grows we will have some responsibility in that direction as well. This is, as you know, a new field that has only emerged in the last few years. As it has emerged we have tried to provide a limited amount of assistance; channel markings, charts and so on. However, as pleasure boating is becoming a major operation, it is obviously important to the economy of the country.

Our contribution to this field has been secondary, although we have tried to help in that regard.

However, with particular reference to the area you mentioned, and indeed elsewhere, we have found that the real bottleneck, if you like, in regard to channel markings and things like that, is the actual charting to begin with. We feel there is not much point in our putting in more channel markers until you have charts with hydrographic data as a starting point.

The work we are prepared to do must, we think, follow the provision first of hydrographic data and charts. Once that information is available we will improve channel markings, but there is no point in doing it until these charts are available.

Mr. SMITH (*Simcoe North*): Who is responsible for that?

Mr. BALDWIN: The Department of Mines and Technical Surveys which has very much the same problems as ours.

Mr. CREAGHAN: On page 549 I notice that you show different classifications, but the one that seems to take the big jump is the assistant light-keeper. It has gone up by 60 new employees at an additional expense of \$170,000. Is that merely a different classification or have you actually hired an extra 60 people?

Mr. HEES: No. These people have been transferred from casual to classified employees. It is in order to improve their conditions of employment. The former method proved not to be too satisfactory and this will give the

assistant lightkeepers a more definite status and a better position. It is a part of a plan in which we are endeavouring to do some of this change-over every year.

Mr. WRATTEN: Do they have so many hours on duty and so many hours off?

Mr. BALDWIN: Normally they do not work on a shift basis. There is a light-keeper and an assistant and they divide the work between them.

Mr. CAMPBELL (*Stormont*): In connection with the reservoir for the new power project above Cornwall, would it be necessary to do a new hydrographic survey of that lake which is being created there and if so will the department be assuming responsibility for buoying that lake for pleasure craft, or will the present topographical maps provide sufficient information so that the hydrographic maps will not be required?

Mr. HEES: That is a responsibility of the Department of Mines and Technical Surveys.

Mr. CAMPBELL (*Stormont*): Is the department going to complete any buoying operations in the next year, shall we say, in this newly created lake?

Mr. BALDWIN: Not that I am aware of. If and when hydrographic charts are available and there is a demand for pleasure boating, then we will consider it.

Mr. CAMPBELL (*Stormont*): As far as you know there are no immediate plans?

Mr. BALDWIN: Not that I am aware of.

Mr. HOWARD: As a point of information, if I were to leave now would we have a quorum?

The CHAIRMAN: We want you to stay.

Mr. HOWARD: I am going to stay; there is no question about that.

I knew if I waited long enough I would think up something to which I could make reference in respect of canals and the west coast. This has connection with the public works project of blasting Ripple rock which, to an extent, is an aid to navigation by getting out of the way. In addition to, or in conjunction with, the removal of Ripple rock, have any suggestions been made to the Department of Transport for dredging or making a canal, in effect, through a slough area that has been sealed in just alongside of the Seymour narrows off to the eastern part of it.

Mr. HEES: Such a suggestion has not come to us. It may have come to the Department of Public Works. If there were any suggestion like that it would go to the Department of Public Works; they did the Ripple rock operation.

Mr. HOWARD: Can I bring it up under the canal item?

The CHAIRMAN: I doubt it.

Mr. HOWARD: I have a further question which has something to do with the previous question I asked to which Mr. Baldwin gave me some details about projected work out there. These questions are based on a copy of a letter which the minister was kind enough to send to me, dated January 20 to the Prince Rupert Fisherman's Cooperative. Part of the reason, I may say, for the request for the improved light and fog-horn at Cape Scott was that the removal of Ripple rock had a bearing on it. What effect did that have on more shipping going up the inside passage? That may have a bearing on whether or not it would be absolutely necessary to proceed with the Cape Scott project. Another detailed matter was a request for an improved light at Anthracite point. The

comment of the minister was that the keeper there had been ill for some time and that that resulted in the light not being maintained efficiently and that a new keeper had been appointed and they expected an improvement in it.

Mr. BALDWIN: I will obtain the information on these questions at the next meeting.

Mr. HOWARD: Another suggestion of the cooperative had to do with the Tugwell reef buoy. The suggestion was that that be replaced by a new gas and whistle buoy. I would also like some information on that. I did not catch all of the references made by Mr. Baldwin earlier because I was expecting to check them in the Hansard proceedings of the committee; but he may have mentioned this one. They made a suggestion for a fog-horn at Esperanza point and, while they were not too clear, they suggested various aids in a channel used by fishermen between Banfield and Ucluelet.

The CHAIRMAN: Mr. Baldwin will try to have those answers for you at the next meeting.

Mr. BALDWIN (*Peace River*): I heard the minister refer to the Northern Transportation Company. Is that the company which operates along the Mackenzie river?

Mr. BALDWIN: Yes.

Mr. BALDWIN (*Peace River*): Would the words "aids to navigation" be wide enough to include the question of the difficulties along the Athabaska river?

Mr. BALDWIN: We have a major program of improvement there and on the Mackenzie river. Our problem has been both a lack of staff and equipment. It was only a little over a year ago that we were authorized to establish a marine sub-agency at Fort Smith. We have now under construction two new small vessels to operate on the Mackenzie river for that purpose.

Mr. BALDWIN (*Peace River*): Would that include navigation right down to McMurray?

Mr. BALDWIN: Yes.

Mr. BALDWIN (*Peace River*): I ask these questions, Mr. Chairman, because I thought that Mr. Bigg might be interested in this.

Items 420, 423, 630 and 631 agreed to.

The CHAIRMAN: We will adjourn to meet on July 1 in Room 118 at 10.00 o'clock.

HOUSE OF COMMONS
First Session—Twenty-fourth Parliament
1958

STANDING COMMITTEE
ON
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 3

DEPARTMENT OF TRANSPORT ESTIMATES

TUESDAY, JULY 1, 1958

WITNESSES:

The Honourable George Hees, Minister of Transport; Messrs. J. R. Baldwin, Deputy Minister; N. Wilson, Director, Marine Services; A. Cumyn, Director, Steamship Inspection Service; Captain F. Slocombe, Chief, Nautical Division; Messrs. L. C. Audette, Chairman, Canadian Maritime Commission; and M. Archer, Chairman, National Harbours Board.

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: G. K. Fraser, Esq.,
and Messrs.

Allmark,	Garland,	McPhillips,
Asselin,	Grills,	Michaud,
Badanai,	Gundlock,	Monteith (<i>Verdun</i>),
Baldwin,	Hales,	Nielsen,
Baskin,	Hardie,	Nixon,
Batten,	Horner (<i>Acadia</i>),	Pascoe,
Bigg,	Horner (<i>Jasper-Edson</i>),	Payne,
Bourbonnais,	Howard,	Phillips,
Brassard (<i>Chicoutimi</i>),	Howe,	Racine,
Brassard (<i>Lapointe</i>),	Johnson,	Rouleau,
Bruchési,	Keays,	Rynard,
Campbell (<i>Stormont</i>),	Kennedy,	Smallwood,
Chevrier,	LaRue,	Smith (<i>Calgary South</i>),
Chown,	MacEwan,	Smith (<i>Simcoe North</i>),
Creaghan,	MacInnis,	Tassé,
Crouse,	Martini,	Taylor,
Drysdale,	McBain,	Thompson,
Dupuis,	McDonald (<i>Hamilton</i>	Tucker,
English,	<i>South</i>),	Webster,
Fisher,	McMillan,	Wratten

J. E. O'Connor,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, July 1, 1958

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.05 a.m. this day. The Chairman, Mr. Fraser, presided.

Members present: Messrs. Asselin, Badanai, Baskin, Batten, Bigg, Brassard (*Chicoutimi*), Chevrier, Drysdale, Fisher, Fraser, Grills, Hales, Horner (*Jasper-Edson*), Howard, Kennedy, McBain, McDonald (*Hamilton South*), McPhillips, Nielsen, Pascoe, Rynard, Smallwood, Smith (*Simcoe North*), Smith (*Calgary South*), Thompson, Tucker, and Wratten—(27).

In attendance: The Honourable George Hees, Minister of Transport; *From the Department of Transport*, Messrs. J. R. Baldwin, Deputy Minister; N. Wilson, Director, Marine Services; Captain F. S. Slocombe, Chief, Nautical Division; Captain J. Jones, Supervisor, Pilotage; A. Cumyn, Director, Steamship Inspection; M. Munro, Superintendent, Hulls and Machinery; A. Kay, Steamship Inspection; and W. A. Thornton, Executive Assistant (Railways); *From The Canadian Maritime Commission*, Messrs. L. C. Audette, Chairman; N. A. Paton, Comptroller; Captain F. B. Latchmore, Inspector; *From the National Harbours Board*, Mr. M. Archer, Chairman.

The Chairman observed the presence of quorum and called Item 424—Nautical Services—Administration, Operation and Maintenance.

Mr. Hees and Mr. Wilson answered questions.

Item 424—Nautical Services—Administration, Operation and Maintenance, was adopted.

Item 632 (Supplementary)—Nautical Services—Administration, Operation and Maintenance—was called and adopted.

Item 425—Pilotage Service—Administration, Operation and Maintenance—was called and questions answered by Mr. Hees, Mr. Baldwin and Captain Slocombe.

Item 425—Pilotage Service—Administration, Operation and Maintenance—was adopted.

Item 633 (Supplementary)—Pilotage Service—Administration, Operation and Maintenance—was called and adopted.

Item 426—Steamship Inspection Service was called and questions answered by Mr. Cumyn and Mr. Audette.

Item 426—Steamship Inspection Service—was adopted.

Item 427—Marine Reporting Service—was called and adopted.

Item 428—Ship Channel Service—Administration, Operation and Maintenance—and Item 429—Contract Dredging—were called and adopted.

Item 636 (Supplementary)—Inquiry into the coasting trade of Canada—was called and adopted.

Item 419—Marine Services—Administration—was re-opened by consent and following discussion, closed.

Item 470—Canadian Maritime Commission—Administration—was called and Mr. Audette questioned.

Item 470—Canadian Maritime Commission—Administration—was adopted.

Item 650 (Supplementary)—Canadian Maritime Commission—Administration—was called and adopted.

Item 471—Canadian Maritime Commission—Steamship Subventions—was called and Mr. Audette and Mr. Latchmore were questioned.

Item 471—Canadian Maritime Commission—Steamship Subventions—was adopted.

Item 651 (Supplementary)—Canadian Maritime Commission—Steamship Subventions—was called and adopted.

Item 472—Advances to the National Harbours Board—was called and Mr. Archer questioned.

Item 472—Advances to the National Harbours Board—was adopted.

Item 516—Advances to the National Harbours Board—was called and adopted.

Item 662 (Supplementary)—Increase to \$6,000,000—revolving fund—was called and adopted.

Item 430—Railways and Steamship Services—Repairs and Expenses—Official Railway Cars—was called and adopted.

Item 433—Strait of Canso—Transportation Improvements and Facilities—was called and adopted.

Item 434—Strait of Canso—Causeway Maintenance—was called and adopted.

Item 435—Enlargement of Dock and Terminal Facilities at North Sydney, N.S.—was called and adopted.

Item 436—Construction—Dock and Terminal Facilities at Port aux Basques, Nfld.—was called and adopted.

Item 437—Construction or Acquisition of Auto Ferry Vessels and Equipment—was called and adopted.

Item 438—Newfoundland Coastal Services—Construction or Acquisition of Passenger-Cargo Vessels and Equipment—was called and adopted.

Item 439—Yarmouth, N.S.—Bar Harbour, Maine—Ferry Service—was called and adopted.

Item 440—Surveys of Newfoundland Railway Properties—was called and adopted.

Item 441—Degaussing Canadian-owned ships—was called and adopted.

Item 444—Subsidy of \$25,000 per mile rail construction—was called and adopted.

Item 445—Pension to former pilots—was called and adopted.

Item 446—Railway Employees—Provident Fund—was called and adopted.

Item 447—Supplemental Pension Allowances to former employees of Newfoundland Railways, Steamships and Telecommunication Services—was called and adopted.

Item 448—Payment to the widow of the late John H. Tudhope—was called and adopted.

At 12.35 p.m. the Committee adjourned to meet again at 10.00 a.m. on Thursday, July 3, 1958.

J. E. O'Connor,
Clerk of the Committee.

EVIDENCE

TUESDAY, July 1, 1958.
10:00 a.m.

The CHAIRMAN: Gentlemen, I see a quorum.
This morning we are dealing with the main and supplementary estimates of the Department of Transport again.

Item 424. Nautical Services—Administration, Operation and Maintenance, including grants and contributions as detailed in the Estimates; rewards for saving life from vessels in distress; subsidy to a salvage company; and the payment of expenses, including excepted expenses, incurred in respect of Canadian distressed seamen as defined in section 306 of the Canada Shipping Act \$546,871

The CHAIRMAN: Gentlemen, are there any questions in respect of this item?

Mr. HOWARD: Before we get to the consideration of that item, I wonder if it would be too difficult—this has to do with the building of these lighthouses—to have an explanation for the difference in the estimated cost, which appears in last year's estimates, of \$2 million and that which appears in this year's estimate, \$3,500,000?

The CHAIRMAN: That question deals with another vote.

Mr. HOWARD: Yes, this deals with item 420, I imagine.

Hon. GEORGE HEES (*Minister of Transport*): I believe you asked a number of questions the other day in this regard. Mr. Baldwin will be here in a few minutes. He will have the answers for you, I expect.

The CHAIRMAN: Could you wait until Mr. Baldwin arrives?

Mr. HOWARD: Yes, certainly.

The CHAIRMAN: Thank you Mr. Howard. When Mr. Baldwin arrives would you remind me to bring that question up again?

Are there any questions in regard to item 424?

Mr. HOWARD: I wonder if we could have an explanation of this item of grants and contributions in the amount of \$15,000 which apparently is a grant to the British Columbia tow-boat owners' association?

The CHAIRMAN: I am going to ask Mr. Norman Wilson, head of marine services, to answer that question.

Mr. N. WILSON (*Director, Marine Services, Department of Transport*): The explanation of that item lies in the fact that the B.C. tug-boat owners' association have been playing a very large part in the search and rescue program on the west coast. It is through their cooperation that we have taken on one of their former employees as marine coordinating officer at the R.C.A.F. search and rescue centre. This \$15,000 covers his salary and the salary of his assistant.

Item agreed to.

Item 632. (Supplementary) Nautical Services—Administration, Operation and Maintenance, including grants and contributions as detailed in the Estimates—
Further amount required \$1,000

Item agreed to.

Item 425. Pilotage Service—Administration, Operation and Maintenance, including authority for temporary recoverable advances not exceeding \$20,000..... \$720,258

Mr. FISHER: In connection with the pilotage service item, Mr. Chairman, I have quite a number of questions all related to the negotiations or discussions

that have been taking place between the Department of Transport and its comparable American department in line with the aide memoire which was presented on March 20 to the American Department of State. I just wondered if either the deputy minister or minister is in a position to make a statement on the relationship between the department and the Shipping Federation of Canada in light of the Shipping Federation's attempt to declare its own pilotage district?

Mr. HEES: I am not quite clear what you mean by "relationship" Mr. Fisher.

Mr. FISHER: I have here a copy of a letter written on April 25 by the deputy minister to Mr. Mason, president of the Shipping Federation of Canada. I would like the deputy minister to explain how this letter came to be written, and the background of it.

Mr. J. R. BALDWIN (*Deputy Minister, Department of Transport*): I am not sure which letter you are referring to. I have written several letters on various occasions to Mr. Mason, so I am not sure to which one you are referring. Is that the letter which was written after they had initiated their plan for a pilotage district?

Mr. FISHER: Yes.

Mr. BALDWIN: What particular point do you wish explained? Do you want to know why the letter was written?

Mr. FISHER: Yes.

Mr. BALDWIN: I imagine the point that you are interested in, sir, is the fact that the shipping federation did decide at the beginning of the present year to arrange for pilotage on its own behalf, for ships of its members in the area from Port Weller to Sarnia. They were quite entitled to do this because there is no pilotage district or pilotage authority in the Great Lakes. They decided that the pilotage assistance they wanted was in respect of their operations in the Great Lakes. They made us aware of their planning and thinking in this regard, as I indicated, they were quite entitled to proceed with these arrangements.

My recollection is that the letter was written because, in proceeding with their arrangements, they used a phrase which conveyed the impression they were setting up a pilotage district with the Department of Transport's approval. We felt we should write them a letter indicating our general position which was that they were entitled to do what they were doing but they should not convey the impression that this was a scheme approved by the Department of Transport.

Mr. HEES: Mr. Fisher, perhaps, if that answers your question, I could give you some information on the Great Lakes pilotage situation in general and perhaps that would cover some of the points you have in mind. I will give you this information if you have finished your questions with regard to this particular letter.

Mr. SMITH (*Simcoe North*): I have a question following along that line.

The CHAIRMAN: Has Mr. Fisher finished dealing with this particular letter?

Mr. FISHER: Why did the shipping federation people count on your approval of their going ahead with this arrangement? Perhaps I am taking you into a hypothesis there.

Mr. HEES: Perhaps if I could go ahead—

Mr. SMITH (*Simcoe North*): I have a question which is consequential of Mr. Fisher's question.

This so-called pilotage area that the shipping federation of Canada has set up has no effect in law at all?

Mr. FISHER: They have made no protest. You were talking simply about foreign ships when you said that this would place a toll upon foreign ships?

Mr. BALDWIN: This is in respect of ocean going ships.

Mr. FISHER: Either British or foreign?

Mr. BALDWIN: Yes.

Mr. CHEVRIER: This legislation is being introduced in Congress to make pilotage compulsory on the American side, is it not?

Mr. BALDWIN: Yes.

Mr. CHEVRIER: We have no intention of doing that on the Canadian side? Our intention is to make pilotage voluntary. How then is it going to be possible, or to what extent is it going to be possible, to cooperate with the Americans if their pilotage is compulsory and ours is voluntary?

Mr. BALDWIN: In respect of their ships sailing in our waters that have pilots aboard, we will recognize their certificates of competence and they will recognize our certificates of competence. If our ships are sailing in their waters with our pilots aboard they will recognize them as bona fide pilots.

Mr. CHEVRIER: In other words we will introduce legislation that will make pilotage voluntary on our side although it is compulsory on their side?

Mr. HEES: We have not introduced the legislation.

Mr. CHEVRIER: No.

Mr. HEES: This is just being contemplated.

Mr. CHEVRIER: You will have to introduce such legislation, I take it, if there is legislation on the American side?

Mr. BALDWIN: We have not received yet, sir, any official word from Washington. However, you may have seen, as I did, a press report from Washington indicating that the Senate there had suspended action on their legislation to permit further discussion to take place between the United States and Canada, and the United States and certain other countries which had raised certain points with regard to their legislation.

Mr. FISHER: I have a point following that answer. The American people fully recognize that our inland ships sailing under the Canadian flag will not have to carry pilots?

Mr. BALDWIN: Not exactly in the way in which you attribute it, sir. They recognize that if a ship has a person on board who is properly certified according to our regulations they will accept that certification.

Mr. FISHER: Is it not a fact that one of the main reasons for Americans introducing this legislation is because each one of the states has the power to create pilotage districts? One of the reasons for the Americans introducing this over-all federal measure is to get around this situation in order to have a uniform system in all the states?

Mr. HEES: I would not like to comment on the thinking which is behind another country's legislation, Mr. Fisher.

Mr. FISHER: Mr. Chairman, that seems to me to be a bit unfair since this government has made representations to the United States to slow up or stop this legislation until we have had discussions.

Mr. HEES: Just a minute. This country has not made representations to the United States to have them slow up anything. I made that point very clear in the House of Commons the other day. We have had many discussions with them about this, we have told them what we thought about this and they have told us what they thought, but we have not asked them to slow

up anything. I do not intend to comment on the supposed thinking behind legislation which another government is introducing.

Mr. FISHER: I would like to put on the record this statement of Senator Magnuson.

"...that the State Department, which interposed no objections during House consideration, telephoned him Tuesday to urge delay because of opposition by the Canadian Government."

Mr. HEES: We did not ask them to slow their legislation down at all. We simply pointed out our point of view on this whole matter, that is all. That interpretation which you read is an interpretation by a newspaperman of what he considered had happened. We have not, as I say, asked them to slow down. We simply advised them what our thinking was in respect of this whole matter.

Mr. SMITH (*Simcoe North*): In answer to Mr. Chevrier's question of a minute ago it was suggested that pilotage on the Canadian portion of the Great Lakes was to be entirely voluntary. My understanding is that the amendments generally will permit us to have pilotage areas and require pilotage where the government thinks pilotage is essential. Will this be completely voluntary?

Mr. BALDWIN: I think there is probably a slight difference in the terms rather than the realities, sir. In fact there is no compulsory pilotage anywhere in Canada. The Canada Shipping Act is quite clear on that point. No ship can be required to carry a pilot.

However, under certain circumstances you may charge a ship pilotage dues. That is a fairly indirect compulsion.

Mr. FISHER: Is the American situation the same, Mr. Baldwin?

Mr. BALDWIN: No, sir.

Mr. FISHER: They do require pilots?

Mr. BALDWIN: They may require pilots to be carried in certain sections of their pilotage districts.

Mr. FISHER: Has this government made any study as to why the Americans have insisted on pilots being carried? Is it largely for security reasons, or for safety reasons?

Mr. CHEVRIER: I think I can tell you that, for what it is worth.

The CHAIRMAN: Will you tell us, for what it is worth, Mr. Chevrier?

Mr. CHEVRIER: The Americans feel that a Panama canal ship should not be taken through that canal without a pilot. They think the St. Lawrence seaway should be operated in the same manner. Those are the representations they made to us when I occupied another position.

I know that Mr. Castle was very anxious to have compulsory pilotage on the two locks of the American seaway simply because compulsory pilotage had operated well in the Panama canal.

The CHAIRMAN: The Panama canal, Mr. Chevrier, is a much narrower canal than the St. Lawrence.

Mr. BIGG: It is strategically more important as well.

Mr. FISHER: Is the fact that they are worried from a security point of view one of the reasons?

Mr. HEES: That might be but again I do not want to comment on the thinking behind another country's action or proposed action.

Mr. FISHER: Let us put it from a Canadian point of view, Mr. Chairman. Does the minister conceive of there being any security dangers along the Great Lakes-St. Lawrence sea routes from foreign shipping?

Mr. HEES: We do not think so.

Mr. FISHER: When accidents occur along the Great Lakes-St. Lawrence routes is it necessary that a report be submitted to the Department of Transport?

Mr. HEES: If the accident occurs in Canadian waters, yes, we always get a report.

Mr. FISHER: All accidents are reported to the Department of Transport?

Mr. HEES: Yes. There is no legal requirement, but it certainly is customary.

Mr. FISHER: There is no legal requirement in respect of reporting an accident?

Mr. HEES: No.

Mr. FISHER: Since the period when these foreign ships started sailing the upper Great Lakes without any pilotage, have you any record of accidents in which they have been involved?

Mr. HEES: I would like to answer that question.

We certainly know if there is an accident that takes place within our waters.

The CHAIRMAN: Have you a question Mr. McDonald?

Mr. McDONALD (*Hamilton South*): No, Mr. Chairman. The last answer also answered my question.

The CHAIRMAN: Are there any further questions on item 425?

Mr. HEES: I might add here that although foreign ships do not have to report accidents, British and Canadian ships must report accidents.

Mr. FISHER: Did you have more of your statement to complete, Mr. Minister?

Mr. HEES: Yes.

Based on a request for very substantial increases in pilotage rates from the private pilots on the Great Lakes this year, the Shipping Federation decided to discontinue its previous practice of using pilots on all Great Lakes waters, and use them only on certain restricted waters, namely, the area between Port Weller and Sarnia, which covers the most difficult area of the Great Lakes.

My department, in indicating to both the Shipping Federation and the sailing master that it would be willing to meet with both parties at any time, has also indicated that although we lack statutory authority to deal with pilotage on the Great Lakes, from the marine point of view, we feel safe navigation is feasible with either general use of sailing masters in all waters, or more limited use in restricted waters. This is largely a matter of proper planning.

We ourselves will not be reaching any final determination on the policy we would or should follow in this regard unless and until we see what legislation will be authorized by the U.S. Congress; and, of course, unless and until Parliament sees fit to authorize legislation giving us the authority to deal with this matter in Canadian waters on the Great Lakes as well.

Mr. FISHER: Mr. Chairman, is there a conflict between this statutory authority mentioned in the statement the Minister has just made and section 324 of the Canada Shipping Act?

Mr. BALDWIN: No. We do not consider that section 324 is adequate to deal with the Great Lake's situation, sir.

Mr. FISHER: It has been expressed to me by certain members of the Great Lakes Pilotage Association that they feel their a problems are dealt with by

the departmental officials who are mainly deep-sea men. They feel that answers to their questions tend to be expressed by departmental officials with certain antagonism toward Great Lakes pilots.

I am not suggesting that this is so but I would like to have an answer. Is it a fact that the officials of the department who handle the marine aspects or the pilotage aspects in the Great Lakes system are men with deep-sea background?

Mr. HEES: I believe the attitude adopted by the people handling these matters in the department is a fair one and one which is not biased in any way.

Mr. FISHER: Is it a fact that your departmental officials are 100 per cent deep-sea trained men?

Mr. HEES: Captain Slocombe who is sitting at this table has had six years on the Great Lakes.

Mr. FISHER: Where did he take his initial training?

The CHAIRMAN: I shall ask Captain Slocombe to answer your question.

Captain F. SLOCOMBE (*Chief of Nautical Services, Department of Transport*): I had a foreign-going master's certificate but I went up on the lakes and started in again as a deck hand and I worked up to chief officer on the lakes. So I do know something about the Great Lakes.

Mr. FISHER: I was not insinuating that you did not know anything about the Great Lakes, but rather that there was a basic antipathy towards inland men.

Mr. HEES: We feel there is no antagonism towards anybody. I say that definitely and directly. I am confident that the officials of this department deal in a fair and objective manner with any problems which come before them and without any bias whatsoever.

Our job is to do a fair-minded objective job, and if we do not do it, I would be interested to learn of specific instances where we did not.

Mr. FISHER: May I ask if the fees which are charged by the Shipping Federation of Canada to its own members are completely their own business?

Mr. HEES: It is completely their own business.

Mr. FISHER: You made a statement concerning representations or discussions with the United States. The minister has made a statement here that he is worried about the high cost of pilotage fees which might be a burden on shippers and therefore ruin some of the effects of the seaway. Yet you said that the Shipping Federation of Canada on the Great Lakes took a view which coincided with your view.

Mr. HEES: If the Shipping Federation of Canada should happen to take a view which coincides with ours, that is not criticism of us.

Mr. FISHER: It is exactly the same view.

Mr. HEES: It is my conviction and the conviction of my department that to impose pilotage fees upon shippers where pilots are not necessary amounts to imposing an extra and unnecessary burden on shipping charges generally which must be borne by the consuming public eventually.

Mr. FISHER: Nevertheless, Mr. Minister, the United States coastguard does not agree with that point of view.

Mr. HEES: I do not care what the United States coastguard agrees with. That is my opinion and the opinion of my department.

The CHAIRMAN: Are there any other questions on 425? If not, please turn to supplementary item 633.

Items 425 and 633 agreed to.

Item 426. Steamship inspection service, including the carrying out of the provisions of the conventions for the safety of life at sea and load lines, and contributions as detailed in the estimates \$999,901

Mr. MCBAIN: Could we have an estimate of how often these inspections are carried out?

Mr. HEES: Mr. Cumyn will answer your question.

Mr. A. CUMYN (*Director of Steamship Inspection, Department of Transport*): Inspection of passenger ships is carried out annually. On very small passenger ships under the ten ton range, I would say it is carried out quadrennially.

Inspection of non-passenger ships is carried out quadrennially but there is a form of annual inspection which is very minor. There are no inspections made of pleasure boats.

The CHAIRMAN: Are there any other questions?

Mr. HOWARD: Are there any charges made to the company which own the ship which you inspect in regard to the inspection? Is any part of the cost of the inspection charged to the shipowner?

Mr. CUMYN: Yes, there is a fee for inspection which is based on tonnage. If an inspector travels to the United States, his travelling expenses in the United States are recoverable by the department.

Mr. HOWARD: But not domestically?

Mr. CUMYN: No sir.

Mr. HOWARD: I was wondering about that. I cannot find any reference to it although it may be here in the details of inspection service. Where is reference made to the estimated income from this type of charge, if it is made?

Mr. BALDWIN: Do you mean income from steamship inspection fees?

Mr. HOWARD: Yes sir.

Mr. BALDWIN: I am not sure if we have it.

Mr. CHEVRIER: Is it under this section that we consider the small boat regulations of the department?

Mr. BALDWIN: Partially under this and partially under nautical services.

Mr. CHEVRIER: I was going to ask you how the investigation into the fatality concerning the R.C.M.P. officers was going along and who was doing it?

Mr. BALDWIN: Answering Mr. Howard's question first, the annual fees under steamship and inspection in 1958-59 are calculated to amount to \$115,000.

Mr. HOWARD: Where is that shown in the details of the estimates?

Mr. BALDWIN: I doubt if it would be shown in the details of the estimates book. It might appear in the Auditor General's report or something of that sort.

Mr. HOWARD: But eventually it is reflected in the total?

Mr. BALDWIN: No, it comes directly under the Consolidated Revenue Fund.

Mr. CHEVRIER: Might I ask how the investigation is proceeding into the loss of life of the R.C.M.P. officers, and who is doing it?

Mr. BALDWIN: On that particular question there was a very thorough inquest held by the Coroner's Branch with Department of Transport personnel participating both as observers and as witnesses.

We feel that the information brought out in that context covers the situation pretty adequately unless we should receive a special request to make further formal investigations.

Mr. HEES: Yes, I read the report and I believe it was a very very thorough investigation. There are two points which affect us which you might care to have explained. First, as to our dealings in future with these plaques which have to be put inside small boats, and as to the life preservers. Would you like to have an answer?

Mr. CHEVRIER: Am I to take it that the Department of Transport is not making an investigation.

Mr. HEES: We do not think there is any need for further investigation because, having read the transcript of evidence taken at the inquiry, every detail appears to have been adequately covered.

We are taking action in regard to the two matters I have spoken of.

The CHAIRMAN: Mr. Smith (Simcoe North).

Mr. SMITH (*Simcoe North*): It is proposed to change the loading plates that are attached to the small boats?

Mr. BALDWIN: Yes. We have been in touch with the Canadian Boating Federation which has cooperated with us in establishing this scheme for loading plates. It is a voluntary scheme to be used by the manufacturers; and we have agreed with them now on the different types of boats upon which new plates are to be installed.

Mr. SMITH (*Simcoe North*): It will include a statement that load includes equipment?

Mr. BALDWIN: I do not think the exact wording at the moment is cleared, but when we say gross load, that means everything, passengers as well as other items.

Mr. HEES: Including the engines, of course.

Mr. DRYSDALE: What provision is made to test life preservers?

Mr. BALDWIN: There was a very thorough scheme worked out in cooperation with the manufacturers under which specifications are laid down in regulations by the Canadian government by a specifications board which included both governmental and industrial representatives. Every new type of life preserver is subjected to a very intensive flotation test by our own steamship inspection branch before it is approved.

Mr. DRYSDALE: When the item is tested in the first place and approved, is there a subsequent testing that takes place on the boats?

Mr. BALDWIN: No. When they receive governmental approval it is an indication that it meets the requirements in the matter of flotation tests and so on.

Mr. DRYSDALE: What do you mean?

Mr. CUMYN: The inspectors examine the life jackets to see that the canvas has not become ripped or that the kapok has not lost its buoyancy, and to see if all these things are still strong and that the life jacket generally is in a serviceable condition.

Mr. HALES: Is it under this inspection service that fire protection on passenger boats is considered?

Mr. HEES: Yes it is.

Mr. HALES: And there is an inspection for fire protection and fire drill and all the rest?

Mr. HEES: Mr. Cumyn will answer your question.

Mr. CUMYN: In respect to passenger ships, we have men who visit every large passenger ship at least annually and who carry out a survey of the discipline and training of the crew.

The steamship inspector when he issues the certificate for the ship also enquires to some extent into that part of it.

Mr. BIGG: I understand there is no inspection made of boats under 10 horse power?

The CHAIRMAN: That is right.

Mr. WRATTEN: Is it the intention of the department that the weight plates to be put on small boats such as the 14 to 15 feet pleasure boats?

Mr. BALDWIN: This is a voluntary scheme which we have developed with the cooperation of the Canadian Boat Federation and the manufacturing and distributing industry. We cannot compel anyone to put on a plate, but we have achieved excellent cooperation in persuading them to do so. I think virtually the great majority of boat manufacturers—pleasure boat manufacturers producing boats for outboard engines—are now using these plates.

Mr. WRATTEN: I was wondering, when there are so many small owners of boats and boat makers who turn out four or five pleasure boats a year.

Mr. BALDWIN: We have not been able to cover all of them, but we have found virtually everybody cooperating with out inspection.

Mr. HEES: The publicity that has come out recently regarding this accident I think will make more and more boat buyers look for that particular plaque in future and make sure that they do not overload their boats.

Mr. McDONALD (*Hamilton South*): Is it contemplated by the department to set up certain regulations with respect to small boat owners, for example, that a child 10 years old cannot sail a 35 horse power 14 foot boat around a lake by himself?

I have been up north a lot, and we all know there have been many accidents in the last few years. Does the department contemplate any type of regulation with respect to the age of people who would be sailing any boats of this nature?

Mr. HEES: No. I think you have to leave a certain amount up to the common sense of the boat owners themselves.

Mr. McDONALD (*Hamilton South*): The automotive industry started out some time ago, and I feel within the next ten to twelve years that the boats on these small lakes will be of a very substantial size.

Mr. WRATTEN: You would need the whole Canadian army to police them.

Mr. CHEVRIER: I doubt very much if the Department of Transport could regulate such a thing because it does not come under the jurisdiction of the federal government. It is a provincial matter and it falls under property and civil rights.

The federal government I think has jurisdiction over the matter because of the navigation aspects only, but I do not think they can go further than that.

Mr. BALDWIN: We have statutory authority to invoke a system of licensing the boat operators. We now just license the boats but we could license the boat operators as well.

We have discussed this on more than one occasion with the various interested groups. It came up at the meeting which we held last winter with the industry and various boating groups.

One of the problems that always arises is the one referred to by Mr. Wratten, namely, that it would take a very large organization to police adequately the small boat field in this matter.

The other thing is that there are a great many difficulties in invoking your inspection and licensing system for operators, and the general consensus seemed to be that while it may become necessary some day, it was very important now to try to see what we might achieve through the means of education and cooperation by introducing new laws and new by-laws.

So I think we shall have further recommendations and discussions on this subject of licensing operators, but we have not yet reached the point where we think we should.

Mr. McDONALD (*Hamilton South*): Does it not come under the jurisdiction of the provincial police of Ontario, for example, to prosecute boat offenders on the lakes, or does it come under the R.C.M.P.?

Mr. BALDWIN: Any police authority may enforce the federal small boat regulations, be that authority provincial, municipal or the R.C.M.P.

The CHAIRMAN: That is, if a complaint is made to them.

Mr. BALDWIN: Yes, or if they happen to be there and they see something happen right on the scene.

Mr. CHEVRIER: What is the position with reference to the safety of life at sea convention? When was the last one held?

Mr. CUMYN: The last convention with respect to safety of life at sea was held in 1948. We have a record of requests for another convention to be held. I believe that the required number of signatories for the holding of another convention have been received and it is proposed to hold one in 1960.

The CHAIRMAN: Are there any other questions?

Mr. MCBAIN: At the present time do I understand that there are no fees or licence charges made for small boats?

The CHAIRMAN: There are no charges. Are there any more questions on item 426?

Mr. MCBAIN: A certain inspection takes place with respect to subsidized steamships and boat lines in order to ascertain whether they are providing adequate service. Does that come under this department or under another department?

Mr. HEES: Mr. Audette, the chairman of the Maritime Commission will answer your question.

Mr. L. A. AUDETTE (*Chairman of the Maritime Commission*): Would you mind repeating your question, please?

Mr. MCBAIN: My question is this: does the inspection of subsidized steamship lines come under this department and does it ascertain whether they are adequately providing service?

Mr. AUDETTE: It is done by the Maritime Commission. It is completely different from the inspection service which you are discussing. The inspection service carried out by the Maritime Commission relates entirely to the adequacy of the ship for the service, and the services carried on by the ship.

The actual technical inspection for safety comes entirely within the jurisdiction of Mr. Cumyn's branch, namely, the steamship inspection branch. Our inspection relates only to the services rendered.

Mr. MCBAIN: Under what number would that come?

Mr. HEES: It comes under the Maritime Commission.

Mr. AUDETTE: I think it is 471 in fact.

The CHAIRMAN: Would you mind waiting until we come to that item?

Mr. MCBAIN: Very well.

The CHAIRMAN: As soon as we are through on page 77 we are going to take up the Maritime Commission which is to be found on page 83.

Are there any other questions on item 426?

Mr. HEES: We shall keep on marine services, and these allied types of questions may be dealt with together.

Mr. HOWARD: In respect to steamship inspection service, is any thought given to, or any inspection made of the efficiency of the employees working on the particular line that is under inspection?

The CHAIRMAN: Please speak louder.

Mr. HOWARD: I wondered in conjunction with the inspection of the steamer itself, if any thought was given to the efficiency or capabilities of the employees working on that particular boat.

I am thinking particularly of a statement which appeared within the last week or so relating to the inefficiency, so-called, of the people working on

the Canadian Pacific boats running between Vancouver and Burrard. That line is not operating at the present time.

Mr. CUMYN: Of course the act requires all officers to be certificated after due examination. The act also requires the crew to be sufficient as well as efficient.

With respect to passenger ships we do what we can to insure the efficiency of the crew by, during the inspection, having them throw out the lifebelts, try the fire extinguishing equipment, and making sure they are familiar with it. We also have employees visiting each passenger ship at least once during the year to check up on these things.

With regard to the efficiency of the employees and the crews as well as the officers, with respect to cargo boats we only inquire into it at the time of the annual inspection.

Mr. HORNER (*Jasper-Edson*): How many inspections were carried out last year?

The CHAIRMAN: We could supply those figures for the next meeting if that would be satisfactory. Is it satisfactory?

Mr. HORNER (*Jasper-Edson*): Yes.

Mr. HOWARD: Is it your opinion that in so far as the Canadian Pacific run from Vancouver to Vancouver Island is concerned, the officers and the crew meet with the requirements which you set out earlier, of being certificated and being capable?

Mr. CUMYN: Yes, sir.

The CHAIRMAN: Are there any further questions on item 426?

Item 426 agreed to.

The CHAIRMAN: Shall item 427 carry?

Item 427 agreed to.

Mr. BALDWIN: Items 428 and 429 are related, Mr. Chairman.

The CHAIRMAN: Very well, items 428 and 429 will be taken together. Are there any questions?

Mr. HOWARD: What I have to express relates to item 429, but I wonder if, following the passage of item 429 we would, with the consent of the committee, revert to item 419.

The CHAIRMAN: You mean on the question you asked before?

Mr. HOWARD: Yes.

The CHAIRMAN: Very well.

Mr. HOWARD: I have one or two other thoughts on it.

Mr. BALDWIN: They were the same answers you asked for last time?

Mr. HOWARD: Yes, and some more in addition.

The CHAIRMAN: Are there any questions on items 428 and 429?

Items 428 and 429 agreed to.

We want to get the supplementary here, item 636 on page 12 of the supplementary estimates.

Item 636. (Supplementary) To provide for the expenses of an inquiry into the coasting trade of Canada authorized under the Inquiries Act, including the payment, notwithstanding the Civil Service Act, of honoraria or allowances as may be authorized by the Treasury Board to officers, clerks or employees permanently employed in the civil service for services rendered by them in connection with the inquiry

\$15,650

Mr. HOWARD: Is this the Royal Commission?

Mr. BALDWIN: It is a wind-up item.

Mr. HOWARD: You mean to wind up the cost of the Royal Commission?

The CHAIRMAN: Are there any questions? It is at page 12 in the supplementary estimates?

Mr. CHEVRIER: Is anything being done about amendments to the Shipping Act and with reference to the movement of freight from one Canadian port to another?

Mr. HEES: There is nothing planned at the present time.

Mr. CHEVRIER: There is opposition with reference to extending to American shippers the same privilege that Canadian shippers have and vice versa. Some representations were made by the United States government.

Mr. HEES: There is nothing under discussion in that line at the present time.

The CHAIRMAN: Are there any further questions?

Item 636 carried.

Mr. HOWARD: Now, on item 419?

The CHAIRMAN: Yes.

Mr. HOWARD: I asked originally for the difference in the estimated total cost of the light ship in the Prince Rupert agency. I noticed that in last year's estimates it was estimated to cost \$2 million, while this year the estimate is \$3,900,000.

Mr. BALDWIN: This is the Prince Rupert ice-breaker.

Mr. HOWARD: We do not have any ice up there.

Mr. BALDWIN: This is the ship referred to earlier. The main difference in cost is: first, because the first estimate was included only for estimate purposes and before the plans were drawn up. Secondly, we decided to build it to ice-breaker specifications so it could go into the western Arctic in the summer months. That accounts for the larger part of the increase.

Mr. HOWARD: I have had a considerable amount of correspondence with both the minister and Mr. Wilson on a matter. It relates to what we classify as side-wharfage rates for floats at Ocean Falls.

I realize there has been an order in council in respect to it, I believe, since 1956, which sets out uniform rates to be charged for non-commercial boats, small pleasure craft which are using the side wharves.

Now, last year, or somewhere around the middle of last year, it was said that the rates charged at Ocean Falls were not in conformity with those set out in the order in council, with which your officials are familiar. The rates were probably two or three dollars a month. I do not know if this difference bore any relationship to the size of the craft using the floats or not. But subsequently somebody in Ocean Falls began to wonder about the arbitrary application of a \$2 or \$3 a month rate.

The department then looked into it and said "You are not charging the proper rates here, so let us collect the full charges". This resulted in the application of the rates which are set out in the schedule or in the regulations, imposing a minimum charge of \$7.50 a month, as compared to the \$2 or \$3 a month charge which was in effect before. As I said earlier, I know that these are uniform, that these are set up in the regulations and that they are now being enforced.

Ocean Falls is a sort of peculiar place compared with many other communities along the coast of B.C. in that the residents there are almost completely isolated, with the exception of being able to get out by steamer or aircraft to the lower mainland or some other parts of the coast.

The people there look upon pleasure craft and small boats as you and I would normally look upon automobiles. They use them for the same purposes.

There are a few cars around Ocean Falls but there is not much sense in having one because there is no place to go. There is only about one mile of road that starts at Ocean Falls and ends up in the bush somewhere. Consequently cars are not used. People use these pleasure craft in the same way that you and I use cars.

They feel that the application of the charge set out in the schedule is unfair. It is, as I said earlier, resulting in a minimum charge of \$7.50. They feel some adjustment should be made in that regard. They feel some provision should be made in the regulations in order that the minister may declare side wharfage rates at variance to the present one cent per lineal foot per day rate, or a minimum of 25 cents per day, as applied to places like Ocean Falls.

I have had all sorts of correspondence regarding this situation. So far the answer given in respect of any representations that have been made up to the present time boil down to "no, we are not going to change it".

I am formally making a special appeal here that the minister undertake to review this question of making a recommendation to the cabinet for an amendment to this order in council to allow the minister to make special rates in respect of such places as Ocean Falls where they have circumstances peculiar to it which are not peculiar to other communities.

Mr. HEES: Yes. We will be glad to have a look at it and see what we can do.

Mr. HOWARD: Well—

Mr. HEES: Well—?

Mr. HOWARD: You know the necessity of doing this as well as I do. I know you are a very generous person and that you will do more than just take a look at it.

Mr. HEES: Yes. We will give it very serious consideration. We really will.

Item agreed to.

Mr. HEES: The deputy minister informs me that he has the answers to a lot of questions that were asked at a former meeting. Would it be all right if he handed them over to you now?

Mr. BALDWIN: These answers have to do with aids to navigation. I can give them to you now, or I could read them into the record.

The CHAIRMAN: Would you like those answers put on the record?

Mr. HOWARD: I do not think that is necessary.

The CHAIRMAN: Mr. Baldwin could just hand them to you now.

Mr. BALDWIN: I could send you a letter.

Mr. HOWARD: A letter would be fine.

Item 470. Canadian Maritime Commission. Administration \$153,488

Mr. NIELSEN: Mr. Chairman, have we taken up items 459, 460 and subsequent items yet?

The CHAIRMAN: We are not taking items dealing with aviation yet. At this time we are attempting to finish with marine services. Following that we will move to the items dealing with railways.

Mr. CHEVRIER: Mr. Chairman, do you not think we should have a general statement in respect of the maritime commission?

Mr. HEES: The annual report either has been tabled or is in the process of being tabled.

Mr. HOWARD: Yes, it was tabled yesterday.

Mr. HEES: It was tabled yesterday?

Mr. HOWARD: Yes, by the Minister of Transport.

Mr. HEES: That is what I thought. I gave instructions that it should be tabled and I thought that it was.

Have you a copy of that report here?

Mr. CHEVRIER: Could we have a general statement in respect of the current position of the maritime commission dealing with Park Steamships, for instance?

Mr. HEES: Mr. Audette will deal with Park Steamships to start with, if you wish.

Mr. L. AUDETTE (*Chairman, Canadian Maritime Commission*): I am not sure what information Mr. Chevrier would like in this regard.

Park Steamships, of course, at this point is a relatively inactive corporation. There are still a few claims being dealt with every year but the corporation itself is not active. It does not have a paid staff of its own. Its directors are all members of the commission, and one member is a member of the staff of the commission.

Mr. CHEVRIER: Have you a copy of the report that was tabled yesterday that we could have?

Mr. AUDETTE: I have only one typewritten copy, sir, which I intended to use for printing.

Mr. HEES: We could have mimeographed copies of that report run off in time for the next meeting.

The CHAIRMAN: Would that suggestion be satisfactory?

Mr. CHEVRIER: I think in order to deal with this item we should know what the annual report states.

The CHAIRMAN: Would you like to have that item stand until the next meeting?

Mr. CHEVRIER: I do not want to have the item stand unnecessarily, but I was wondering if the chairman could give us a summary of what the annual report contains. Perhaps that would answer the question.

Mr. AUDETTE: The report is, unfortunately, as you know, a factual report which deals with the state of the Canadian flag fleet. We usually publish a summary of the changes that have occurred during the year.

We have also reviewed in our report the situation on freight rates on the ocean. This has been nothing less than disastrous in this last year, I would say.

We have covered the labour situation which, of course, last year had certain complications. It does not include in that the present C.P.R. strike because the commission's report covers only the period from April 1 of one year to March 31 of the next year.

It covers also the situation of Canadian ports which, however, is really a matter for the National Harbours Board.

It covers also the replacement plan. It covers the operation and the transfer plans both of which I believe Mr. Chevrier is very familiar with, as they were initiated some time ago when he held another post.

Mr. CHEVRIER: What is the position of the replacement fund now?

Mr. AUDETTE: The position, at the moment, sir, I would say is, there are some nine ships building under it. Indeed, I have been drafting a reply to a question put by you in the House of Commons which will contain full details of this.

There are approximately nine ships building at the moment.

Mr. CHEVRIER: You were about to say something about coasting trade?

Mr. AUDETTE: The coasting trade, as you will know, has been the subject of a royal commission report recently. The report was published as of March 31. However, this report does give certain statistics and recent figures on the coasting trade. That is really all that it contains. It is purely a factual report.

There is also a report in respect of the trade between the Great Lakes and overseas ports. The report goes on to deal with the situation of the shipbuilding industry.

It deals also with the subsidized steamship services. It deals with special items such as military movements with which the commission has been assisting the Department of National Defence. This deals with the movement of government controlled cargoes through mutual aid and that sort of thing wherein we have a special policy in order to assist those lines which are on regular liner service business and are serving Canadian overseas trade.

These cargoes are divided equitably among those lines by a committee consisting of the lines themselves, who do the allocation, subject to appeal to the commission if difficulties arise.

This report contains a short paragraph on the progress of IMCO, the inter-governmental maritime consultative organization that has been set up by the United Nations. It is now progressing quite favourably in view of the necessary number of regulations that have been made by the preparatory committee. The first assembly of this body will meet in London next January.

Mr. CHEVRIER: What is the position with reference to the transfer of ships? How many are there on United Kingdom registry?

Mr. AUDETTE: At the moment I believe there are 61. I am accurate within one or two. I think it is 61. I am right, it is 61.

Mr. FISHER: Mr. Audette the Chairman of the Canadian Maritime Commission shepherded an amendment to the Canadian Vessel Construction Assistance Act through committees last year. Would questions in that regard come within the purview of this item in the estimates?

Mr. AUDETTE: Yes, I would say it does.

Mr. FISHER: I was just wondering what effect that has had. Have you been able to notice any effect at all?

Mr. AUDETTE: It is a little early to tell. Indeed, it has stirred up interest within the industry. We have had many inquiries, some of which have been extremely encouraging. Since people have realized they will receive certain benefits in this regard they are perhaps prepared to engage in more Canadian building. I really can only say at this point that I am hopeful it will be quite beneficial. It is too early for me to make a statement in respect of its benefits.

Mr. FISHER: I asked a general question last session in relation to the fact that we had a shipyard in our area which has a higher cost factor than other shipyards further out in salt water. I wondered if it would be possible to create an allowance to give a shipyard like that an advantage in order to follow this up?

Mr. AUDETTE: I am sorry, I interrupted you there.

Mr. FISHER: Would it be considered, or could that be considered?

Mr. AUDETTE: It would not be possible under the act because, indeed, what the amendment to the Canadian Vessel Construction Assistance Act did was to give to people a statutory right to certain specific benefits. It would not be possible for me to say to one, "You must have a little less because you have cheaper labour" and to another, "You may have a little more". I am bound by statute not to exceed a certain amount and I am equally bound by statute not to give less to one group or section or class, or area than to another.

Mr. CHEVRIER: Could you answer Mr. Fisher's question by telling us how the original act, which was introduced to assist this kind of shipbuilding, worked out?

Mr. AUDETTE: I have no doubt, sir, that it worked out extremely well. Now that there are even further benefits, of course, a great deal of an advantage has been taken of that act. There is always, of course, the intangible factor, and one does wonder how much of it would have been done in any event.

There is a list of the total number of capital cost determinations made, published in the annual report, which now exceeds 100. Unfortunately this is not totalled. In 1957 alone 72 capital cost determinations were made under the old act totalling well over \$15 million—\$15,500,000 roughly.

Mr. CHEVRIER: How many applications have there been under the amended act?

Mr. AUDETTE: Sir, they will not be available until next year. I do not know at this point.

Item agreed to.

Item 650. Canadian Maritime Commission. Administration—Further amount required	\$14,665
--	----------

Item agreed to.

Item 471. Canadian Maritime Commission. Steamship Subventions for Coastal Services, as detailed in the Estimates	\$4,898,000
--	-------------

The CHAIRMAN: Are there any questions with regard to that item?

Mr. HOWARD: Yes.

The CHAIRMAN: We could see, Mr. Howard, that you were just waiting for this item.

Mr. HOWARD: Yes. I have a question or two in regard to this matter of subvention as Mr. Audette and the minister will know.

I have expressed certain thoughts in this regard in the House of Commons on two occasions. I do not see the need for going over those reasons again at this time. However, there is still a great discrepancy. I am not complaining one bit about the subventions payable to Atlantic shipping facilities, but there is a great discrepancy between that which prevails on the Atlantic coast and that which prevails on the Pacific coast.

In my opinion there is still great need—either through subvention, or through the construction and acquisition of other vessels to be either operated by the Department of Transport, or turned over to the C.N.R. to operate—for the establishment of something similar on the west coast, particularly in the constituency that I represent.

Notwithstanding the present strike against the C.P.R., but assuming that their service along the north coast was the same as it was before the strike, there are still a great many communities that are completely isolated when it comes to passenger service.

Under Union Steamships arrangements, when they were receiving the subsidy or subvention, ships called at a number of these places, but since that was discontinued and the C.P.R. entered into operation along those routes there has been a depreciation in the service, and some of these communities have been completely out of the picture. They are not being serviced at all, or only in an unsatisfactory way by freight boats.

I know that the answer given is that some form of transportation is provided through aircraft feeder services from some of these more isolated places to central points where they can catch steamers going north and south. This is quite inadequate especially during the time of the year when the

weather is bad along the coast when aircraft cannot fly. Of course, we do not like to admit the weather is bad, but it is during the fall, winter and early spring months.

Not only is this service very inadequate because of weather conditions, it is very inadequate because of the terrifically extra cost involved to the people who want to get from one isolated place out to say Ocean Falls where they can catch a steamer.

The only solution I can see is either for the department to enter into additional subsidy or subvention arrangements with companies, or to enter into the field directly by providing the vessels necessary to give service to these isolated places.

We have the Prince George—a C.N.R. pleasure boat—which is tied up somewhere along the lower mainland for eight or nine months out of the year. It sits unused during that time and then enters into service in the summer months to handle the tourist trade. This, in my opinion, is a terrific waste of passenger facilities which could be put into operation.

The over-all solution is to either enter into additional subvention arrangements, if shipping companies can be found who will agree to accepting the subsidy, and to provide services to these isolated places, or for the Department of Transport to buy and build vessels themselves, just as they do on the Atlantic coast, and turn them over to the C.N.R., as they do on the Atlantic coast, to provide services to these places.

The over-all end result which I would like to see, as I have expressed a number of times, is the complete coordination of shipping services under one agency instead of having a number of small concerns operating here, there and everywhere with no general plan, and no service provided to isolated places.

As I have said, and I have expressed this thought in the house and publicly, I wonder whether inasmuch as the minister is probably familiar with my thoughts on the matter and inasmuch as he is familiar to a degree with the necessity of such services along the coast—having been out there on one occasion that I know of for more than just a passing visit—whether he would have some opinions or ideas regarding policy in respect of this matter?

Mr. HEES: We are anxious at all times to provide adequate service at reasonable cost. That is what we think our job is.

In view of this latest C.P.R. service together with the services that communities are receiving by airlines out there, I was under the impression that the job was being done satisfactorily. If there are particular cases where the people are suffering hardships through our not supplying adequate services we would be very glad to look into those particular cases, Mr. Howard.

I was under the impression that these present services were working out pretty well.

Mr. AUDETTE: I might add, right in line with what you have said, negotiations are now underway with a contractor to supply further services in the Bella Coola area, for lack of a better word. I had rather hoped that service would start today. That is not so. It will not start today. I have been seeking information from the contractor to ascertain how far the building of this ship for these purposes has progressed. I have not been able to obtain that information in time for this committee meeting.

Mr. HOWARD: Could I ask Mr. Audette whether he feels it would be wise, or whether he is in a position at this time, to disclose the name of this contractor?

Mr. AUDETTE: There is no objection to disclosing the name. It is the Northland Navigation Company.

Mr. HOWARD: What route will this ship follow?

Mr. AUDETTE: They will operate a weekly service handling passengers and freight. They will leave Vancouver calling on Englewood, Sointula, Bella Coola, Ocean Falls, Campbell Island, Klemtu, Butedale, northbound, and southbound calling on Butedale, Klemtu, Campbell Island, Sointula and Vancouver.

Mr. HEES: How does that deal with what you had in mind?

Mr. HOWARD: It covers part of the problem.

Mr. HEES: We are making a start.

Mr. HOWARD: We are making headway.

We discussed, you may recall, this situation last session of parliament, when the Union Steamship Company in fact did fall out.

In addition to that, as I expressed at that time, there was service primarily provided by Union Steamship to the Queen Charlotte islands with a north island run to Massett, Pt. Clement and Shannon bay, and so on and to the port of Prince Rupert. There is no such service there at the moment, not one boat. We had hoped, as you will recall I expressed, that the C.P.R. would run the Queen of the North up there possibly as the Union Steamships did, making an alternate every other week trip to the Queen Charlotte's.

Mr. AUDETTE: There are technical reasons which prevent the C.P.R. from going there. There are certain safety reasons preventing that vessel from operating there.

Mr. HOWARD: That is what I understand and it is most unfortunate.

Mr. F. LATCHMORE (*Inspector, Subsidies Branch, Canadian Maritime Commission*): The Union Steamship Company run a freight vessel to the Queen Charlotte islands on a weekly service. They have passenger accommodation for six passengers. I was in Vancouver last week and I understand they are submitting further proposals to the government in connection with larger passenger accommodation on that vessel in order to serve the Queen Charlotte islands.

Mr. HOWARD: In conjunction with that, does the Union Steamship Company also contemplate asking for subsidies in respect of this particular run?

Mr. LATCHMORE: I believe that the traffic to the Queen Charlotte islands is down very considerably just now. The logging industry is experiencing a bit of a decline out there. The Union Steamship Company is losing money at the present time on this freight service. They contemplate asking for a subsidy, but I do not know how much.

Mr. NIELSEN: Mr. Chairman, I wonder if I might recall to the members of the committee the remarks I made with respect to coastal shipping and its impact on northern development. This is the item in respect of which I should have made the suggestions which I made at the last committee meeting.

The cost of transporting goods to the Yukon through the Port of Skagway is one of those retarding features in respect of appreciable progress in northern development, particularly in the northwestern Pacific area. I would suggest once again that if there is an intention on the part of departmental officials to negotiate with contractors in respect of providing service to one part of the Pacific that perhaps that intention might be extended to include the north Pacific region I am thinking particularly of Alaska and the Yukon. Those are the negotiations that are necessary to bring the United States and Canada together in respect of this all-important policy of coastal shipping.

I was very pleased this morning to hear the news that Alaska is now the forty-ninth state. Perhaps following this achievement the United States might have a change of heart in respect to the protectionism which applies to coastal shipping, from which Alaska is expressly excluded, I might add. I

would suggest that Alaska and Canada's Pacific northwest is in the same economic position as far as northern development is concerned, and if anything could be done to reduce shipping costs it would have a tremendous impact on the acceleration of the development of this northern area, particularly on the cost of construction which is now 40 per cent higher than in Vancouver mainly because of the excessive freight rates, and because of this anomalous situation that exists where there is no economic backing from the northern part of the United States.

Again I put this suggestion forward in the hope that it will be earnestly and seriously considered by the Department of Transport, Mr. Chairman.

Mr. HORNER (*Jasper-Edson*): Mr. Chairman, speaking as a member representing a completely landlocked constituency, having regard to this \$5 million approximately in subvention or subsidies, could we perhaps be given a breakdown of the amount of freight, the number of passengers and the population that is being served as a result of these subsidies?

Mr. HEES: There are a great many services involved, Mr. Horner.

Mr. HORNER (*Jasper-Edson*): I am trying to find out what service is being provided as a result of this subvention.

Mr. HEES: A breakdown such as you suggest could be done but it would be quite a job.

Mr. HORNER (*Jasper-Edson*): Has the Maritime Commission ever made such a breakdown?

Mr. HEES: That information is all on paper but it would be a lengthy process to put it together. There are a great many individual subsidies involved. To split them down into passengers and freight would be quite a job.

Mr. WRATTEN: Are these lines that we are subsidizing all privately owned?

Mr. AUDETTE: I would say nearly all are. There is, of course, the Canadian National Steamships operating in Newfoundland which is not a privately owned line.

Mr. WRATTEN: In respect of the privately owned lines involved here, do we have auditors who audit their books to see how much money they are making, and what they are doing with the money we are giving them?

Mr. AUDETTE: Oh, certainly.

Mr. WRATTEN: That is all checked?

Mr. AUDETTE: Yes.

Mr. HEES: These matters are very very carefully checked, Mr. Wratten. We do not pay a subsidy unless it is very very clearly demonstrated that it is the only method by which transportation can be maintained, and that otherwise no transportation can be maintained to that particular area.

Mr. WRATTEN: That is the question I wanted to get clear because I wanted to ask what subsidies were paid.

Mr. HEES: These subsidies are gone over very carefully each year to consider whether or not the subsidies should be retained or changed.

Mr. AUDETTE: Last year we sought the assistance of the Department of Finance, Cost Audit Section, to make sure that we were correct. We were worried about the sharing of certain costs as between a subsidized and an unsubsidized service, and once we obtained the assistance of outside auditors to determine whether the apportionment was equitable or proper.

Mr. WRATTEN: What allowance is made for them by way of a profit?

Mr. AUDETTE: We seek to restrict any profit to five per cent after taxes and ten per cent before taxes, that is, on subsidized operations. We feel they must not be allowed to make undue profit.

Mr. HORNER (*Jasper-Edson*): Might we have the figures of population served by these subsidies?

Mr. AUDETTE: Well, that would be difficult to answer. If it were simply a service between Ottawa and Hull, for example, the tying of the population of Ottawa to that of Hull would not be the answer because there is an outlying area in both communities.

Mr. HORNER (*Jasper-Edson*): But you could estimate it, could you not?

Mr. HEES: We subsidize the Canadian National Newfoundland coastal service and it serves the whole population pretty well. But there might be people that it did not serve. However I think we can give you an estimate of the service.

The CHAIRMAN: Is this the same question?

Mr. HORNER (*Jasper-Edson*): I am particularly interested in the coast line. My point is this: how big a community do we have to have on one of the coast lines before they can expect a subsidized service?

Mr. HEES: Perhaps we can give you an answer on that. If there are Canadian citizens who cannot get transportation in any other way, then we, in the best way possible, provide it; we make it possible for them to have transportation.

For instance, I am trying to answer you. There really is not any relationship between population and cost. We provide a service where it cannot otherwise be provided if the need is great, and at as reasonable a cost as we possibly can.

Mr. SMITH (*Simcoe North*): Both of these subsidies come into effect because of the lack of general population rather than because of the population itself. We have communities which are essential to the welfare of the country and yet there is not sufficient population there to operate a non-subsidized service.

Mr. AUDETTE: That is the point exactly.

Mr. HEES: That is exactly right.

Mr. DRYSDALE: I have been wondering about the trend of subventions in view of the fact that they seem to be increasing and that the population seems to be increasing at the present time. Is this the result of having some set subventions and is there any thought of replacing them with others?

Mr. AUDETTE: There is a constant rise in cost of operation due to the spiral itself. I refer to labour, fuel oil and all those things which have been constantly rising.

Mr. DRYSDALE: Once a subvention is introduced it tends to remain steady?

Mr. HEES: Or it tends to increase because costs go up.

Mr. DRYSDALE: A point which worries me is this: I can see where a steamship going into an area will start to open it up. I would assume with a population within that particular area the service would tend to increase. But is there any tendency, as a result of this pioneering effect with the steamship, that the subvention might become reduced or eliminated entirely?

Mr. AUDETTE: Over a period of years the total number of subsidized services has in fact decreased. At one time it was up to 50 or 60 but at the moment there are only 29.

Mr. DRYSDALE: What do you mean by that?

Mr. AUDETTE: I mean the subsidized services, the number of services has been reduced over a period of years, but the cost of the remaining ones keeps on increasing.

Mr. DRYSDALE: What do you mean by subsidized service? Do you mean individual steamship lines?

Mr. HEES: Yes.

Mr. DRYSDALE: Might the result not be the removal of one line and replacing it by a consolidation of other lines?

Mr. AUDETTE: We do not subsidize the line or the company. It is the service performed by it which is subsidized. It is the service, let us say, between A and B. Where there used to be 50 to 60 A's and B's, there are now only 29.

As to the number of companies, I have not worked it out in fact. I would assume that the number of companies has already been considerably reduced. But it is the number of services which interests you, I take it, in relation to the question as you put it.

Mr. DRYSDALE: I am interested in respect of the long range trend in subvention. Is it something which becomes static, or does it tend to be reduced?

Mr. AUDETTE: In the number of services, but not in the amount of dollars.

Mr. DRYSDALE: You mean the volume is steadily increasing.

Mr. AUDETTE: The number of services has decreased, but not the number of dollars needed.

Mr. NIELSEN: During the last three or four minutes there have been a number of expressions of policy on the part of the minister. One has been that subventions are extended to provide service where it might otherwise not be provided.

Mr. HEES: That is right.

Mr. NIELSEN: You will introduce a service where it is required?

Mr. HEES: That is right.

Mr. NIELSEN: And you will provide a means of transportation where there is no other means provided?

Mr. HEES: Are you not saying pretty much the same thing?

Mr. NIELSEN: This is an expression of policy, and if it is going to be confined to that line of thinking, will you please permit me to make the observation that we might go a long way towards solving the difficulties which the north is experiencing in respect to transportation in that this government now has a new approach to northern development.

This government is spending millions and millions of dollars on northern development. This government is undertaking huge construction projects, hydroelectric projects, welfare projects, hospitals, like the two which are being constructed, and it has all these projects going ahead. But the reason construction costs are maintained at a high level is because of the lack of economic shipping—I mean economic in the southern sense of the use of that word as opposed to economic in the north.

But there is, I suggest, one decisive way in which to reduce this item of cost which would save the Canadian taxpayers many millions of dollars which are being spent on this northern development program.

One way is to reduce a large bulk of the shipping cost so that these things may be transported to the north much more cheaply than is being done now. Therefore, I ask the minister at this time if any studies have been made to date, or is it contemplated by the department to make any studies with regard to the possibility of allowing subventions to coastal shippers who serve the Canadian and Pacific northwest through the American ports of the Alaskan panhandle? Have any such studies been made or are any contemplated?

Will the minister inform the committee whether his department will take up this suggestion and give it active consideration?

Mr. HEES: Yes, we shall certainly take it under consideration, Mr. Nielsen.

Mr. NIELSEN: There have been no studies made, or there are none contemplated?

Mr. PASCOE: As another dry land member who knows very little about shipping services but who wishes to learn something, may I ask if these subventions are paid out of any earnings or any service charge, or are they a straight payment?

Mr. HEES: They are straight subsidies.

Mr. AUDETTE: It is intended that they should make good the loss and allow a small amount of profit based on that loss.

Mr. HORNER (*Jasper-Edson*): Do the provincial authorities enter into this at all?

Mr. AUDETTE: In some cases the provinces do assist in giving subsidies.

The CHAIRMAN: Are there any further questions on 471?

Mr. DRYSDALE: I wondered about the Newfoundland situation. It is a rather large subsidy of some \$2,800,000. What was the situation prior to Newfoundland joining Canada. Who provided the subsidy then?

Mr. HEES: The Newfoundland government provided the subsidy before Newfoundland joined Canada, but now the Canadian government pays it.

Mr. DRYSDALE: How much subsidy did the Newfoundland government provide at that time? Was it relatively the same as now?

Mr. AUDETTE: I cannot give you the figure, but I do know that it must of necessity have been smaller, because there has been a rise in cost since Canada has undertaken it.

Mr. CHEVRIER: I think according to the terms of union with Newfoundland it was understood that we would provide certain specific transportation facilities. Mr. Batten would know this better than I, but I think the subsidies are on a higher scale today than they were previously.

The CHAIRMAN: Are there any other questions?

Mr. DRYSDALE: I am interested in view of the fact that I come from the west coast where we have certain problems with steamship service. While our subventions are much smaller than they are here on the east coast, I would be interested to find out to what extent they are included in this \$2,800,000, just roughly.

Mr. AUDETTE: In effect I think your question may be answered in this way: the \$2,800,000, has regard to the Canadian National Steamships operating this service.

Mr. DRYSDALE: How many boats do they have?

Mr. AUDETTE: Ten or eleven.

Mr. DRYSDALE: What is the size?

Mr. AUDETTE: They vary a great deal in size.

Mr. LATCHMORE: They vary from 2,700 tons down to about 500 tons.

Mr. DRYSDALE: They operate along the Labrador coast and to Newfoundland?

Mr. LATCHMORE: That is right, they operate up to Labrador.

Mr. AUDETTE: Labrador has no roads. The railway cuts rather through the centre of Newfoundland and goes into St. John's and there is no possible alternative method of communication or transportation for this area. Furthermore it is an undertaking under the terms of confederation.

Mr. DRYSDALE: How many centres would be served? What would be the maximum population centre and what would be the minimum? Is there any way of giving an approximate estimate as to the minimum?

Mr. AUDETTE: There is a great number of small centres.

Mr. DRYSDALE: How small?

Mr. AUDETTE: Some are merely fishing villages, and the population might be as low as 100 people. I believe the smallest would be 12 families.

Mr. DRYSDALE: You have harbour facilities.

Mr. LATCHMORE: Possibly another boat would go out and pick up provisions or passengers and bring them to shore.

Mr. DRYSDALE: Have you any idea how many small places there are which are served and which have from 12 to 100 families?

Mr. LATCHMORE: There are 10 different services around the coast, and the number of ports vary from 15 or 20 up to 50 or 60 on the different routes.

Mr. DRYSDALE: What would be the maximum population of an individual settlement that would be so served?

Mr. LATCHMORE: St. John's is the biggest and Cornerbrook would be the next in size.

Mr. DRYSDALE: What are the populations?

Mr. TUCKER: There are approximately 60,000 in St. John's.

Mr. BATTEN: Cornerbrook has 25,000.

Mr. DRYSDALE: And those would be the two largest centres?

Mr. BALDWIN: There are 234 points involved all told.

Mr. HEES: And they range from 12 families to 60 people.

Mr. DRYSDALE: I am interested in the larger communities in Newfoundland which have a population, let us say, of 10,000 and up.

Mr. BALDWIN: There are two; Cornerbrook and St. John's.

Mr. DRYSDALE: What about the rest of them.

Mr. LATCHMORE: They are fishing villages.

Mr. HEES: Port aux Basques has about 4,000. Stevenville has from 2,000 to 3,000. There is a variety.

Mr. BATTEN: Stevenville has 6,000.

Mr. HEES: During the last campaign I flew from St. John's to Cornerbrook in an aeroplane. It is well worth your while to take that trip because you can see for yourself the tremendous number of completely isolated communities which receive 100 per cent service from the sea.

Mr. TUCKER: There are 6,000 miles of coastline.

Mr. HEES: And there are 1,300 settlements on your coastline.

Mr. WRATTEN: I read in a report the other day about a \$4 million deficit for some steamship line which never got into port. It happened a few years ago. Is that in addition to the \$2,800,000 now?

Mr. HEES: I do not think that has anything to do with this.

The CHAIRMAN: Government Steamship Lines do not come under this Committee. Does item 471 carry?

Mr. HOWARD: I was going to wait until we got to the steamship part of it. Are we still under administration?

The CHAIRMAN: No, we are under item 471.

Mr. HOWARD: As I total up the subventions for this year listed here for the three services now subsidized—

Mr. AUDETTE: There are more than three.

Mr. HOWARD: I mean on the west coast. As I total it up—this is in the supplementary estimates which revised the amount listed in the main estimates—the total subvention paid for the three services is \$332,000. Have you any idea of the additional subventions which would be paid to Northland Navigation on the Bella Coola run?

Mr. AUDETTE: It is included in this Vancouver to Bella Coola; it is \$50,000 a year, because it covers only nine months. The service there this year is to start on July 1st and it is an estimate to provide only for nine months of service.

Mr. HOWARD: Have you any idea of what might be paid to the Union Steamships for the northern run to the Queen Charlotte Islands?

Mr. AUDETTE: No, I have no idea.

Mr. HEES: That matter is still under negotiation. In fact, it is not even under negotiation!

Mr. HOWARD: If Union Steamship hears about this discussion, it will be!

Mr. HEES: I think you are talking about another one which Mr. Audette said he hoped would start today.

Mr. HOWARD: Have you any recollection as to the amount of subsidy which Union Steamship asked for the last fiscal year?

Mr. AUDETTE: I think it was \$600,000 or \$700,000, but only to continue the existing service.

The CHAIRMAN: Are there any other questions?

Mr. DRYSDALE: I have a question about Newfoundland. As far as coastal services are concerned, all that is required is a small group of citizens, ten to twelve or so, who would say "we would like a boat to stop?" Is that the policy, or how is it set up?

Mr. AUDETTE: No indeed. These subsidized services are usually set up as a result of representations made from the area.

It is not usual for a steamship company to operate such a service on a commercial basis, simply because the freight rate would be either too high, or the freight offerings would be too low.

A small community is never economically served because you cannot put enough cargo into the community to justify the stop.

When they have twelve families living there, the share of cost borne by the government makes it profitable. If it is essential to supply the whole area, then it must be done in some way or other, and we must make up the loss to the company operating the service.

Mr. DRYSDALE: Most of the people is Newfoundland would be sea-going people. Is there not any feeder service from a small community to a larger community to facilitate the picking up?

Mr. LATCHMORE: There are many services operating with small boats and that sort of thing by which one might go from a small community to a bigger centre.

Mr. DRYSDALE: Is that not done under individual initiative? Could you not create an interest in bigger ships to go in?

Mr. LATCHMORE: Bigger ships call at most places. People will get into small boats which carry passengers and freight to and from the larger vessels.

Mr. SMITH (*Simcoe North*): I understand that most of this Newfoundland service was initiated because of the treaty of confederation and we have had to provide a certain amount. Has there been any substantial extension in these services since confederation or has there been any reduction?

Mr. HEES: Only in the provision of two new vessels.

Mr. CHEVRIER: First we have the question of new steamship service which is granted only upon the commission being satisfied that there is public convenience and necessity and that it is required for public convenience and necessity following investigation. The next is simply the obligation on the part of Canada to provide this kind of steamship service according to the terms of union.

Mr. HEES: That is right.

Mr. TUCKER: One is to provide passenger and freight service at the same time.

The CHAIRMAN: Are there any other questions?

Mr. DRYSDALE: Mr. Hees mentioned in connection with British Columbia the feeder service of aeroplanes. Is there any feeder service in Newfoundland by means of aeroplanes.

Mr. HEES: Yes.

Mr. DRYSDALE: Where?

Mr. BALDWIN: Eastern Provincial Airlines operate in and out of Gander and St. John's and carry a great deal of mail. They have a very substantial postal mail contract. It is not a type of service which would otherwise be appropriate because the planes cannot get into many of the sea ports. They are wheel planes and there are no airports in Newfoundland to speak of, except Gander, Torbay, and Harmon Field. Sea planes can only land on inland lakes. They cannot go into deep sea water.

However, we are exploring the possibility of using helicopters, and to what extent helicopters can satisfy this sort of requirement. That is one of the objectives we have under consideration in the planning wing of the department.

The CHAIRMAN: Shall item 471 carry?

Mr. HOWARD: Have you any idea what the loss or deficit is on the Canadian National west coast route which they operate in the summer-time?

Mr. AUDETTE: I have no figures on that because we do not subsidize the Canadian National.

Mr. BALDWIN: That is absorbed in their railway costs.

Mr. AUDETTE: Only the Canadian National people can answer that question.

The CHAIRMAN:

Item 471 agreed to.

Item 651. Steamship subventions for coastal services, as detailed in the estimates—further amount required \$703,000

Mr. DRYSDALE: Is this one lump sum or is it broken down between eastern and western?

Mr. AUDETTE: It is broken down on page 37 of the same pamphlet in detail. There is a credit of \$374,000 payable at the end.

The CHAIRMAN: Are there any further questions?

Mr. CHEVRIER: Are there any services being subsidized other than those which are mentioned in the main and supplementary estimates for this fiscal year.

Mr. AUDETTE: Not by the Maritime Commission, no.

The CHAIRMAN:

Item 651 agreed to.

I shall ask you now to turn to item 472 on page 84.

Item 472. National Harbours Board. Advances to National Harbours Board, subject to the provisions of section 29 of the National Harbours Board Act, to meet expenditures applicable to the calendar year 1958 on any or all of the following accounts: Reconstruction and Capital Expenditures—

Halifax	\$ 855,000
Saint John	100,000
Chicoutimi	400,000
Quebec	5,000,000
Generally—Unforeseen and Miscellaneous	200,000
	<hr/>
	\$6,555,000

Mr. HEES: This is Mr. Maurice Archer who is chairman of the National Harbours Board. Mr. Archer will deal with the operations under his board.

I might mention that the national harbours are Halifax, Saint John, New Brunswick, Chicoutimi, Quebec city, Three Rivers, Montreal, Churchill, Manitoba, and Vancouver, British Columbia.

We deal with the other types of harbours under marine services.

The CHAIRMAN: Are there any questions on this item?

Mr. DRYSDALE: Have we passed it?

The CHAIRMAN: No.

Mr. DRYSDALE: I thought the minister was going to make a general statement about it.

Mr. HEES: I intended to but I now realize that most of what I had to say has already been said under marine services.

Mr. DRYSDALE: Apparently the Vancouver harbour is the only one which is operating at a profit. I understand that the remainder of these harbours seem to have tremendous expenditures.

The Vancouver harbour, as I understand it, is supposed to have a fairly high harbour rate. What is the comparison between Vancouver and the other harbour facilities, and for what reason would Vancouver be operating at a profit compared to the others?

Mr. M. ARCHER (*Chairman of the National Harbours Board*): Vancouver is not the only harbour operating with a net surplus. Three Rivers operated with a net surplus of \$201,000 last year. Montreal operated last year with a net surplus of \$678,000. There are three harbours at the present time operating with a net income surplus.

Mr. DRYSDALE: How do the harbour rates at Vancouver compare with those at Montreal?

Mr. ARCHER: We have a set pattern of rates for eastern ports which are lower than the rates for Vancouver. There we have cargo rates which we do not have in eastern ports.

Mr. DRYSDALE: Why?

Mr. ARCHER: In 1936 the National Harbours Board took over these cargo rates. They were reduced in 1948 and in 1951 by 40 per cent.

Mr. DRYSDALE: Does each harbour board set its own particular rates?

Mr. ARCHER: It is patterned for the eastern ports so there will be no discrimination such as in harbour dues.

Vancouver had its own separate rates and we reduced the rates which were in effect at the time the board took over.

Mr. DRYSDALE: You say that the Department of Transport sets the rates on the east coast and Vancouver sets its own rates?

Mr. ARCHER: We set the rates by order in council.

Mr. DRYSDALE: Are the rates set in a similar way by the Vancouver harbour?

Mr. ARCHER: Yes, they are set exactly in the same way.

Mr. BRASSARD (*Chicoutimi*): Is the Chicoutimi harbour operated at a profit or at a loss?

Mr. ARCHER: It is being operated at a small loss.

Mr. BRASSARD (*Chicoutimi*): Could you tell me what the capital expenditure is in respect of the \$400,000 vote?

Mr. ARCHER: There is an expenditure of \$400,000 to be made for an oil wharf to be used by oil companies in common.

Mr. BRASSARD (*Chicoutimi*): Furthermore, is it possible to add a new territory to the Chicoutimi harbour, for example to include Ha! Ha! bay at Bagotville?

Mr. ARCHER: We operate right down to Ha! Ha! bay. We stop at the fringe of Ha! Ha! bay.

Mr. BRASSARD (*Chicoutimi*): The Bagotville people would like to be included in the Chicoutimi harbour scheme.

Mr. CHEVRIER: If I could make a suggestion to the member; if you make the right kind of representation to the minister perhaps he will consent to extending the dimensions.

Mr. HEES: Yes. I was just going to say that. Thank you, Mr. Chevrier.

If the city of Chicoutimi has a case for having this other area added and they submit such a case to us we will certainly give it very serious consideration.

Mr. BRASSARD (*Chicoutimi*): I am not speaking of the city of Chicoutimi, but the town of Bagotville.

Mr. HEES: All right, if the town of Bagotville wants to make such a proposal we will give it careful consideration.

Mr. HORNER (*Jasper-Edson*): Am I correct in thinking that the National Harbours Board supplies its own administration needs out of its surpluses?

Mr. ARCHER: I did not catch your question.

The CHAIRMAN: Does the National Harbours Board supply its needs out of surpluses?

Mr. ARCHER: Yes, in respect of our operating budget, we do.

Mr. HORNER (*Jasper-Edson*): The amounts mentioned here cover capital costs only?

Mr. ARCHER: They cover capital costs only.

Mr. HORNER (*Jasper-Edson*): At the present time does the port at Churchill operate with a loss or a profit?

Mr. ARCHER: Last year it had a small deficit. Churchill operated at a deficit of \$137,941.

Mr. CHEVRIER: How many ships operated out of Churchill last year?

Mr. ARCHER: Forty-six.

Mr. CHEVRIER: How many are expected to operate out of Churchill this year?

Mr. ARCHER: I understand 56 will operate out of Churchill this year.

Mr. HORNER (*Jasper-Edson*): How much grain was exported out of Churchill last year?

Mr. ARCHER: Sixteen million bushels.

Mr. HORNER (*Jasper-Edson*): One further question, Mr. Chairman.

Mr. HEES: Just one moment. Mr. Archer is just checking on grain shipments.

Mr. ARCHER: I can give you the exact figure of grain shipped out of Churchill. It was 16,869,000 bushels.

Mr. HORNER (*Jasper-Edson*): Thank you very much. That is the highest ever, is it?

Mr. ARCHER: Last year's figure was the highest.

Mr. HORNER (*Jasper-Edson*): Is there any duplication between the National Harbours Board and the Canadian Maritime Commission?

Mr. ARCHER: There is cooperation, but no duplication.

Mr. HEES: That is a good answer, "There is cooperation but no duplication".

The point is, Mr. Horner, that the Canadian Maritime Commission does not operate any facilities actually.

Mr. DRYSDALE: Mr. Chairman, I am interested in this \$5 million for equipment. Of what does that consist?

Mr. ARCHER: That is to cover the cost of reconditioning an old wharf so that we can instal marine towers on it.

There is also a contract covering marine towers and grain galleries.

There is a third contract to cover the extension of the present grain elevator to a two million bushel storage capacity elevator.

Mr. DRYSDALE: What do you mean by "marine towers"?

Mr. ARCHER: A marine tower unloads grain from large lakers.

Mr. CHEVRIER: The Toronto harbour is not covered under the National Harbours Board, is it?

Mr. HEES: Toronto has its own harbour commission. It does not come under the National Harbours Board.

Mr. CHEVRIER: What happens if that harbour has a deficit? Does the city of Toronto have to make it up?

Mr. HEES: They must look after it themselves.

Mr. HORNER (*Jasper-Edson*): Do harbours like the one in Toronto come under the Department of Transport?

Mr. HEES: Yes, they do. They come under the Department of Transport but not under the National Harbours Board. Toronto is not a national harbour. The ones I have mentioned are and come under the administration of the National Harbours Act.

Mr. WRATTEN: Do we contribute to capital cost items in respect of Toronto?

Mr. HEES: No, we do not, in respect to Toronto. They pay their own way. In respect of Hamilton we made a contribution, as you know, during the last year of \$4 million.

Mr. CHEVRIER: They collect their own fees as well?

Mr. HEES: They collect their own fees as well.

Mr. CHEVRIER: And they apply those fees towards their expenditures.

Mr. HORNER (*Jasper-Edson*): What is the situation in respect to the Port Arthur and Fort William harbours?

Mr. HEES: There is a bill on the order paper at the present time which will, if it is passed by parliament, incorporate the Lakehead Harbour Commission.

Mr. HORNER (*Jasper-Edson*): That commission will not come under the jurisdiction of the Department of Transport?

Mr. HEES: That is correct.

Mr. CHEVRIER: That will be of the same status as the harbour at Toronto?

Mr. HEES: That is right, and Windsor, and many other harbours of that kind.

Mr. PASCOE: Are these items in respect of harbour facilities only? I am thinking of Churchill. Do these items cover grain handling facilities, or just harbours themselves?

Mr. ARCHER: They include grain facilities which are part of harbours.

Mr. PASCOE: Do they cover elevators too?

Mr. ARCHER: Yes, they are all included in the operation of a harbour.

Mr. DRYSDALE: When was the last capital expenditure made in respect of the Vancouver harbour?

Mr. ARCHER: Last year we spent \$981,000 in respect of the Vancouver harbour for grain facilities.

Mr. DRYSDALE: Is there any future capital expenditure contemplated for the Vancouver harbour?

Mr. ARCHER: This year in the Vancouver harbour we contemplate spending \$4,500,000.

Mr. CHEVRIER: Is that item set out in another item? I suppose it comes under item 516?

The CHAIRMAN: That item appears on page 93 under item 516. We will deal with that item as soon as we finish with the item we are on now.

Mr. CHEVRIER: Perhaps, Mr. Chairman, we might have an explanation as to why these two items are divided. That is, certain national harbours are put in one vote and certain harbours in another vote. I think that explanation would answer some of the questions which might be asked.

Mr. ARCHER: I understand that one item covers loans and one is purely a vote. The loan item occurs because it is felt that the interest on the money invested can be paid back. We repay our interest in respect of these various harbours. This comes under vote 516. It covers the Montreal harbour, the Three Rivers harbour and the Vancouver harbour.

Mr. HORNER (*Jasper-Edson*): What is the cost per bushel of handling grain in these various harbours? Do you have the figures in that regard?

Mr. ARCHER: I cannot give you those figures just now. We do charge so much per thousand bushels but I would not like to quote the figure offhand. Those charges vary from port to port. In places like Prescott and Port Colborne this is treated differently than in Montreal. For example. In Churchill we do some cleaning. The operations are different in Montreal and in eastern harbours where they do no cleaning at all.

Mr. HORNER (*Jasper-Edson*): Could we be given those figures at a later date?

Mr. ARCHER: You refer to the cost per thousand bushels of handling grain in the different ports?

Mr. HORNER (*Jasper-Edson*): Yes.

Mr. ARCHER: I believe I could supply you with those figures.

The CHAIRMAN: Perhaps we could have those figures for the next meeting.

Mr. CHEVRIER: Are the Prescott and Port Colborne harbours covered in this item 472?

Mr. ARCHER: Yes, but there are no capital expenditures this year, sir.

Item agreed to.

The CHAIRMAN: Page 93, item 516 covers practically the same item.

Item agreed to.

Supplementary item 662 I think should be covered under this.

Item 662. To increase to \$6,000,000 the amount that may be charged at any time to the revolving fund mentioned in subsection (2) of section 101 of the Financial Administration Act, Chap. 12, Statutes of 1951 (2nd session), and extended by vote 630 of the Appropriation Act, No. 2, 1955; additional amount required	\$1,000,000
--	-------------

Mr. BALDWIN: This is merely an increase in the amount of the existing revolving fund. The Department of Transport, because of its heavy field of operations and physical facilities, operates by virtue of a special statute with a revolving fund which is authorized by parliament to a maximum of \$5 million, and this item is merely an item to increase the maximum amount of that revolving fund to \$6 million.

The CHAIRMAN: Item 662 agreed to.

RAILWAY AND STEAMSHIP SERVICES

Item 430. Repairs and expenses in connection with the operation and maintenance of Official Railway Cars under the jurisdiction of the Department \$59,820

The CHAIRMAN: Are there any questions?

Mr. HORNER (*Jasper-Edson*): How many are there?

Mr. HEES: Five.

Mr. HORNER (*Jasper-Edson*): Who uses them?

Mr. HEES: There are two for the Governor General and three for the cabinet ministers. There used to be five for cabinet ministers but we reduced the number by two.

The CHAIRMAN: Are there any other questions?

Mr. WRATTEN: These are the private cars they use?

Mr. HEES: A more modern term for them is "business car". Naturally we are working all the time we are in them.

Mr. WRATTEN: I would not dispute that at all.

Mr. CHEVRIER: Anyone who wants to look at these cars will not think they are too private. They are certainly worn out.

Mr. HEES: They are all 60 years old, I think.

Mr. WRATTEN: Are these used very extensively?

Mr. HEES: No, not this last year. Most people go by air now.

Mr. HOWARD: Just underneath this item there is a reference to the Canadian National Railway.

Mr. BALDWIN: That is the main title or heading for the following items.

The CHAIRMAN: Item 430 agreed to.

Item 433. Transportation improvements and facilities \$15,000

Mr. CHEVRIER: Is this the balance of the establishment for the Canso Causeway?

Mr. BALDWIN: There may be a few more small items. This is merely for a few parcels of land where settlement has been negotiated.

Mr. CHEVRIER: And that will disappear eventually?

Mr. BALDWIN: That is right.

The CHAIRMAN: Item 433 agreed to.

Item 434. Causeway maintenance \$10,000

Mr. CHEVRIER: What is that? Is that to provide for maintenance under the agreement with the province of Nova Scotia?

Mr. BALDWIN: Yes. Clause 10 of the agreement with the province of Nova Scotia provides that we be responsible for the maintenance for the first three years after completion.

The CHAIRMAN: Item 434 agreed to.

Item 435. Enlargement of dock and terminal facilities at North Sydney, Nova Scotia \$65,000

Mr. CHEVRIER: With reference to this last amount for terminal facilities at North Sydney, we spent a considerable amount for those facilities. This is a very small item in comparison.

Mr. BALDWIN: There may be a few more small items, but this is the final action item in relation to the North Sydney project.

The CHAIRMAN: Item 435 agreed to.

Item 436. Construction of new dock and terminal facilities at Port aux Basques, Newfoundland \$185,000

Mr. WRATTEN: Is this where the ferry comes in?

The CHAIRMAN: Yes.

Mr. WRATTEN: You mean the one that did not come in.

Mr. HEES: Yes, but it is going in now. There will be trial runs this month and we hope before the end of the summer that the ferry will finally get into Port aux Basques harbour.

The CHAIRMAN:

Item 436 agreed to.

Item 437. Construction or acquisition of auto-ferry vessels and equipment as listed in the details of the estimates provided that treasury board may increase or decrease the amount within the vote to be expended upon individual listed projects \$1,025,000

Mr. CHEVRIER: How many vessels are contemplated under this vote, 437?

Mr. BALDWIN: 437 is for one main new vessel. It is an auto-ferry vessel to run between Belle Isle and Portugal cove in Newfoundland, and one item in connection with payment on the Carson.

Mr. HOWARD: What is the machinery for providing these vessels? How do you determine when they are required, and what investigation do you make?

Mr. BALDWIN: Circumstances vary. This one arose as a result of local representations combined with the report from our own steamship inspection service regarding the difficulties in the use of the present vessels, but local representations have been under study for some time regarding a vessel which would properly serve Portugal cove and Belle Isle.

Mr. HOWARD: This is the only service provided?

Mr. BALDWIN: There is no other service or other adequate means of communication with Belle Isle.

Mr. HOWARD: If necessity should arise or if representations were made to the department for the establishment of something similar to this between the lower mainland and Vancouver Island—I am thinking particularly of the area around White Rock—what would happen?

Mr. HEES: We would consider it and if we thought the proposal had merit, we would adopt it.

Mr. HOWARD: You would, through the normal process of the department having knowledge of these facilities, enter into it yourself, and you would say: let us see if such a service could be provided which would be supplementary too and better than is provided now.

Mr. HEES: That could be the case, but usually the community brings these things to our attention.

Mr. HOWARD: You have had no representations on this particular run?

Mr. HEES: Yes, on that one. The mayor of Victoria spoke to me about it a few months ago and we told him at that time that if a private company could be found which would be interested in providing service, we would be very glad to look into the details and discuss them with the company.

Mr. HOWARD: But you have found no private company yet?

Mr. HEES: Not so far. None has come to us so far.

Mr. HOWARD: Is there a possibility of the department entering into such an arrangement and operating it themselves?

Mr. BALDWIN: No. We would not operate it. The item is merely for the construction of the vessel which would be chartered to a private operator who would provide the service.

The CHAIRMAN: Are there any other questions?

Mr. HORNER (*Jasper-Edson*): Who is going to operate these vessels, and what revenue would you derive from them, if any?

Mr. BALDWIN: The Carson is operated by the Canadian National in various services between Newfoundland and the mainland. The ferry for Belle Isle will presumably be operated by a private company but it has not yet been determined what private company, whether it would be the present operator or some other company.

Presumably when the time comes—that is after it is built—because it has not yet been built—some consideration may have to be given to alternative proposals, and the government would again presumably be interested in determining the best financial proposal under which to charter this ship to a private operator.

Mr. HORNER (*Jasper-Edson*): We are going to get some revenue out of these vessels?

Mr. HEES: We hope so.

The CHAIRMAN:

Item 437 agreed to.

Item 438. Newfoundland coastal services—Construction or acquisition of passenger-cargo vessels and equipment \$1,100,000

Mr. SMITH (*Simcoe North*): How many passenger carriers are contemplated under this item?

Mr. BALDWIN: The exact number is, I think, still under study. A definite decision has been taken to proceed with the one to replace the *Burin* which is the old passenger vessel in the Placentia bay service. Whether any more will be constructed will depend on our further studies which are now going forward in respect of the over-all transportation system in Newfoundland which is a part of the general studies we have under way in considering whether we will add other developments in the way of rail, road or even helicopter services, in which case the ships might be less in demand. If on the other hand these alternatives do not go forward, we might need four ships. The plans are under preparation now for this a vessel to replace the *Burin*. My expectation is that they will be finished some time in late August.

Mr. DRYSDALE: Would these vessels operate under the present subventions?

Mr. BALDWIN: They would be part of the fleet referred to.

Item agreed to.

Item 439. Yarmouth, Nova Scotia-Bar Harbour, Maine, U.S.A., Ferry Service—
Deficit, 1958 \$165,000

Mr. CHEVRIER: Could we find out how long the *Bluenose* has been in operation, and what the profit and loss position has been since its inception?

Mr. HEES: The service started on January 4, 1956. The total revenues for the year ending December 31, 1956 were \$1,085,516; for 1957, \$1,173,933; total expenses for 1956 \$1,389,866 and for 1957 the total expenses were \$1,452,027.

Mr. CHEVRIER: The deficit last year was around \$300,000.

Mr. HEES: \$278,000.

Mr. CHEVRIER: As compared to \$165,000 this year?

Mr. HEES: No. Compared with the deficit in 1956 of \$304,349.

Mr. CHEVRIER: What is the item of \$165,000 for?

Mr. BALDWIN: It is estimated this year.

Mr. BRASSARD (*Chicoutimi*): Is this ferry used exclusively for Canadian or for United States citizens?

Mr. HEES: It operates from Yarmouth, Nova Scotia, to Bar Harbour, Maine. The state of Maine provided the expenditures for terminal facilities in Bar Harbour, and the province of Nova Scotia provided certain expenditures in connection with Yarmouth and the federal government provided a ship.

Mr. KENNEDY: I notice the reduction of deficits is roughly 40 per cent over the year. What is it attributable to? Is it increased traffic or more efficient operation?

Mr. HEES: It is mostly traffic growth.

Mr. KENNEDY: What does the future look like? Will there be increased revenue?

Mr. HEES: If the winter traffic can develop; yes.

Mr. BALDWIN: There is no question about a profit in the summer. The winter traffic has come along quite satisfactorily; if it continues to improve it should be close to a self-sustaining operation the year around.

Mr. CHEVRIER: How is the actual deficit working out in comparison with the estimate which was made before the service was put into effect?

Mr. BALDWIN: Not as great.

Item 439 agreed to.

Item 440. To provide towards the cost of surveys of Newfoundland Railway properties entrusted to the Canadian National Railway Company \$17,500

Mr. DRYSDALE: What is this item?

Mr. BALDWIN: When union with Newfoundland took place, by virtue of the terms of union the federal government took over the Newfoundland railway and it was found necessary to survey the properties owned by the railway. The Newfoundland government did not have a normal—as we know it in other provinces—land registry and survey system. That has been a continuing item for several years; we have had about the same amount every year to provide funds to complete the survey of what the Newfoundland railway owns.

Mr. DRYSDALE: Is there only one railway?

Mr. BALDWIN: Yes.

Mr. DRYSDALE: How many miles of track are there?

Mr. BALDWIN: That question should come up at the railways and shipping committee next week.

Item agreed to.

Item 441. Degaussing Canadian-owned merchant ships, of 1,000 gross tons and over, of Canadian registry, or of United Kingdom registry if subject to retransfer to Canadian registry under special inter-governmental arrangement \$300,000

Mr. CHEVRIER: Has not the degaussing of these ships of United Kingdom registry about arrived at an end? It seems to me this is coming up all the time.

Mr. BALDWIN: It relates now to new ships being built, some of which will go under United Kingdom registry but are under the Canadian replacement program and are Canadian-owned.

Mr. CHEVRIER: Have all the ships which have been mentioned by Mr. Audette been degaussed?

Mr. BALDWIN: I do not believe that program was completed. I do not think it is being carried on at the present time. My recollection is the expenditure administered by the maritime commission is primarily on behalf of new ships being built.

Mr. WRATTEN: May I ask what is the meaning of "degaussing"?

Mr. HEES: Installation of protective devices against magnetic mines.

Item agreed to.

The CHAIRMAN: Items 442 and 443, come under government-owned railways and shipping.

Mr. CHEVRIER: Is this a good place to stop?

Mr. HEES: Perhaps we could finish a couple more items and the next time we would be on air.

Item 444. To authorize the Governor in Council to grant to Canadian National Railway Company a subsidy of \$25,000 per mile, but not exceeding \$7,450,000, towards the construction of the line of railway referred to in Chapter 49 of the Statutes of Canada, 1953-54, as Branch Line Number 1 (described approximately as a line of railway from St. Felicien to Chibougamau and from Chibougamau to Beattyville in the Province of Quebec); such grant of subsidy to be made in such manner and in such amounts and subject to such conditions, if any, as the Governor in Council deems expedient; estimated requirement for the fiscal year 1958-59 \$1,600,000

Mr. BRASSARD (*Chicoutimi*): Is this construction done directly by the C.N.R. or by other contractors?

Mr. BALDWIN: They call for tenders and let contracts.

Mr. BRASSARD (*Chicoutimi*): Are they cost plus contracts?

Mr. HEES: No.

The CHAIRMAN: There are no cost plus contracts.

Mr. DRYSDALE: What does the \$25,000 represent? Is it the actual cost per mile of construction?

Mr. HEES: No. That line costs in the vicinity of \$100,000 a mile to build.

Mr. CHEVRIER: Is it not true that this was authorized by parliament and all this item does is to carry out the provisions of the bill.

Mr. HEES: Yes. That is all.

Mr. CHEVRIER: The amount of the subsidy is in the bill itself?

Mr. HEES: Yes, \$25,000.

Mr. BALDWIN: This figure was set as a result of earlier studies. The difference is the amount between what the railway could afford to put into the project and what was needed if the project was going ahead.

Mr. HOWARD: Is the subsidy granted towards the cost of constructing the Great Eastern Railway included somewhere else?

Mr. BALDWIN: That subsidy which was undertaken there has already been paid. There is nothing further outstanding in that regard.

Mr. HOWARD: There is no additional thought given to it?

Mr. HEES: It is all cleared up.

Mr. HOWARD: Of course, we would appreciate it if you would give additional thought to it.

Mr. HEES: There was one in respect of a line up to Prince George and one in respect of the 50-mile area north of Prince George.

Item agreed to.

Item 445 agreed to.

Item 446. Railway Employees' Provident Fund—To supplement pension allowances under the Intercolonial and Prince Edward Island Railway Employees' Provident Fund Act so as to make the minimum allowance payable in the calendar year 1958 \$30 per month instead of \$20 per month as fixed by the said Act..... \$9,500

Mr. CHEVRIER: This is the item which has always embarrassed me. A question was asked as to when the pensions of the Canadian National Railways were going to be increased from \$35 to \$40. Perhaps I could ask this question.

Mr. HEES: You always felt better when you had dealt with this one.

The CHAIRMAN: Any further questions in respect to item 446?

Mr. CHEVRIER: I have not received an answer to my question yet.

Item agreed to.

Item 447. Supplemental Pension Allowances to former employees of Newfoundland Railways, Steamships and Telecommunication Services transferred to Canadian National Railways \$54,000

Mr. WRATTEN: Are the Canadian National Railways employees in Newfoundland treated differently than the Canadian National Railways employees in other parts of Canada or is this part of an agreement that we entered into with Newfoundland?

Mr. BALDWIN: I missed the question, sir.

Mr. WRATTEN: Is there a difference in treatment between the employees of the C.N.R. in Newfoundland and the employees of the C.N.R. in other parts of Canada, or is this one of the agreements we entered into on Confederation?

Mr. CHEVRIER: The answer to your question is the latter.

Mr. BALDWIN: This situation arises due to terms of the union with Newfoundland regarding certain additional pension benefits, yes.

Item agreed to.

Item 448 agreed to.

The CHAIRMAN: At our next meeting we will be dealing with the air services estimates.

We will adjourn now, gentlemen, and meet at ten o'clock on Thursday morning in the Railway Committee Room.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

DEPARTMENT OF TRANSPORT ESTIMATES

THURSDAY, JULY 3, 1958

The Honourable George Hees, Minister of Transport; Messrs. J. R. Baldwin, Deputy Minister; Air Vice-Marshal de Niverville, Director General of Air Services; F. G. Nixon, Director, Telecommunication Branch; J. R. H. Noble, Meteorological Branch, H. J. Connolly, Director, Construction Branch.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Gordon K. Fraser, Esq.,
and Messrs.

Allmark,	Garland,	McPhillips,
Asselin,	Grills,	Michaud,
Badanai,	Gundlock,	Monteith (<i>Verdun</i>),
Baldwin,	Hales,	Nielsen,
Baskin,	Hardie,	Nixon,
Batten,	Horner (<i>Acadia</i>),	Pascoe,
Bigg,	Horner (<i>Jasper-Edson</i>),	Payne,
Bourbonnais,	Howard,	Phillips,
Brassard (<i>Chicoutimi</i>),	Howe,	Racine,
Brassard (<i>Lapointe</i>),	Johnson,	Rouleau,
Bruchési,	Keays,	Rynard,
Campbell (<i>Stormont</i>),	Kennedy,	Smallwood,
Chevrier,	LaRue,	Smith (<i>Calgary South</i>),
Chown,	MacEwan,	Smith (<i>Simcoe North</i>),
Creaghan,	MacInnis,	Tassé,
Crouse,	Martini,	Taylor,
Drysdale,	McBain,	Thompson,
Dupuis,	McDonald (<i>Hamilton</i>	Tucker,
English,	<i>South</i>),	Webster,
Fisher,	McMillan,	Wratten—60.

J. E. O'Connor,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, July 3, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.05 a.m. this day. The Chairman, Mr. G. K. Fraser, presided.

Members present: Messrs. Allmark, Baldwin, Baskin, Bigg, Bourbonnais, Brassard (*Chicoutimi*), Bruchési, Chown, Creaghan, Drysdale, Fisher, Fraser, Garland, Grills, Gundlock, Hardie, Horner (*Jasper-Edson*), Howard, Howe, Kennedy, MacEwen, Martini, McBain, McMillan, Monteith (*Verdun*), Nielsen, Pascoe, Payne, Phillips, Racine, Rynard, Smallwood, Smith (*Simcoe North*), Smith (*Calgary South*), Thompson, Tucker, and Wratten.—(37)

In attendance: The Hon. George Hees, Minister of Transport; Messrs. J. R. Baldwin, Deputy Minister; J. E. Devine, Executive Assistant to the Deputy Minister; Air Vice-Marshal A. de Niverville, Director General of Air Services; F. G. Nixon, Director, Telecommunication Branch; W. A. Caton, Chief, Radio Regulations Branch; D. S. Robertson, Superintendent, Telephone and Telegrams; W. A. Cook, Budget Supervisor; J. R. H. Noble, Meteorological Branch; H. J. Connolly, Director, Construction Branch; G. W. Smith, Chief Engineer, Airport Development Division; W. A. Ramsay, Chief Architect, Architectural Division; E. Hickson, Administrator of Airports; M. Fleming, Chief, Flight Operations; L. G. Fitton, Administrator of Airways; L. R. Mattern, Air Traffic Control.

The Chairman observed the presence of quorum and with Mr. Hees and Mr. Baldwin to answer questions called item 449—Air Services—Administration.

Item 449 was adopted.

Item 637 (Supplementary)—Air Services—Administration—was called and adopted.

Item 450—Air Services—Construction Services Administration—was called and adopted.

Item 638 (Supplementary)—Air Services—Construction Services Administration—was called and adopted.

Item 451—Radio Aids to Air and Marine Navigation—Administration, Operation and Maintenance—was called and Mr. Nixon answered question.

Item 451 was adopted.

Item 639 (Supplementary)—Radio Aids to Air and Marine Navigation—Administration, Operation and Maintenance—was called and adopted.

Item 452—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and adopted.

Item 453—Radio Act and Regulations—Administration, Operation and Maintenance—was called and adopted.

Item 454—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and adopted.

Item 640 (Supplementary)—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and adopted.

Item 455—Telegraph and Telephone Service—Administration, Operation and Maintenance—was called and adopted.

Item 456—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and adopted.

Item 641 (Supplementary)—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and adopted.

Item 457—Meteorological Division—Administration, Operation and Maintenance—was called and Mr. Noble questioned.

Item 457 was adopted.

Item 642 (Supplementary)—Meteorological Division—Administration, Operation and Maintenance—was called and adopted.

Item 458—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and A/V/M de Niverville and Mr. Noble were questioned.

Item 458 was adopted.

Item 643 (Supplementary)—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and adopted.

Item 459—Control of Civil Aviation—was called and adopted.

Item 644 (Supplementary)—Control of Civil Aviation—was called and adopted.

Item 460—Airways and Airports—Operation and Maintenance—was called and adopted.

Item 645 (Supplementary)—Airways and Airports—Operation and Maintenance—was called and adopted.

Item 461—Airway and Airport Traffic Control—was called and adopted.

Item 646 (Supplementary)—Airway and Airport Traffic Control—was called and adopted.

Item 462—Construction or Acquisition of Buildings, Works, Land and Equipment—was called and Mr. Connolly was questioned.

Item 462 was adopted.

Item 647 (Supplementary)—Construction or Acquisition of Building, Works, Land and Equipment—was called and adopted.

At 12.20 p.m. the Committee adjourned to meet again at 10.00 a.m. Tuesday, July 8, 1958.

J. E. O'Connor,
Clerk of the Committee.

EVIDENCE

Thursday,
July 3, 1958
10 a.m.

The CHAIRMAN: Gentlemen, I see a quorum.

This morning we shall go into air services and the administration division. The first item is 449 to be found at page 80 of the main estimates.

449. Air services administration \$1,116,241

Mr. SMITH (*Calgary South*): Mr. Chairman, might I ask the minister or the deputy minister this question. At the last session as well as at this session we have had questions directed to the minister concerning the international air agreement between Canada and the United States, commonly known as the bilateral agreement.

Under this general item might we not ask if the minister has anything more to report in the hope that perhaps we are going to be able to sit down with the United States and work out some of the problems existing between our two countries in connection with air transportation between our major cities and those of the United States?

Hon. George HEES (*Minister of Transport*): We started talks with the United States authorities earlier this year. Unfortunately for one reason or another those talks are now bogged down. However, very recently I have spoken to the American authorities again requesting that the negotiations and talks be resumed and they have assured us of their willingness to have them resumed. So I expect that will come about.

Mr. SMITH (*Calgary South*): Might I ask the minister if it is not possible—the bilateral agreement is really quite a simple article—that in the event it is not possible to come to any firm conclusion, I assume that what would be first required would be informal discussions before more formal meetings took place.

But in the event of a collapse of these informal discussions, is it not possible to consider some of the problems on a limited discussion basis?

I noticed that the preliminary agreement makes reference to that situation because there are certain areas in this country which have been stalled for some time in their attempt to obtain air service.

Mr. HEES: We have asked the Americans to carry on discussions on a limited basis as an alternative if it should be found impossible to carry on discussions on a wider plane, and they have agreed, very recently, to continue the informal discussions which we have carried on from time to time during the year. I am confident that informal discussions will be resumed very soon.

Mr. SMITH (*Calgary South*): There is no firm date as to when the discussions will take place?

Mr. HEES: No, but I feel confident it will be reasonably soon.

The CHAIRMAN: Are there any further questions?

Mr. WRATTEN: Could the minister give us the general policy that the department follows in regard to providing assistance to airport construction?

Mr. HEES: Yes, Mr. Wratten, I have something on that, I think. Yes, this I think would be interesting to the members of the committee.

Within the limit of funds available the federal government assumes the basic responsibility for the construction of the runways, taxiways and aids to navigation for airport services by scheduled or regular services.

This applies whether the airport is federally or municipally operated. At municipal airports served by scheduled or regular services the federal government may also make a grant in aid toward public space in municipal airport terminal buildings.

The federal government also assumes responsibility for major airports required for general northern development such as at Frobisher and Aklavik.

In connection with other fields, the federal government makes small grants in aid for construction of small airstrips where genuine need exists because of remoteness, resources development, or other special needs, or where costs are somewhat more substantial. In that case it may make additional grants in aid on a cost sharing basis with the appropriate local authority.

The limit of outright grants in aid is \$25,000 and any expenditure over this amount is done on a cost sharing basis with the municipality, usually fifty fifty in connection with these small airstrips. The municipality is required to provide the land and operate the field in any case, with the title to the land however being transferred for a nominal amount to the federal government.

Normally speaking an outright grant is only made where there is a strong case of need based upon remoteness or resources development. If the need is based on assistance to local business or private aircraft rather than on a measure of need, we may proceed on a cost sharing basis to be paid rather than making any outright grant.

Requests are received from municipal groups and are reviewed by departmental technicians and specialists, from the point of view of suitability of construction, technical need and so on. They are also reviewed by the economic staff of the department from the point of view of economic need, and they are then dealt with by another departmental committee, composed of representatives of the Department of Transport, the Air Transport Board, the Treasury Board, and the R.C.A.F. This board recommends to the minister the course to be followed.

The CHAIRMAN: Are there any other questions?

Mr. SMITH (*Calgary South*): Where there have been or where there are R.C.A.F. facilities permanently in use, or where there are any other air facilities, is there any attempt made by the department to work out a system for the removal of civil aviation or flying clubs to a point where commercial airlines will have the exclusive use of the municipal airports, and government controlled airports?

I suggest we have a number of areas in Canada where private flying would be happy to take up their own facilities which would serve the purpose, both in the interests of safety and also to the benefit of private flying if it could be worked out in cooperation with these other fields?

Mr. HEES: I shall ask the deputy minister to answer your question. Perhaps you would not mind waiting until we have other questions of that nature when we get under civil aviation.

Mr. SMITH (*Calgary South*): That is going back to airport construction?

The CHAIRMAN: That also is another item, Mr. Smith.

Mr. HEES: I think it would be better to wait until we get the proper officials.

Mr. RYNARD: I would like to have an interpretation of what the minister said. I would take from what he read that this would apply to summer resort business?

Mr. HEES: Not necessarily. Every case is judged on its merits. If there is a case, we will give it consideration. It is hard to generalize. The best thing to do if you have a specific case in mind, is to let the case be put forward and we will consider whether or not it is possible to give any assistance.

Mr. RYNARD: If there were business operators you would have to take it into consideration if it would improve their business?

Mr. HEES: You are talking about a grant in aid or about a cost sharing basis?

Mr. RYNARD: I was thinking particularly of where you spoke of aid to business.

Mr. HEES: Yes. If there is a case put forward by a municipality to give assistance for summer business we might consider it on a cost sharing basis. But the grants in aid are usually made because of remoteness or some reason like that.

Mr. BIGG: Do you prefer that the first overtures be made by a municipality, or is it quite in order for us to make them?

Mr. HEES: It is better that the official overture be made by them. But it is quite all right for members of parliament to ask the department about any of these matters at any time. However, the request for investigation by our officials to see what could be done should come from the municipality.

Mr. BIGG: And it should come directly to your office?

Mr. HEES: Yes, it may be sent directly to me.

The CHAIRMAN: Are there any other questions on administration?

Mr. SMITH (*Calgary South*): Is it permitted to ask a question concerning Air Transport Board operation at this time?

Mr. HEES: That will come up later.

Item agreed to.

The CHAIRMAN: There is a supplementary on this on page 12 of your supplementary estimates, item 637.

Item 637 agreed to.

450. Construction services administration \$2,022,020

Mr. HORNER (*Jasper-Edson*): This I take it where the department is constructing airfields? Is that correct?

Mr. BALDWIN: This is for the unit which is responsible for the construction program and air services as a whole, such as airfields, radio aids to navigation, meteorological facilities and so on.

Mr. BIGG: This is not only administration?

Mr. HEES: Might I suggest that you people at the lower end of the table come forward so that you can hear better. Would you mind?

Mr. HORNER (*Jasper-Edson*): May we have a statement concerning the airport at Edmonton and what its present status is?

Mr. HEES: That will come up under item 462.

Mr. DRYSDALE: What does item 450 consist of?

Mr. HEES: That is for administration of the branch, salaries of the staff that operate the air construction branch.

Item agreed to.

The CHAIRMAN: Now there is a supplementary on this at page 12 of the supplementary estimates, item 638.

Item agreed to.

451. Telecommunications division—Administration, operation and maintenance \$13,933,473

Are there any questions?

Mr. HEES: So that everybody may know what we are talking about, that is for telecommunications and radio aids to navigation. Does anybody wish to ask any questions about it?

Mr. SMITH (*Calgary South*): May I ask this: in the event that there are any more organizations which may require various strips for their use and weather information, has the department established a policy as to whether they are to be considered as private or commercial organizations?

Mr. HEES: That comes under the meteorological division and we have a man to answer that. It will come up under item 457.

The CHAIRMAN: Are there any other questions?

Mr. BALDWIN (*Peace River*): Under that heading could you give us a word about the proposed new project or system from northern Alberta running into the Yukon and the Northwest Territories? Is there not some suggestion of a system to be developed by the department which would come under this heading?

Mr. BALDWIN: Would you be thinking, sir, of departmental assumption of responsibility in connection with the army signal service?

Mr. BALDWIN (*Peace River*): Yes. Is there any general program with regard to it? I understand that this department has taken over the system which was formerly operated by the army along the Alaskan highway.

Mr. HEES: This should give you the answer:

The present financial arrangement with regard to the above system is that the lump sum of \$1,355,000 has been placed in the radio aids to air and marine navigation, administration, operations and maintenance vote to cover the costs for the operation of the system in the fiscal year 1958-59. This cost is based on the Department of National Defence estimate and covers the operation of the 19 stations involved in the system. While funds were provided in the Department of Transport estimates, they have been transferred to Department of National Defence for this year only, and the Department of National Defence continue to operate the stations. The 1959-60 estimates will be prepared by the Department of Transport and the breakdown thereof shown in detail in our estimates.

Meetings have been held between personnel of the two departments, a joint inspection trip of the system has been made and detailed planning for the transfer is well under way. The takeover, which must be on a gradual basis in order that continuity of service be maintained, is planned for six stations in the fiscal year 1958-59 with the remainder being completed in the fiscal year 1959-60, unless unforeseen difficulties arise. The program will combine the functions presently performed separately by the Department of National Defence and the Department of Transport at ten station locations.

The main economy in the operation of the combined system will be achieved at stations where two separate departmental staffs are now employed, and will result in a reduction of approximately 35 positions.

There will be a saving in salaries, housing, supplies, and so on, estimated to amount to between 10 per cent and 15 per cent annually. Furthermore, there will be intangible benefits by having the government's communication system in the north under a single authority which we anticipate will provide better service to all users.

Long-term plans, when executed, at all 19 locations will provide modern communications equipment conforming to latest standards. Much of the present equipment has seen extensive service over the past 30 years. It is expected that when the modernization program has been completed, better service will be achieved which, in turn, will help further the development of Canada's north.

Mr. HOWE: What about the training of student operators and so on? Does the Department of Transport maintain schools for the training of these operators?

Mr. HEES: I will ask Mr. Nixon, the director of our telecommunications branch, to come up and give you the answer to that question.

The CHAIRMAN: We will ask Mr. Nixon, head of the telecommunications division, to answer your question Mr. Howe.

Mr. F. G. NIXON (*Director, Telecommunications Branch, Department of Transport*): Mr. Chairman, I think the item to which the hon. member refers deals with correspondence courses that are given to radio operators.

Mr. HEES: Can everyone hear back there? Would those of you who cannot hear mind sitting at this table over here so that you will be a little closer.

The CHAIRMAN: Thank you gentlemen.

Mr. NIXON: The department does not at the present time operate a school for this purpose.

Mr. HOWE: Where would these radio operators get their practical experience? Would they be brought in after they have passed their correspondence courses? Would these radio operators have the opportunity of being hired by the department upon the completion of their courses?

Mr. NIXON: Radio operators in the department are given on the job training, but not training in a central school.

Mr. HOWE: I notice there is a reference made to students in this item.

Mr. SMITH (*Simcoe North*): Is this an apprentice training system? Do you take a man on as radio operator and bring him up to a standard on an apprentice type of system? Is that what this means when referring to student training?

Mr. BALDWIN: There are several training schemes. I was wondering which particular scheme you had reference to in detail.

Mr. HOWE: On page 570 of the details down near the bottom of the page it says, "training and refresher courses for radio operators, student radio operators and technicians—"

Mr. NIXON: That item refers to courses that are given in private schools for radio operators before entering the service.

Mr. HOWE: Would that training be given at Ryerson, or some similar school?

Mr. NIXON: This item would cover training at a similar type of school, but not at Ryerson. Ryerson is more of a technician type of school.

Mr. HOWE: What type of private school would this training be given at?

Mr. NIXON: The Radio College of Canada of Toronto is an example.

Mr. HORNER (*Jasper-Edson*): Could we have a breakdown of this item in respect of the schools that this money is being paid to and so on?

Mr. BALDWIN: I am not sure I have that breakdown in respect of this particular item. I think I have.

Mr. WRATTEN: Mr. Chairman, while he is looking that information up—

Mr. BALDWIN: Yes, I do have that information. This is broken down into a training scheme whereby, in order to bring the knowledge of mathematics and electricity up to first year college standards selected radio operators and technicians are provided courses which will enable them to acquire a more specialized knowledge in the maintenance and operation of radar and other modern equipment being installed. This amounts to \$30,000. In addition there is a special training course for 60 radio technicians by Raytheon. The department was authorized to enter into a contract with Raytheon Canada Limited for the training of 60 radio technicians in the maintenance of long-range surveillance radar. These 60 technicians are given very special training in this particular type of unit. The cost involved is \$123,000.

Mr. DRYSDALE: Mr. Chairman, I was interested particularly in the duties of radio operators grade 2 and grade 3 as described on page 569 of the estimates. I am interested in a general way what their duties are.

Mr. NIXON: They operate equipment at various radio stations providing services to air and marine. They also do some maintenance work on the equipment.

Mr. DRYSDALE: Are these employees concentrated at airports, or are they scattered throughout the northern country as well?

Mr. NIXON: There tends to be a concentration at some of the major airports. Gander airport is probably a good example of that. However, they are scattered throughout many, many stations across the country.

Mr. DRYSDALE: Perhaps this question is naive, but I ask it as a matter of information for myself.

What are the duties generally of a radio operator? That is exactly what I am trying to discover.

Mr. NIXON: A radio operator first and foremost provides a communication service to ships, aircraft, or to other points in the system. His secondary duty is limited maintenance work on the equipment.

Mr. DRYSDALE: Is the difference between a grade 2 and grade 3 radio operator just a matter of experience? I notice there are very few grade 1 operators. What is a grade 1 operator as distinct from a grade 2 operator?

Mr. NIXON: A grade 1 operator is simply a communicator not doing maintenance work and not possessing very great skill in the telegraph code. They progress to grade 3, which is a fully qualified man, having full capabilities in radio telegraph, full capabilities in procedure, and full capabilities in respect of maintenance work.

Mr. WRATTEN: What guarantee do we have that these men are going to stay with the Department of Transport after this large amount of money has been spent in respect of their training? Do these men sign up for a certain length of time, or do we put them through the radio college at a cost of \$150,000 and then run the risk of them quitting and going some place else?

Mr. NIXON: This particular item includes those items of training that were read out in detail by Mr. Baldwin.

Mr. BALDWIN: I think the answer to the question is that we do not really have a guarantee. We do feel that we have to provide this training in order to get the bodies.

At an earlier stage when we had to run our own schools, at some expense, because we could not get people on the open market, we tried to obtain

guarantees that they would stay with the department for a given number of years. After these people graduated—this was several years ago—things worked out reasonably well, but there were still some of those graduates that broke their agreement even then.

We now find with the same training scheme that the majority of the bodies stay with the Department of Transport and are loyal to the Department of Transport. There are always a few that drift off into other employment.

Mr. HORNER (*Jasper-Edson*): Do I understand correctly that this money is paid to the Radio College of Canada for training these operators?

Mr. HEES: The Radio College of Canada was given as one example of a training institution that we contribute to for the training of people that we use.

Mr. HORNER (*Jasper-Edson*): How many trained operators do we get as a result of the expenditure of this large amount of money?

Mr. BALDWIN: To which item are you referring?

Mr. HORNER (*Jasper-Edson*): I refer to the same item.

Mr. BALDWIN: Are you referring to the item of \$151,000?

Mr. HORNER (*Jasper-Edson*): Yes.

Mr. BALDWIN: That is broken down, as I indicated. I did not quite finish the statement.

It covers tuition fees of \$30,000 for a general training scheme. It covers training costs for 60 radio technicians in respect of new long-range surveillance radar who are being trained at Raytheon Canada Limited. It also covers the payment of tuition fees to various schools in Canada for training, as estimated, for 90 student radio operators on a four-month course. That amounts to \$11,500.

Mr. CREAGHAN: These students, I understand, are paid some sort of a salary while they are attending school, is that right?

Mr. BALDWIN: The student radio operator item covers only tuition.

Item agreed to.

The CHAIRMAN: Supplementary item 639.

Mr. NIELSEN: Going back to the statement made by the minister with regard to the taking over of the Royal Canadian Corps of Signals operations in the north, I just wanted to ask a question in that connection. Does this include the recent bookkeeping arrangements that have been made between the Department of Transport and the Canadian National Railways with regard to the taking over of the Canadian National telegraph system along the northwest highway system?

Mr. HEES: No, that is a separate arrangement.

Mr. PHILLIPS: I notice a considerable increase in the item for overtime. There is an increase from \$110,000 to \$455,000. What is the main factor which is involved in that increase?

Mr. BALDWIN: The main reason for the increase in overtime is due to the general salary increase. The rate for overtime has been increased approximately 10 per cent, estimated at \$35,000; payment for statutory holidays worked as authorized by section 86 of the Civil Service Commission Act amounted to \$300,000; additional stations where overtime is authorized amounting to \$10,000 making a total of \$345,000. Those are the increases.

Supplementary item 639 agreed to.

452. Air Services—Construction or Acquisition of Buildings, Works, Land and Equipment	\$11,385,000
---	--------------

Mr. DRYSDALE: Could we have a general statement from the minister in respect of that item? What does that item deal with?

Mr. HEES: This item covers all of the construction of new equipment and new installations that we are putting in, both for flying and marine. It covers a great many different types of equipment. They are all listed here: visual Omni ranges, instrument leading systems, beacons, radar sets, transmitters, non-directional beacons. This is a complete breakdown of the various places where beacons or other equipment has been installed including the type of equipment and the amount of money spent in each case.

Mr. DRYSDALE: Does it cover a large number of places?

Mr. BALDWIN: Yes.

Mr. DRYSDALE: Are there any substantial amounts concentrated at any particular place?

Mr. BALDWIN: No. The two heaviest items are for surveillance radar equipment and for visual Omni ranges.

Mr. DRYSDALE: What is the largest single item in volume?

Mr. BALDWIN: There is \$3 $\frac{3}{4}$ million approximately for surveillance radar sets.

Mr. HORNER (*Jasper-Edson*): Does this item apply to points right across the country?

Mr. BALDWIN: Yes.

Mr. CREAGHAN: I notice in your annual report for last year on page 1 that you were ordering 15 radar equipment surveillance installations for airports across the country. Is that what this item is for?

Mr. HEES: Yes.

Mr. CREAGHAN: The 1957 annual report states that you were going to order them.

Mr. HEES: Yes. They are being built now.

Mr. SMITH (*Simcoe North*): I would like to ask the minister if we, along with anyone else, are carrying out research in respect of aids. Are we doing anything to determine whether or not we are improving these various aids?

Mr. HEES: Yes. There is a very good exchange of information in this line right across the world. Very many countries are, as well as our own, doing experimental work. We have very good access to the results of other countries' experiments and we are equally willing to give them the results of our experiments.

Mr. HORNER (*Jasper-Edson*): I think in respect of an item of \$11 million we should have a detailed statement as to where the money is going.

Mr. HEES: Which item are you referring to?

Mr. DRYSDALE: Mr. Chairman, to save time, perhaps we could have this list put in as a schedule to the minutes of this meeting.

The CHAIRMAN: I beg your pardon?

Mr. DRYSDALE: Could we perhaps have a list of the various items for which the \$11 million is being spent included in the minutes of this meeting? I would suggest that that list be put in as a schedule to the report. I hope, Mr. Chairman, you will appreciate the difficulty that I, and perhaps some of the other members, have in respect of these items which, as far as we are concerned, are entirely new. When we see an item in the estimates in the amount of \$11 million described in two lines, it does not convey a great deal to us. I realize that we are perhaps taking up a great deal of the committee's time. However, taking a long view of it, perhaps during the next three or four years we will be in a better position to understand these items.

The CHAIRMAN: It may take a good deal of time to go through these items, but this committee is set up to give the members an opportunity of asking for all the information which is available.

Mr. DRYSDALE: We do not necessarily need the details, but just a breakdown of the headings.

Mr. HEES: Your suggestion is a very appropriate one. This committee has been set up for the specific purpose of supplying the information that is required and we have all the time in the world.

Mr. BIGG: Are all the details available if we require them?

The CHAIRMAN: This book contains departmental information the deputy minister could perhaps give you a summary of the whole thing.

Mr. HEES: At any time that a member would like to look at this book, or to have some information taken out and given to him in respect of any of these items at all, I would be very glad to do so. All the information is here, as you can see. This book contains the main estimates, and this one contains the supplementary estimates. They contain very many pages and the typing is quite small. There is a tremendous amount of information there. This information is available to you all.

Perhaps the deputy minister could read the main headings that comprise this \$11 million item.

Mr. BALDWIN: The Omni range is a unit that sends out a 360 degree signal related to our airways and is one of the main aids used by aircraft in flying along an airway. It is a means of setting a course of direction.

We installed Omni ranges as part of a nation-wide program in Charlottetown; Fredericton; Moncton; Saint John, New Brunswick; Sydney; Torbay; Yarmouth; Sherbrooke; North Bay; Langruth, Manitoba; Lakehead, Ontario; Swift Current, Saskatchewan; Yorkton, Saskatchewan; Saskatoon; Calgary; Edmonton; Lethbridge and Vancouver. Those are the points which are included in the Omni range program this year. There is a list of various amounts in respect of those installations. I could do a rapid calculation here. I would think it would amount to between \$500,000 and \$600,000, or slightly more than that. That is only part of the program.

In some areas we have installed those systems, and there are more installations to be done in the future.

The program also includes instrument landing systems which are the standard weather landing systems at airports. It is an installation on the ground that sends both a vertical and horizontal type of signal which aircraft coming in in bad weather must use to follow the path.

We are installing these systems at Seven Islands, Quebec; Winnipeg, Manitoba; Fort Saint John, British Columbia; Lethbridge, Alberta; Whitehorse, Yukon; Port Hardy, British Columbia and Prince George, British Columbia.

I believe the total there is a little over \$100,000 for this item.

At the Lakehead, Ontario, we are installing a non-directional beacon and marker at a cost of \$12,000; at Saskatoon we are also installing a non-directional beacon and marker at a cost of \$14,000. That is the same type of unit.

We have a general item for radar in the amount of \$4,976,000. That is almost \$5 million of which \$3 $\frac{3}{4}$ million represents this large airways surveillance radar program that I mentioned.

We also have some surveillance radar target simulators amounting to \$230,000. We have 15 radar test displays at a cost of \$45,000. We have some radar scan-conversion equipment at a cost of \$125,000. We have some ATC display and computation equipment for use in connection with radar at a cost of \$100,000.

There is a wind-up item in respect of Gander, Newfoundland for ground controlled radar at a cost of \$4,000.

We have quite a large number of expenditures for tower supplies and cables in connection with radar installations. These are spread across the country at places like Halifax; Moncton; Quebec; Ottawa; North Bay; Lakehead; Kenora; Regina; Calgary and Vancouver. These are installation costs really. Again they are not totalled but a rough idea of the cost in that connection would be \$600,000 to \$700,000.

Mr. DRYSDALE: How much was allocated to Vancouver?

Mr. BALDWIN: I am not sure that the Vancouver surveillance radar unit is covered this year. The equipment is covered but the installation cost is not. The item for Vancouver this year is in connection with a radar and communication equipment program at First Narrows bridge amounting to \$30,000.

Mr. PAYNE: Are there any installations in respect of points up the coast?

Mr. BALDWIN: Yes, there are other types of facilities as well. We have a lot of beacon assemblies and non-direction beacon items, both purchase and installation costs. These items are widely scattered across the country. Looking at the list here I see Cape Spear, Newfoundland; Ramea Island, Newfoundland; Gull Island, Newfoundland; Anticosti Island, Cape Whittle, Quebec; Pointe des Monts, Quebec; Quebec city, Seven Islands, Quebec; Westpoint; Anticosti; Esker Lake, Quebec; Ottawa; Highwind Intersection, Ontario; Churchill, Saskatoon, Lac La Ronge; Alexo, B.C.; Calgary, Comox, B.C.; Penticton; Smithers; Quesnel; Sandspit; Crescent Valley; Mystery lake; Aklavik, Northwest Territories; Contwoyto, Northwest Territories; Sawmill Bay, Northwest Territories; Revelstoke, B.C.; Grindstone, Quebec; Point Atkinson, B.C. and Amphitrite Point, B.C., as well as some small items under \$5,000. Those are various types of beacons of one sort and another. The installation costs again are roughly \$831,000, or \$850,000.

Mr. PAYNE: Are those beacons in respect of surface navigation?

Mr. BALDWIN: Surface and air.

Mr. PAYNE: In regard to surface and air navigation.

Mr. HORNER (*Jasper-Edson*): Where does most of this equipment come from? In what country is this equipment made?

Mr. BALDWIN: The equipment is purchased on the basis of specifications provided by the Department of Transport on tenders called.

Mr. HORNER (*Jasper-Edson*): Is installation also let on tender?

Mr. BALDWIN: This varies. The installation might be on tender call if the job is a large one, and if it is a small job we do it with our own staff, if possible.

Mr. HORNER (*Jasper-Edson*): Is most of this equipment Canadian made?

Mr. BALDWIN: This would require a very great breakdown of a large number of contracts. These items are, as I said, made by public contract. Some of the equipment is made in Canada and some is made in the United States, and some of it is made in Britain.

Mr. HEES: I might say there, wherever possible we buy Canadian made equipment. If it is not made in Canada, naturally we cannot buy it here. We give the break whenever possible to Canadian manufacturers.

Mr. HORNER (*Jasper-Edson*): That is the point I was trying to get at.

Mr. SMITH (*Simcoe North*): Assuming that there is an American and a Canadian contractor competing for a contract, is there any percentage differentiation allowed? For instance, if the Canadian contractor comes within five per cent of the American contractor, does the Canadian contractor get the contract, or is it let on strictly a lowest dollar basis?

Mr. HEES: It would vary according to the circumstances.

Mr. PAYNE: Am I correct in thinking that these contracts are called by tender?

Mr. HEES: Yes.

Mr. BALDWIN: The Department of Transport drafts the specifications and we then call for tenders on the basis of those specifications. Perhaps I could finish my answer. I only mentioned half the detailed list.

Mr. HEES: Do you want the remainder of the detail list read?

Mr. DRYSDALE: Yes, I would like it completed.

Mr. HORNER (*Jasper-Edson*): Yes.

Mr. BALDWIN: We have a great many radiophone transmitters and telephone equipment, communications receivers and transmitters in connection with the various radio stations that we operate. These are not specifically earmarked in terms of a single station or geographical unit. We buy this equipment in bulk and send it to the stations as they require it.

We have radiophone transmitters for marine coast stations in the amount of \$10,000. The total cost will be \$3 million. This is just our authorization to place orders.

There is an item for VHF duplex radio telephone equipment at a cost of \$80,000; communications receivers of a general type for MF and HF, and VHF use at \$218,000; broad band receiving antenna at \$49,000; low frequency transmitters for point-to-point surface and for non-directional beacons at \$200,000.

Mr. SMITH (*Calgary-South*): I wonder, Mr. Chairman, if it would be possible to hold this item open until we have had an opportunity of examining this information?

The CHAIRMAN: Do you wish the deputy minister to continue?

Mr. HEES: There is a great amount of detail included here.

Mr. HORNER (*Jasper-Edson*): Could we have a summary of this information put into the record?

The CHAIRMAN: Do you wish the deputy minister to continue?
it could then be included in the minutes.

Mr. HORNER (*Jasper-Edson*): Yes, I think that would be better.

The CHAIRMAN: Would that be agreeable to the members of the committee?

(See Appendix A)

Some Hon. MEMBERS: Yes.

Mr. GARLAND: I would like to ask the minister if special consideration is given to Canadian firms who tender in respect of contracts. There was a suggestion that if a Canadian firm came within a small percentage point of being the lowest tender he should receive special consideration.

Mr. HEES: Yes.

Mr. GARLAND: The minister, as I understand, replied that it varied. Would you elaborate in that respect?

Mr. HEES: I would say that each individual case is dealt with on its own merits.

Mr. GARLAND: So it is not always a question of the lowest tender being accepted?

Mr. HEES: I would say that usually it is, yes.

Mr. BIGG: If the tender meets the specifications, I suppose?

Mr. HEES: For instance, if one item is made in the United States and in Canada and the cost is reasonably close we usually try to give the break to the Canadian company.

Item agreed to.

Supplementary item 639 agreed to.

453. Telecommunications Division. Administration, Operation and Maintenance, including contributions as Canada's share of the costs of various international radio, telegraph and telephone organizations, as detailed in the Estimates—\$2,359,295.

Mr. SMITH (*Simcoe North*): There seems to be a lot of confusion in the minds of the general public and some of the members as to the division of responsibility between the C.B.C. and the Department of Transport in respect of the responsibility for the allocation of wave lengths and output of power of commercial radio and television stations. People are confused as to whose responsibility it is to decide on these matters. I think someone should make a report in respect of the policy in this matter in order to bring it more to the fore.

Mr. HEES: The Department of Transport's sphere is the technical sphere. The Department of Transport examines applications from a technical point of view and the Canadian Broadcasting Corporation board examines applications from an economical and service to the public point of view.

Mr. SMITH (*Simcoe North*): Is there likely to be any change in the responsibility in those fields?

Mr. HEES: That matter is under consideration by the government at the present time as indicated in the speech from the throne.

Mr. SMITH (*Calgary South*): Mr. Chairman, I also gather from that reply that it is the Department of Transport's responsibility in respect of VHF frequencies having regard to negotiations with the United States, for example, in determining which of these frequencies we can obtain?

Mr. HEES: That is right.

Mr. SMITH (*Calgary South*): I understood from the reply that the government of Canada is considering the possibility of retaining more of these frequencies and that we want to protect ourselves in respect of future television frequencies, is that a fair statement?

Mr. HEES: We have an agreement with the United States with respect to the allocation of these frequencies at the present time.

Mr. SMITH (*Calgary South*): I realize that, Mr. Chairman. The point I am getting at is, there has been some concern expressed that we must take some action to assure that we will have sufficient frequencies for the development of TV in the future, especially on the border.

Mr. HEES: We are continually in contact with the authorities of the United States in respect to this matter. What you are inferring, I think, is that perhaps there is a tendency on the part of the United States to steal some of our frequencies. We have not noticed anything of that nature at all. We work very closely with them; we are in constant consultation with them and I think I can assure you that we are not going to let them have any frequencies that are ours any more than they are going to let us have frequencies that belong to them.

Mr. SMITH (*Calgary South*): But there are only so many frequencies.

Mr. HEES: Frequencies are very valuable things, indeed.

Mr. SMITH (*Calgary South*): I hope we are continually keeping in mind the need to protect these frequencies in respect of future development or expansion of these fields.

Mr. HEES: We certainly are. These frequencies are very valuable and are becoming more valuable all the time.

Mr. HOWE: On page 573 of the estimates there is an item "Canada's share of the cost of—the international telecommunication union, Geneva, Switzerland, etc." There are three places involved in this item. The three places are: Geneva, Switzerland; Havana, Cuba and Geneva, Switzerland, again. What is the significance of that item?

Mr. NIXON: Mr. Chairman, Geneva, Switzerland, is the location of the headquarters of the International Telecommunications Union. The Inter-American radio office has its headquarters at Havana, Cuba. The third item, the administrative telegraph and telephone conference is being held this year in Geneva, in Switzerland.

Mr. McBAIN: Mr. Chairman, my question deals with the final authority for the granting of licences. Does the department of Transport, or the Canadian Broadcasting Corporation have the power to grant new licences for new stations?

Mr. HEES: On the recommendation of both the Department of Transport and the Canadian Broadcasting Corporation board, I have the authority for granting licences.

Mr. McBAIN: The authority falls to the Minister of the Department of Transport?

Mr. HEES: When an authorization is signed I sign it myself.

The CHAIRMAN: Are there any other questions?

Mr. WRATTEN: Mr. Chairman, has any thought been given to consolidating these technical advisers, economic advisers and all the rest of them, instead of having them running all over the place to see about putting in a radio station? Could we not consolidate that work instead of having the Department of Transport going in first and then the Canadian Broadcasting Corporation? It seems that we are paying four or five people to run out to see if there should be a radio station. Why should we not consolidate these things and have one man do the whole job?

Mr. HEES: Which particular type of investigation are you referring to, Mr. Wratten?

Mr. WRATTEN: A few minutes ago you said you sent a man out to do the technical survey. Is that right?

Mr. HEES: Well, that is done here in Ottawa from the information we get regarding the stations. We do not necessarily have to go and look at the physical facilities.

Mr. WRATTEN: What would happen then? Did you not say that the C.B.C. would make an examination as well?

Mr. HEES: The C.B.C. does an examination of the economic and social aspects.

Mr. WRATTEN: And the moral aspects too?

Mr. HEES: Whether it is economically needed or justified and whether there is a social need for more radio or more television. That is their job, and it is set forth by statute as the job that they do.

Mr. WRATTEN: I know. It might be set like that. But if we can change these statutes to bring about economy and consolidate it under either your board or somebody else, would it not be better than having three or four different people running around?

Mr. HEES: The whole matter as indicated in the speech from the throne is under very active consideration at the present time.

Mr. HOWE: In that connection, what correlation or control is there between the granting of wavelengths in Canada and the granting of wavelengths in the United States and increasing power, where there is a station already established?

Mr. NIXON: Sound broadcasting services to which you refer, that is, radio, are controlled by the North American broadcasting agreement which is composed of countries in North America. On the other hand, television comes under a bi-lateral agreement with the United States.

Mr. SMITH (*Simcoe North*): I take it that the C.B.C. hears an application for a new radio station and they decide whether the community needs it and whether there is a fair chance of the station being operated economically. But do they make any recommendation as to the wavelength or the power, or is that entirely within the province of the Department of Transport?

Mr. HEES: That is part of the technical aspect which we examine before the application even goes to the C.B.C. That is information we supply to them, to the C.B.C., when the application goes forward.

Mr. SMITH (*Simcoe North*): Do you supply them with a recommendation?

Mr. HEES: There is a general technical committee which is composed of representatives of the Department of Transport and the C.B.C. which reviews the whole thing.

The CHAIRMAN: Are there any other questions?

Mr. HORNER (*Jasper-Edson*): Does the Department of Transport control these new micro-wave links and the technical aspects of them?

Mr. BALDWIN: Yes.

Mr. HEES: Yes. Anybody who receives a licence for them gets it from us.

Mr. RYNARD: I wonder who makes the first decision? For instance, I know a station that has been recommended quite recently for an increase in power and I am also certain that they did not follow out all the social measures in that particular area, because I have a whole sheaf of complaints. Will the C.B.C. put through an increase in power for that station, and if so, will it come back to you, and what are you going to do with it? Are you going to accept their recommendation, and that their technicians have checked it? How are they doing to check it from Ottawa if they have not been up there on the job? Are you going to accept the recommendation of the C.B.C.?

Mr. HEES: I shall ask the deputy minister to explain.

Mr. BALDWIN: We check it from the technical point of view to see whether it conforms with the technical requirements and the type of thing that Mr. Nixon mentioned in terms of distribution, signal strength, interference, and so on.

The matter is then referred to the C.B.C. for their advice on the question of whether it is or is not a good thing in their opinion from the point of view of the public. They have nothing to do with the technical aspect.

That advice then comes back to us and it is considered; and if something should turn up to indicate that it is not in accordance with the requirements, we investigate it and then the C.B.C.'s recommendation would come back to the minister.

I cannot answer the question beyond that, because the minister would have to state what he does with the recommendation that he receives.

Mr. HEES: He gives them very serious consideration!

Mr. RYNARD: Then it travels a very tortuous course.

Mr. HEES: I could not agree with you more, Mr. Rynard.

Item agreed to.

Item 454. Radio Act and Regulations. Construction or acquisition of buildings, works, land and equipment—\$515,000.

Mr. HORNER (*Jasper-Edson*): Where are these buildings being built, and where is the land?

Mr. BALDWIN: A standards laboratory building at Ottawa will cost \$150,000; the relocation of a monitoring station in Prince Edward Island will cost another \$100,000. The balance is spread between various monitoring stations such as at Baker lake, \$80,000, for electric power; Port Arthur, further expenditures on a monitoring station, and another station up there to cost \$35,000.

These monitoring stations, incidentally, are stations which we have to maintain to make sure that all broadcasting going on, whether it be public or private, conforms to wavelength requirements and does not cause interference.

Mr. HORNER (*Jasper-Edson*): May I ask the reason for the relocation of the monitoring station in Prince Edward Island.

Mr. BALDWIN: Yes. There was a very high noise level and industrialization in the area where the old station was located. This sometimes happens. You may locate a radio station and in anywhere from five to fifteen years a lot of development and building takes place in the area. You soon find a lot of interference is caused when the station is in an area where there is a lot of equipment.

Item agreed to.

Items 640 and 455 agreed to.

Item 456. Telegraph and telephone service. Construction or acquisition of buildings, works, land and equipment—\$198,000.

Mr. BIGG: Is this construction of telephones only in the Northwest Territories, or is there any provincial construction involved?

Mr. BALDWIN: No. This is the sum which is related to the small operation of the government-owned telephone and telegraph system which still exists. The great majority of them have been disposed of. I think the large proportion of this item is in the Magdalene islands because the only system there is the government system.

Item agreed to.

Item 641 agreed to.

Item 457. Meteorological division. Administration, operation and maintenance, including grants as detailed in the estimates—\$10,708,161.

Mr. HEES: Mr. Noble of the meteorological division will answer any questions relating to this item.

Mr. DRYSDALE: I noticed in the annual report a considerable shortage of trained meteorologists. Is there a sufficient number being supplied by the universities for the general need in Canada, and if not, is there a system of assistance to encourage students to go into this particular phase of activity?

Mr. J. R. H. NOBLE (*Chief, Administration Division, Meteorological Branch, Department of Transport*): Mr. Chairman, this last year there has been a noticeable improvement in the recruiting of potential meteorologists from Canadian universities. In addition, we have been successful in recruiting a small number from the United Kingdom and from United Kingdom services. The situation is still difficult but it is improving.

Mr. DRYSDALE: I understand that at one time, a few years ago, students were assisted in going into meteorological work. Is that assistance still being continued?

Mr. NOBLE: That assistance is being continued in that young graduates coming directly out of university are taken on in a training capacity. They attend special courses given by the University of Toronto in their school of graduate studies. The courses are designed to train men in the special skills necessary.

These men receive pay while at the university taking this training. The university at the same time is following the prescribed course of study as authorized by the University of Toronto in its school of graduate studies.

Mr. DRYSDALE: Is there any provision made for the payment of an educational grant? How long does the meteorologist have to stay with the department? Is there any limitation?

Mr. NOBLE: There has not been a limitation placed on it, but experience has shown that the boys, having selected that type of work, tend to stick with it.

Mr. DRYSDALE: How do government salaries compare with what a man might receive in the every day world of business? Is there a comparable situation?

Mr. NOBLE: That would be awfully difficult to assess, because, after all, the Canadian field of employment for meteorologists is primarily the Department of Transport.

Mr. DRYSDALE: You mean the Department of Transport is the sole field?

Mr. NOBLE: There are a couple of private firms in Canada at the present time which are getting into this work, private operators; but it is exceedingly difficult.

Mr. WRATTEN: Where are the meteorologists stationed?

Mr. HEES: All over the country.

Mr. NOBLE: I could give you a summary of them by main centres. These are at Vancouver, Whitehorse, Edmonton, Winnipeg, Toronto, Montreal, Moncton, Halifax, Goose, and Gander. This is not a complete list, but it embraces the major ones.

Mr. WRATTEN: May I ask what these people do? I am only an ignorant boy from the country, and I would like to know.

Mr. HEES: Well, they forecast the weather.

Mr. WRATTEN: Some of them do not guess it right at different times.

Mr. HEES: The meteorological branch is involved in all phases of meteorological services for civilian and military purposes in Canada, for shipping in adjacent ocean areas, the Great Lakes, and for international aviation over the Atlantic and Pacific oceans.

The services include:

1. Public weather forecasting, which is summarized from two to four times daily for 20 key cities and 77 public weather regions covering all the separate parts of Canada.
2. Marine weather forecasting for shipping in the Atlantic and Pacific coastal waters, the St. Lawrence, the Great Lakes, Hudson Bay, and some of the larger interior lakes.
3. Weather forecasting for special interests, particularly agriculture, transportation and forestry.
4. Meteorological services to the Royal Canadian Air Force, Royal Canadian Navy, the army, and the Defence Research Board.
5. Weather observing and forecasting for domestic aviation, for trans-Atlantic, trans-Pacific and trans-Polar aviation. This includes the purely meteorological part of the operation of two weather ships on the Pacific.

6. Such research projects as may be necessary to meet the meteorological requirements of agriculture and industry as well as the meteorological requirements of all Canadian departments.

7. The provision to the sources outlined to us of information and advice on the climateology of Canada and of foreign countries, and the publication of statistical meteorological data for all parts of Canada.

8. The design, and where necessary, the assembly of weather instruments to meet special conditions experienced in Canada and the repair and maintenance of meteorological equipment.

9. The training of technical and professional meteorological personnel in order to carry out these meteorological services and functions.

10. Canadian representation in international meteorology, particularly in the work of the world meteorological organization and the International Civil Aviation Organization.

The CHAIRMAN: Does that cover what you wish, Mr. Wratten?

Mr. WRATTEN: It covers it all right.

The CHAIRMAN: It is only a wise man who asks questions.

Mr. HOWE: Might we have an explanation of these weather observer contracts mentioned on page 578?

Mr. NOBLE: On occasion it has been found more economical to contract with a commercial agency such as an airline company, a communication agency, or an educational agency for the provision of weather information, that is to say, basic weather observations. It is more economical to contract with an agency such as that than it is to employ full time departmental staff.

What you are referring to here, I take it, is the amount of money which is spent on that basis each year?

Mr. DRYSDALE: In view of the report that there is no very severe shortage of meteorologists, would you care to estimate how many would be required to bring Canada up to the optimum standard?

Mr. HEES: Mr. Noble tells me that we estimate that we are 40 short at the present time, and that we hope to get men enough by next year.

Mr. DRYSDALE: What efforts are made by the department at the undergraduate level to interest students in becoming meteorologists?

Mr. BALDWIN: We send a special team out to the universities during the course of the winter.

Mr. DRYSDALE: What type of economic requirement is necessary? A Bachelor of Arts or Science, or what?

Mr. BALDWIN: Mathematics and physics.

Mr. PASCOE: On page 578, Canadian National Exhibition display, is that solely for the exhibition at Toronto, or could it be displayed at other exhibitions?

Mr. HEES: That is just for Toronto.

Mr. PASCOE: It could not be moved to any other exhibition?

Mr. HEES: If we got additional money for it we could do it.

Mr. PASCOE: Does it cost that much for any other display?

Mr. HEES: There has been no inclination on the part of the treasury board so far to allow us to extend this expenditure to other places.

Mr. HORNER (*Jasper-Edson*): I notice in the annual report where there is cooperation in the study of hail formation in Alberta in 1957. Is there any report on that study having to do with hail?

Mr. NOBLE: There is a preliminary report on the accomplishments in the summer just past. In addition, the investigation is continuing this year in cooperation with the National Research Council and the Research Council of Alberta.

We are rather optimistic about the work that is being done out there. It is a research problem. As it stands at the moment we expect let us say, by this time next year—in other words, when this year's operations are completed—that we would have a pretty good report. I would not like to forecast what the outcome of the thing will be.

Item agreed to.

Item 642 agreed to.

The CHAIRMAN:

Item 458. Construction or acquisition of buildings, works, land and equipment—\$1,089,600.

Are there any questions on this item?

Mr. DRYSDALE: Perhaps we might have a general statement.

Mr. BALDWIN: Summarizing it briefly, this item is related to the supervision of technical equipment for meteorology in the main and in construction at various meteorological stations, for example: at Isachsen in the Northwest Territories, \$35,000 will be required to complete the resiting of the station.

At Mould bay in the Northwest Territories, \$22,000 will be required to complete the station improvements.

At Banks Island, Northwest Territories, \$17,000 is required for station improvements which include an underground natural refrigeration reefer for the storage of meats, radio beacon masts and antennae and shipping charges.

Roughly speaking, out of a total program of \$300,000 to \$400,000 the expenditure this year will be a little under \$100,000.

For the expansion of the radiosonde training establishment at Toronto, \$27,000 will be required. This training establishment is for the operators who follow the radio-bearing balloons which have to be sent up.

A sum of \$30,000 is required for the meteorological installation at Gander, which is installed at the end of the runway to give information on ceiling and visibility conditions.

The station at Sable Island, Nova Scotia will require a further \$20,000 for completion.

There is an amount of \$160,000 for housing at Goose, and an enlargement of facilities there to the extent of \$20,000. We are doing the weather forecasting there by means of a closed circuit.

There is a wide variety of station improvements and, either housing or buildings, for radiosonde or power plants of hydro-generators to supply the needs of our housing such as at Moosonee, Baker lake, The Pas, Fort William, Chesterfield, Aklavik, Norman Wells, Grand Prairie, Coppermine, Prince George, and St. Hubert, Quebec. These are the main locations. It breaks down at this point into the housing of our equipment, and buildings to support meteorological operations.

Mr. DRYSDALE: Are any of the meteorological services revenue producing?

Mr. BALDWIN: Not this type of service. But in our climatological section where we are called upon to do a special study for industries, such as an insurance company, which may want to know the frequency with which ice conditions occur, for the purposes of setting a rate on motor car insurance, for example, we do charge our out of pocket costs for the job they ask us to do.

Mr. CREAGHAN: With respect to this present item could the director tell us how many family dwellings the department has at Goose Bay and what space is available for married personnel there?

Mr. BALDWIN: I would not know off hand the figure. I would have to get it together from the different branches.

Mr. CREAUGHAN: I meant for meteorology only.

Mr. BALDWIN: There are 24 now available; there are three double ones one planned for this year, which would make the today number 30.

The CHAIRMAN: Are there any further questions?

Mr. CREAUGHAN: Is it possible for the employees of your radio department to occupy any of these houses that come under the meteorological branch at Goose? I understand that from time to time you take personnel from the Moncton area and post them to Goose Bay. They are married yet they cannot find space. At that post there may be vacant houses belonging to the radar or radio branch. Nevertheless the meteorological men cannot get into them.

The CHAIRMAN: I shall ask Air Vice-Marshal A. de Niverville, to answer you.

AIR VICE-MARSHAL A. DE NIVERVILLE (*Director of Air Services, Department of Transport*): Mr. Chairman, if I understand the question correctly, the answer is: the meteorological director is responsible for the quarters at Goose Bay. While some quarters may have been built to meet the needs of a certain branch, if by any chance the meteorology men do not occupy those quarters the director may reallocate them to the radio operator who is reporting for duty at that time.

As to why married quarters may be included in certain branch estimates, they may not necessarily be occupied by the personnel of that branch. For example, at Goose Bay there is a rule in force which gives the agent the responsibility for reallocating the quarters from one branch to another in the event of the branch for which the quarters were built—there is a rule that quarters are not to be left vacant for more than two months.

The CHAIRMAN: Are there any further questions?

Mr. CREAUGHAN: In other words, am I right in assuming that if the Department of Transport sends a radio operator up there, and he is a married man and he cannot get his family up there because "radio" does not have any vacancy of dwellings, he can get a vacant dwelling allocated to him by the meteorology branch after a two months waiting period?

Mr. DE NIVERVILLE: Yes, that is right, if the quarters are not wanted. No quarters are supposed to be left vacant for more than two months. They may be reallocated to him from another branch.

Item agreed to.

Supplementary item 643 agreed to.

459. Control of Civil Aviation, including the Administration of the Aeronautics Act and Regulations issued thereunder—\$1,866,255.

Mr. DRYSDALE: Could we have a general statement in respect to this particular item?

Mr. HEES: Again this is a vote to provide for the salaries of the director and headquarters personnel that administers this civil aviation division here in Ottawa.

Item agreed to.

Supplementary item 644 agreed to.

460. Airways and Airport—Operation and Maintenance—Civil Aviation Services, and to provide, notwithstanding the Financial Administration Act or any other act, that the Treasury Board may authorize arrangements to be made for the operation of hotel, bakery, restaurant, staff messing, staff accommodation and similar facilities at airports and may authorize the disbursement of revenues derived therefrom and payment of deficits that may occur in the management and operation of these facilities—\$14,342,200.

Mr. SMITH (*Simcoe North*): I will ask a question on behalf of Mr. Smith from Calgary South concerning the use of Department of Transport airfields by flying clubs. What is the policy, or is there a policy of the Department of Transport in respect of landing facilities or space at these fields?

Mr. BALDWIN: They are considered on the same basis as any other aviation industry in the sense that they may use the airfield. They are allowed to rent certain war surplus hanger space that we acquired from the air force on a \$1 per day basis for their club activities because they are encouraging civil aviation without any profit motive. In return for that special assistance they either have certain restrictions on their activities, in the sense that they do not go into commercial business, but are flying clubs which consist of members who encourage flying.

Mr. SMITH (*Simcoe North*): I think that answers the question.

Mr. DRYSDALE: What portion of this item would relate to the Vancouver airport?

Mr. BALDWIN: Not very much, sir, because the Vancouver airport is operated by the city of Vancouver. The city takes care of the operating costs in respect of that airport.

Mr. HORNER (*Jasper-Edson*): How many airports are there in Canada of that type? Do all the major cities in Canada look after their own airports?

Mr. BALDWIN: No, that is the exception rather than the rule, sir.

Mr. MCBAIN: I recall that in the past there was a certain amount of criticism levelled at the Department of Transport in respect of the inadequacy of certain facilities at its airports. I was just wondering whether the minister has found that criticism to be justified, and if so, have steps been taken to correct the situation?

Mr. HEES: I take it you are talking about air terminal facilities—waiting rooms and so on?

Mr. MCBAIN: Yes.

Mr. HEES: As fast as we possibly can we are enlarging facilities all over the country in an attempt to keep pace with the tremendous growth of the aviation industry. I have a progress report here in respect of the main terminal buildings which you might be interested in.

This report will concern practically all members. St. John's, Newfoundland—new building will be completed this year; Gander, Newfoundland—new multi-million dollar building will be completed this year; Stephenville, Newfoundland—new building completed last year; Halifax, Nova Scotia—contract let this spring for new building, which should be finished some time in 1960; Moncton, New Brunswick—new building completed around 1954. Some further extension contemplated; Seven Islands, Quebec—new building completed last year; Quebec city, Quebec—new building completed last year; Ottawa—new building well advanced. Should be at least partially operational next winter; Montreal—new building is well advanced and the contractor is now working on the interior. We hope it will be operational, at least partially, during next winter, or during the winter of 1960. A contract for the aeroquays for aircraft parking and loading will be let this summer.

I can explain just what these aeroquays are. This is a new idea in aircraft handling. There will be four aeroquays or separate loading buildings in addition to the main terminal building which will be connected by underground tunnels. The aircraft will park on the four sides of these four aeroquays allowing a great many more aircraft to load and unload at any particular time. It will increase the capacity of the airport tremendously.

Toronto—plans for new buildings now being prepared by architect. We hope to call for tenders before the end of the fiscal year; Windsor—new building completed this past winter; Lakehead—new building completed two or three years ago; Winnipeg—plans for new building are presently being prepared by the contractor. The first tender is expected before the end of the present fiscal year; Saskatoon—new building completed two years ago; Regina—contract for new building to be let this summer; Edmonton—contract for new building at new airport to be let next year; Calgary—new building completed by the municipality two years ago on the basis of federal financial assistance; Vancouver!

Mr. DRYSDALE: Thank you.

Mr. HEES: A new building was completed by the city last year on the basis of federal financial assistance; Victoria—a contract for a new building to be let next winter or spring; Comox, B.C.—new building completed over a year ago; Port Hardy, B.C.—contract for new building to be let this summer and Sault Ste. Marie, Ontario—contract for new building to be let next year.

That gives you some general idea of what is going on in the realm of airport construction across the country. This is a tremendous program and although at various places you may feel we are not keeping pace with the needs of the community, we stagger the treasury board from to time. I can assure you that we will look after the needs of various airports across the country just as quickly as we can get money to do the job.

Mr. DRYSDALE: Mr. Chairman, with regard to the airports that are operated by cities or municipalities as contrasted with those airports operated by the Department of Transport, is there any difference as to the provision of capital expenditures? In other words, does the Department of Transport do the construction in either case, or do the cities and municipalities contribute to the construction themselves?

Mr. BALDWIN: The basic runway and taxiway requirement for purposes of flying at the main airports is considered to be a federal responsibility whether the airport is one of our own or whether it is a municipal airport. That statement relates only to the basic, as I said, runways and taxiway pattern, approach lights, landing lights and aids to navigation.

The Department of Transport would provide those at Vancouver just as though it was a Department of Transport operated airport. In respect of other items which may be required we expect the city or municipality to take care of them, except that in the case of a terminal building, if the treasury board approves, we may grant something towards a part of the cost of the terminal building, but only a part.

Mr. DRYSDALE: In regard to an airport such as the Vancouver airport where there is a Royal Canadian Air Force installation, is there a contribution on the part of the two government bodies in respect of the construction and maintenance of the airport?

Mr. BALDWIN: No. The Department of Transport acts as the unit which does the building at Vancouver. If the military had a special military requirement for construction they would come to us and say, "Here is the money. We need this for military purposes" and we would do it.

Mr. DRYSDALE: You are referring to items such as the lengthening of runways to handle jets?

Mr. BALDWIN: If it was a military requirement only and not civilian, they would be expected to pay for it and we would do the job for them.

Mr. DRYSDALE: I would like to ask a question in respect to the item appearing on page 521, professional and special services. I wonder if we could have an explanation as to what this item consists of?

Mr. BALDWIN: This item is under which heading sir?

Mr. BALDWIN: Under the heading, "control of civil aviation". It appears on page 581.

The CHAIRMAN: This has to do with item 460.

Mr. BALDWIN: Item 460—professional and special services. That comes under the previous item. I can get that information for you.

Mr. DRYSDALE: I am sorry.

Mr. BALDWIN: That is all right.

It covers the hiring of legal assistance, special technical advisers, court reporters and other associated costs. The investigation of flying mishaps at a cost of \$25,000, is the largest portion of this item.

Mr. DRYSDALE: Would the Mount Slesse disaster in British Columbia be covered under this item?

Mr. BALDWIN: No. This will primarily cover in part the cost of inquiring into the accident at the small town outside of Quebec city, and the cost of similar boards of inquiry that we may have to set up.

Mr. MCBAIN: Could we have a breakdown of the revenues received from the operations of these airports?

Mr. BALDWIN: Yes, we kept a statement of each individual airport, sir. I do not have that information here because there are so many airports. We do keep individual records.

Mr. MCBAIN: Could we be given a statement as to the over-all picture between the operating expenses and revenue from the operation of airports?

Mr. BALDWIN: Yes, The total revenue figure I have here, sir, is the figure for—

Mr. HEES: The revenue from all sources during this past year was almost \$7 million. If you want to know about a particular airport in respect of profit or loss, I have that information here also.

Mr. MCBAIN: I was not particularly interested in a particular airport, I just wanted to know the over-all picture.

Mr. HEES: I can give you the over-all picture right here. The total revenues were \$6,853,000. These figures are in connection with the past year. The total revenue was \$6,853,000. The operating and miscellaneous expenses excluding depreciation were \$10,729,000 for a net deficit of \$3,867,000.

Mr. CREAGHAN: What was the over-all loss or profit in respect of the Dorval airport?

Mr. HEES: The Dorval airport made a profit of \$388,000 last year.

Mr. DRYSDALE: Have you the figures for the Vancouver airport?

Mr. HEES: Yes, just a minute.

Mr. HORNER (*Jasper-Edson*): Do you have the figures for the Edmonton airport, or is that municipally operated?

Mr. HEES: If you would like me to give you the ones that made money, I can do that.

The CHAIRMAN: Have you the figures in respect of the Edmonton airport?

Mr. BALDWIN: The Edmonton airport is operated by the city.

Mr. HEES: The Fort Chimo airport in Quebec made a profit of \$941.

The Dorval airport made a profit of \$388,494; Malton airport at Toronto made a profit of \$548,435; the Mount Hope airport, believe it or not, made a profit of \$2. I do not know how that happened. The Winnipeg airport made a profit of \$147,591.

Those are the only airports that made profits.

Mr. CREAGHAN: What was the loss at the Moncton airport?

Mr. HEES: The Moncton airport had a loss of \$57,664.

Mr. TUCKER: Could you give us the loss at the Gander airport?

Mr. HEES: The loss at the Gander airport amounted to \$35,291.

Mr. DRYSDALE: Mr. Chairman, this is perhaps a matter of policy, but is it known whether or not the majority of municipally owned airports operate at a profit or at a loss?

Mr. BALDWIN: To the best of my knowledge the Vancouver airport, the Calgary airport and the Edmonton airport—which are the three most important in the west—operated at a small profit. The airport at Regina operated around the break even point, I would think. I am not too sure with regard to the Fredericton and Saint John Airports, but I would say again that they operated pretty close to the break even point.

The Department of Transport pays a small subsidy to an airport that has an operating loss. If that operating subsidy was taken away in cases where there is an operating loss, places like Fredericton and Saint John would be showing a loss.

Mr. DRYSDALE: Would the Department of Transport prefer to operate the airports that are presently municipally owned?

Mr. HEES: I might say that that is a question I am asked by the press and the municipal officials every time I go to Vancouver. The answer I have given them I will repeat here again. We are very happy to have the city of Vancouver operating the airport there.

Mr. DRYSDALE: Would it be fair to say then that wherever a municipality or a city is desirous of operating its own airfield the Department of Transport is quite happy to let them take over that operation?

Mr. HEES: That is quite true. We are very happy to have them do it.

Mr. DRYSDALE: In other words the profitable operations are municipally owned and the Department of Transport tends to adhere to the operations that are not profitable?

Mr. HEES; We operate a few profitable airports. The Dorval airport makes a profit; the Toronto airport makes a profit, and there are two or three other ones that I mentioned earlier.

What usually happens is, if there is an airport operating at a loss pressure is brought to bear on the government to take it over.

Mr. GARLAND: In which category is the North Bay airport in respect of profit or loss?

Mr. HEES: The North Bay airport had a loss of \$132,684.

Mr. HORNER (*Jasper-Edson*): What is the status of the Saskatoon airport, is it municipally owned or otherwise?

Mr. HEES: That airport lost \$81,280.

Mr. BASKIN: Mr. Chairman I would like some information regarding the airports at Killaloe, Lake Centre and Arnprior. Do they come under the jurisdiction of the Department of Transport, and is any use being made of those particular fields at this time?

Mr. BALDWIN: The Killaloe airport is the only one that comes under the jurisdiction of the Department of Transport.

Mr. BASKIN: There have been rumours in my constituency for a number of years regarding the Killaloe airport, that the Department of Transport proposes to build proper runways there. Is there any truth to those rumours?

Mr. BALDWIN: There is nothing under consideration in that regard at the present time. There is very little use being made of that airfield at the present time.

Mr. BASKIN: What use is being made of it?

Mr. BALDWIN: It is only a grass field. Light aircraft go in there occasionally but we have had no requests for improving the field there.

Mr. CREAGHAN: I wonder if perhaps the air marshal could explain in a general way what charge the Moncton airport would make to a private company operating a BOAC that was flying over the Moncton area and because of bad weather had to make an emergency landing there?

Mr. DE NIVERVILLE: The standard landing fees are charged. If this aircraft made its first landing at Moncton coming from overseas it would have to pay the regular Atlantic crossing fees.

Mr. CREAGHAN: In round figures what would that landing fee amount to?

Mr. DE NIVERVILLE: I am afraid I do not know.

Mr. BALDWIN: The charge would depend very much on the size of the aircraft. If you are thinking of a stratocruiser I would guess that the landing fee charged would be \$150.

Mr. DE NIVERVILLE: I have not got the book with me and cannot give you the exact charge, but it would be in that neighbourhood.

Mr. CREAGHAN: Do landing fees represent the main source of revenue at airports?

Mr. DE NIVERVILLE: An airport's source of revenue is landing fees, operation of concessions, rentals, and parking areas.

Mr. HEES: Parking seems to be a profitable item. I gather from the number of people that park at these airports that it is very profitable.

Mr. BASKIN: What does the operation of the Killaloe airport cost the Department of Transport annually at the present time?

Mr. BALDWIN: I do not have a breakdown of that but it is relatively small because we operate a radio range up there anyway.

Mr. GARLAND: Mr. Chairman, I wonder if the minister or one of his officials would care to comment on the suggestion that the North Bay airport being operated as a joint development between the Department of Transport and the Department of National Defence is a contributing factor to the loss suffered there?

Mr. HEES: No.

Mr. GARLAND: That fact does not affect it in any way?

Mr. HEES: No, not a bit.

Item agreed to.

Supplementary item 645 agreed to.

461. Airway and Airport Traffic

Control \$ 5,115,231

Mr. PASCOE: Mr. Chairman, I represent a constituency that has a very large NATO training airport with many planes in the air night and day. It is very close to a commercial airline. I wonder if the minister could make a statement regarding the steps taken by the Department of Transport to avoid air collisions and maintain flying safety?

Mr. HEES: I have a statement I can give you in that regard.

Control over flying to avoid airborne collisions is achieved in several ways. There are general rules which apply to all flying, specific rules which apply to flying off the airways, specific rules which apply to flying on the

airways, and specific rules applicable as between flying in "VFR", which means good weather, and flying in "IFR", which means bad weather, when visibility from the aircraft is restricted.

In addition, certain airways and air routes, which are roads in the air are marked out across Canada and are served by several radio aids to navigation so that aircraft may check their position, maintain course, and, in turn, be directed by ground organization of air traffic control. This is divided into several centres across Canada, each with responsibility for a major area; and into supplementary local airport control tower organizations, which handle incoming and outgoing traffic at and in the immediate vicinity of each airport. The air traffic control staff also provides certain general information and assistance to aircraft which are not flying on airways, but their main task is control of flying on the airways.

Off the airways, the rules provide that according to direction of flight (the compass being divided into four sectors for this purpose) certain specific altitudes must be maintained, the air space being divided into 500-foot vertical bands for this purpose. By this means altitude separations between aircraft is maintained according to their direction of flight as a means of avoiding collision. Similar rules exist on airways according to the direction of the airway and the direction of flight. Also planes crossing an airway must also fly at specified altitudes, which are different from the altitude laid down for flight along the airways.

These rules apply to both civil and military aircraft. There are approximately 21,000 miles of airways and air routes in Canada. There are eight traffic control centres; in addition the Department of Transport operates 27 control towers and the R.C.A.F. operates 28 control towers. There are now a total of over 800 employees in the Department of Transport air traffic control division, as compared with about 300 employees four years ago.

During bad weather conditions when aircraft must proceed by instruments, constant control of all aircraft on airways is maintained. In addition, if an aircraft is flying on the airways, regardless of whether the weather is good or bad, it must operate under the direction of the air traffic control system if flying between the altitude of 9,500 feet and 23,000 feet. All aircraft using this air space know that they are under positive "separation" control.

Previously, under visual flight conditions, full control of this sort had not been exercised on airways. This rule has not existed in the United States.

A standing committee, composed of the Department of Transport and the Royal Canadian Air Force representatives, provides a common basis for the civil-military approach to air regulations and control procedures and also assists in working out plans for R.C.A.F. or civil training to be conducted in areas off the airways; and for procedures to be used which ensure that in cases where a training school is on the airway, the approach and departure of training aircraft is separated from regular military or civil flying on the airway. Large military training operations or operational exercises are handled in air space specially reserved, temporarily, for the purpose from which normal civil traffic is excluded during this period.

The installation of 15 airport and airways surveillance radar units, which will provide air traffic control with substantial coverage of the coast to coast airways system, has begun, and when it is completed it will mean that on the transcontinental airways not only will air traffic control, as in the past, have a flight plan record and voice check with aircraft on airways, but there will also be a means of visual checking by radar on aircraft movement.

Mr. PASCOE: Just to follow that up, because of these airway controls, does the presence of large R.C.A.F. airfields limit or in any way hinder the expansion of commercial air services in the vicinity?

Mr. HEES: It might. We would have to examine each airport separately.

Mr. DE NIVERVILLE: Following the Moose Jaw accident a few year ago—

Mr. HEES: Mr. Pascoe is from Moose Jaw and is particularly interested in that area.

Mr. DE NIVERVILLE: We have a big airport out there. There was a bit of a dog leg put in there to provide the air force with a little more flying space. This meant, in addition to the airway, that they had possibly 15 miles. There was a little deviation made from the original airway to give the air force training station a better opportunity for training.

Mr. PASCOE: I was thinking particularly in regard to the expansion of commercial air services in Moose Jaw.

Mr. HEES: In respect particularly to Moose Jaw it certainly will not have any effect.

Mr. DRYSDALE: Mr. Chairman, I wonder if Mr. Baldwin could give us some illustration in respect to the two items, "materials and supplies", in the amount of \$2,813,000, and the item covering "repairs and upkeep of equipment", in the amount of \$1,380,000. These items come under vote No. 460 with the details appearing on page 585.

The CHAIRMAN: We are on vote 461.

Mr. HEES: We passed that item but we will come back to it.

Mr. DRYSDALE: I am sorry, I have difficulty in keeping track of these.

Mr. HEES: We will do anything to accommodate, the customer is always right.

Mr. DRYSDALE: Does the second item cover the utilization of the first item?

Mr. BALDWIN: The item covering materials and supplies breaks down roughly in the following fashion; coal, coke and wood, \$675,000; fuel oil, \$515,000; coal oil, \$5,000; gasoline, \$225,000; aviation gasoline, \$275,000; oil and grease, \$60,000; diesel fuel oil, \$415,000; provisions, \$386,000; medical supplies, \$1,105; containers, \$90,000 and items of that sort.

Mr. DRYSDALE: And the item covering repairs and upkeep to equipment includes what?

Mr. BALDWIN: That item covers the cost of 62 automobiles; 96 snow-blowers; 5 cranes; 7 buses; 15 rollers; 5 snowmobiles; 539 trucks; 2 shovels; 46 graders; 317 tractors; 6 shopmules and that sort of thing.

The CHAIRMAN: Is that the whole list?

Mr. BALDWIN: There are a lot more items listed here.

Item agreed to.

Supplementary item 646 agreed to.

462. Airways and Airports—Construction or Acquisition of Buildings, Works, Land and Equipment, including Construction Work on Municipal airports to Municipalities as contributions towards construction done by those bodies, and amounts to be paid in settlement of claims for compensation by persons whose property is injuriously affected by the operation of a zoning regulation made under authority of paragraph (j) of subsection (1) of section 4 of the Aeronautics Act—\$61,348,000.

Mr. HEES: Perhaps I should ask Mr. Connolly to come up and answer any questions with regard to this item.

Mr. DRYSDALE: I am interested in the nature of this item, "telephone, telegrams and cables," and in the item "telephone and telegraph communication networks leased for airways traffic control" in the amount of \$1,825,474.

Mr. BALDWIN: That is an air traffic control item. I will give you the details of that.

The reason that item is very high is because air traffic control in order to function has to use communications from coast to coast. The traffic controller, whether in a tower or a centre, has to be able to talk not only to aircraft in

flight but to other towers and air centres on the basis of picking up a phone and not having to dial. They use direct phones because speed is essential in the controlling function.

The system is operated by using phones, and there are also teletype circuits operating on this system. The ATC operates on a very high volume of communication which is very expensive indeed. This breaks down into what is called the ATC interphone network which costs \$724,272 per year to rent from the various telephone and telegraph companies, and it is spread between the Canadian Pacific and the Canadian National and the various provincial telephone companies.

This was the long line local which supplements it, and it cost another \$4,000, and a certain number of special extensions which cover a great many individual items, roughly, \$½ million in total.

For example, another large item is the extension in respect to the interphone service from Yellowknife to Prince Rupert in the sum of \$40,000; the leasing of another telephone circuit from Seven Islands to Goose, \$92,000.

This would give you some idea of the type of costs that come under this item.

Mr. DRYSDALE: It is cheaper to lease these things than for the department to establish its own system?

Mr. BALDWIN: Yes, I think so. We make use of existing common carriers.

Mr. DRYSDALE: You keep a check on the eventual development and volume to see where it might reach a point where it is economically feasible to commence operations?

Mr. BALDWIN: That could happen, but I do not think we have achieved that position.

Mr. DRYSDALE: I would like to have a breakdown of the department's acquisition and construction of works and lands.

Mr. SMITH (*Simcoe North*): Wasn't it under that item that we had a statement when dealing with various airport construction which is now under way?

Mr. HEES: It covers it. That was just one part of it. This covers it.

Mr. SMITH (*Simcoe North*): It runs to runway construction.

Mr. BALDWIN: I could give you a breakdown of it by geographical districts or regions.

Mr. WRATTEN: Is the big increase not on account of the public works program we are trying to put in to alleviate unemployment?

Mr. HEES: No. This is necessary because in the near future we shall be using much larger aircraft in Canada which will need larger runways. The aircraft will be much heavier and will require longer runways, and all of this program is necessary. Some of it was speeded up during the past year.

Mr. WRATTEN: That is what I meant. It comes under this program of works.

Mr. HEES: Everything here would have been needed eventually anyway. It is just a matter of speeding up the program and in that way assisting unemployment.

Mr. HORNER (*Jasper-Edson*): May I ask about the present status of the Edmonton airport? Is construction proceeding according to schedule?

Mr. HEES: Yes.

Mr. HORNER (*Jasper-Edson*): Have any representations been made to the department particularly with regard to the trucking of gravel?

Mr. H. J. CONNOLLY (*Director of Construction Branch, Department of Transport*): There have been quite a number of letters received. The contractor doing about 70 per cent of the work was purchasing the gravel from a local gravel pit. It was supplied on the site on a tonnage basis.

Under our contract we have no provision for the actual rental of truck; but we have control over the truck operator with respect to the wages paid. We had been told that they were being underpaid so we had our Labour department inspector go up and he inspected the matter and he found that in some cases they were being paid slightly above the minimum rate.

I think this was a matter between the union and the gravel supplier rather than with the contractor.

Mr. HORNER (*Jasper-Edson*): Could we be told why the contractor for that particular airport is a foreign contractor, an American contractor? I understand that a Canadian company has been set up which is subsidiary to an American company, and I understand that it was an American contractor.

Mr. CONNOLLY: It is a joint venture between the Terminal Construction Company of Montreal and the Tallman Construction Company of Winnipeg. The former was the minority holder while the latter company held a 52 per cent interest. They are entirely Canadian companies.

The Terminal Construction Company of Montreal recently sold out to the Kaiser interests in the United States, and they incorporated a Canadian company and called it Terminal-Kaiser.

Mr. HORNER (*Jasper-Edson*): Was that after or before the tenders were made?

Mr. CONNOLLY: Whether it was before the tenders came in or after, I do not know.

While the former company has an interest in it, it is the Tallman Construction Company which is actually doing the work.

Mr. HORNER (*Jasper-Edson*): I understand this was the last contract let by the previous government, is that correct?

Mr. BALDWIN: I would not be aware of it.

Mr. HEES: If the low bid is made by a contractor which is a subsidiary of an American company we would have no reason to refuse to award the contract to that company, as long as it is a Canadian company. A Canadian subsidiary of an American company is considered to be a Canadian company.

Mr. HORNER (*Jasper-Edson*): I understand it was a Canadian subsidiary of an American company formed for this particular job.

Mr. GARLAND: I would like to express my thanks to the minister for the recent letter outlining the decision concerning the policy at North Bay. It was very much appreciated by our people. I wonder, when the appropriate officials are here, if there will be anything new to report on it?

Mr. CONNOLLY: We are going to carry on the service this year. It may have started now for the new civil area. I mean the terminal building.

Mr. GARLAND: It is under way now.

Mr. CONNOLLY: If not, it will be under way in the next two or three weeks.

The CHAIRMAN: Are there any other questions?

Mr. DRYSDALE: I would be satisfied to have a mimeographed outline of that \$62,221,000.

Mr. BALDWIN: An outline would be very lengthy because it runs to 60 pages. I could give you the original breakdown if that would be of any help, under what we call districts, which conform with the provinces.

Mr. HEES: Might I suggest that if Mr. Drysdale would like to look at any particular item he will be welcome to do so; the departmental officials will show him any item he wants.

Mr. DRYSDALE: That is advisable and I shall follow it up myself.

Mr. CREAGHAN: What about the regional breakdown?

Mr. BALDWIN: We segregated Gander because it is a special program. Roughly, it is \$3 million this year.

The Moncton district, which includes Halifax, New Brunswick, Prince Edward Island and Newfoundland amounts roughly to \$8 million.

The Montreal district which covers the general Quebec area, of course, roughly amounts to \$15,600,000.

The Toronto district which covers the province of Ontario amounts roughly to \$11,600,000.

The Winnipeg district which covers Manitoba as well as eastern Saskatchewan, amounts roughly to \$5½ million.

The Edmonton district which covers Alberta as well as western Saskatchewan, I believe, and the Northwest Territories, amounts roughly to \$12½ million.

The Vancouver district which covers British Columbia amounts roughly to \$7.3 million.

Then there are some small additional items for headquarters in the Quebec district and assistance in plans for a proposed airport, and the total of all of them would be \$1½ million.

Mr. MCBAIN: What apportionment has been set aside for the London airport?

Mr. BALDWIN: Primarily the work contemplated at London is a project for stand-by power generating equipment.

Mr. MCBAIN: How many thousands?

Mr. BALDWIN: Around \$25,000 I am told.

Mr. ALLMARK: Is there any item allocated here for the airport at Kingston?

Mr. HEES: There is an item for the enlarging of the terminal which will cost over \$100,000.

Mr. ALLMARK: That is for the acquisition of land?

Mr. BALDWIN: The decision to acquire some additional land was taken subsequent to the preparation of these estimates, and it is still in the planning stage. It is not an item for which funds are specifically earmarked, but we hope to go ahead with the acquisition of land.

Mr. BRASSARD (*Chicoutimi*): Have you anything set aside for the Saguenay airport and for Bagotville?

Mr. BALDWIN: What is being done this year is to relocate the present small terminal building. Then there is a longer term project for the development of additional civil terminal facilities but it is not expected that we can make much of a start on that this year.

Item agreed to.

Supplementary Item 647 agreed to.

Mr. CHAIRMAN: Thank you. We have a number who have another place to go to. So we shall meet here next Tuesday at 10 o'clock in the morning in this same room.

EXPLANATION OF ITEM 452

This vote includes provision for all expenditures on new construction of radio facilities, necessary for the operation of airways, airports and marine navigation. It also provides for the reconstruction of, or improvements to, fixed assets such as Radio Range Stations, Communication Facilities, Coast Stations, radio installations for Instrument Landing Systems, Beacons and other miscellaneous aids to Air and Marine Navigation.

Provision is also made for the acquisition of furniture for new dwellings as well as the acquisition of equipment and tools for normal operation of radio aids to navigation.

The D.N.D. recoverable item \$123,075 covers cost to be borne by them for provision of space in transmitter buildings for their transmitter as well as construction of a dwelling at Kenora required for Air Movement Information Services—\$676,000.

Very High Frequency Omni Ranges (VOR)

The visual Omni Range program provides for a start on installations at 8 locations east of the present Montreal to Windsor VOR Airway at an estimated cost \$195,000 in 1958/59. \$75,000 is required for completion of the Lakehead VOR on the Toronto-Winnipeg Airway. Completion of the Winnipeg-Lethbridge and initial stages of the Winnipeg-Edmonton VOR airway will require \$200,000 and the initial stages of the Lethbridge-Vancouver VOR airway will require \$70,000. A further \$5,000 will be required for a VOR at North Bay, Ont. and \$131,000 for apparatus for use at each VOR site—\$256,000.

Instrument Landing Systems (ILS)

ILS installations are provided for at Seven Islands, Quebec, Fort St. John, B.C., Whitehorse, Y.T., Port Hardy, B.C. and Prince George, B.C. at a first stage cost of \$75,000. Relocations due to runway changes and additions to existing ILS installations will require \$81,000 while \$100,000 (of a total estimated cost of \$1,820,000) is provided for initial deliveries of apparatus for use on new ILS installations and for replacement of obsolete equipment—\$4,976,500.

Radar

The program for installation of airport and airways surveillance radars will require \$672,500 for installations at Halifax, N.S., Moncton, N.B., Quebec, P.Q., Ottawa, Ont., North Bay, Ont, Lakehead, Ont, Kenora, Ont, Regina, Sask, and Calgary, Alta., while \$4,045,000 will be required for apparatus for use at all sites. \$125,000 is provided for 2 Radar Scan Conversion Equipments and \$100,000 for studies on Air Traffic Control Display and Computation Systems. Replacement of the Radar and Communications equipment on the First Narrows Bridge at Vancouver, B.C. will require \$30,000 and \$4,000 is required for video amplifying equipment at Gander, Nfld.—\$831,000.

Low Frequency and High Frequency Aids

Provision of Non Directional Beacon installations for air navigation, airport approach and ATC will require \$400,000. Additional Marine Beacons and improvements to existing Marine Beacons will require \$126,000. Radio Equipment for installation at these beacons will require \$305,00—\$3,266,200.

Communications

Provision of improvements to stations providing Aeronautical and Meteorological Communications will require \$1,389,400 and establishment of

new stations and improvements to existing stations providing marine ship-shore communications will require \$694,000. Purchase of radio apparatus and masts will require \$1,182,800—\$938,000.

Dwellings

The item for dwellings provides for all expenditures at locations where dwellings form a part of the project. Of this total \$653,000 is required for dwellings and \$285,000 is required for a Very High Frequency Omni Range and Non-Directional Beacon at Beechy, Saskatchewan, an Instrument Landing System Localizer at Terrace, B.C., Non-Directional Beacons at Lac la Biche, Alta., Norman Wells, NWT, Wrigley, NWT, and Fort Simpson, NWT, and the move of the Dog Creek Radio Range to Williams Lake, B.C.—\$1,166,500.

Miscellaneous

This item provides \$116,500 for building and site improvements and for construction of garages and storage facilities. It also provides \$105,000 for a start on radio facilities at Halifax International Airport and at Prince Rupert Airport. An amount of \$20,000 is included for experimental work at Ottawa Headquarters and \$925,000 for Electrical Generating Plants for Radar, VOR, ILS and Communication Stations—\$652,650.

Construction or Acquisition of Equipment

This item provides \$325,000 for radio installations in DOT Aircraft and Airport vehicles, \$75,000 for tools and test equipment, \$120,000 for furniture for Telecommunication dwellings and \$132,650 for motor vehicles, for station maintenance and Regional office transportation.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

DEPARTMENT OF TRANSPORT ESTIMATES

Bill C 26—An Act to incorporate the Lakehead Harbour
Commissioners.

including

Second and Third Reports to the House

THURSDAY, JULY 17, 1958

TUESDAY, JULY 22, 1958

WITNESSES

The Honourable George Hees, Minister of Transport; Messrs. J. R. Baldwin, Deputy Minister; Air Vice-Marshal de Niverville, Director General of Air Services; N. Wilson, Director, Marine Services; G. Morisset, Air Transport Board; R. Kerr, General Counsel, Board of Transport Commissioners; J. E. Dumontier, Director, Engineering Branch, Board of Transport Commissioners.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Gordon K. Fraser, Esq.,
and Messrs.

Allmark,	Garland,	McPhillips,
Asselin,	Grills,	Michaud,
Badanai,	*Gundlock,	Monteith (<i>Verdun</i>),
Baldwin,	Hales,	Nielsen,
Baskin,	Hardie,	Nixon,
Batten,	Horner (<i>Acadia</i>),	Pascoe,
Bigg,	Horner (<i>Jasper-Edson</i>),	Payne,
Bourbonnais,	Howard,	Phillips,
Brassard (<i>Chicoutimi</i>),	Howe,	Racine,
Brassard (<i>Lapointe</i>),	Johnson,	Rouleau,
Bruchési,	Keays,	Rynard,
Campbell (<i>Stormont</i>),	Kennedy,	Smallwood,
Chevrier,	LaRue,	Smith (<i>Calgary South</i>),
Chown,	MacEwan,	Smith (<i>Simcoe North</i>),
Creaghan,	MacInnis,	Tassé,
Crouse,	Martini,	Taylor,
Drysdale,	McBain,	Thompson,
Dupuis,	McDonald (<i>Hamilton</i>	Tucker,
English,	<i>South</i>),	Webster,
Fisher,	McMillan,	Wratten—60.

*Replaced on July 4, 1958 by Mr. Brunsdén.

J. E. O'Connor,
Clerk of the Committee.

ORDERS OF REFERENCE

FRIDAY, July 4, 1958.

Ordered,—That the name of Mr. Brunsdon be substituted for that of Mr. Gundlock on the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, July 9, 1958.

Ordered,—That Bill No. C-26, an Act to incorporate the Lakehead Harbour Commissioners, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE

THURSDAY, July 17, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

SECOND REPORT

Your Committee has considered the following Bill and has agreed to report it without amendment:

Bill No. C-26, An Act to incorporate the Lakehead Harbour Commissioners.

A copy of the Minutes of Proceedings and Evidence adduced in respect of the said Bill is appended.

Respectfully submitted,

G. K. FRASER,
Chairman.

TUESDAY, July 22, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

THIRD REPORT

On Wednesday, June 18, 1958, the House referred to your Committee for consideration Items numbered 414 to 430, 433 to 441, 444 to 472, 512 to 516, all of which are inclusive, of the Main Estimates 1958-59, and Items 628 to 634, 636 to 651, both inclusive, and 661 and 662 of the Supplementary Estimates 1958-59.

Your Committee has held 7 meetings and heard and questioned the Honourable George Hees, Minister of Transport, and the following officers from the Department of Transport and related agencies:

Mr. J. R. Baldwin, Deputy Minister; Mr. R. J. Burnside, Director, Canal Services; Mr. N. Wilson, Director, Marine Services; Mr. A. Watson, Director, Ship Construction and Supply; Mr. A. Cumyn, Director, Marine Regulations Branch; Captain F. S. Slocombe, Chief, Nautical Division; Air Vice-Marshal A. de Niverville, Director General of Air Services; Mr. F. G. Nixon, Director, Telecommunication Branch; Mr. J. R. H. Noble, Meteorological Branch; Mr. H. J. Connolly, Director, Construction Branch; Mr. L. C. Audette, Chairman, Canadian Maritime Commission; Mr. M. Marcher, Chairman, National Harbours Board; Mr. G. Morisset, Member, Air Transport Board; Mr. R. Kerr, General Counsel, Board of Transport Commissioners; Mr. J. E. Dumontier, Director, Engineering Branch Board of Transport Commissioners.

Your Committee has considered the above listed items, approves them and recommends them to the House for approval.

During its deliberations the Committee learned of the increased responsibilities accepted by the Department in recent years, arising out of the very

rapid growth in transportation and communications in Canada, both in relation to movement between the settled areas of Canada and the opening of Northern Canada and our Arctic regions. Evidence was placed before the Committee concerning the large addition in the number of airport projects required to satisfy the needs of Canadian aviation in our major cities and in the extreme North, and information regarding the substantially increased requirements for icebreaking, marine aids and northern marine patrol work, and the related substantial increase in the construction program of departmental ships. Special emphasis was given to the greatly increased need for electronic aids to marine and air navigation.

The continued close co-operation between the Department, the St. Lawrence Seaway Authority and the Ontario Hydro-Electric Commission toward the completion of the St. Lawrence Seaway and Power Project was noted with satisfaction. The importance of the Seaway and its beneficial effect on Canadian inland ports was recognized by your Committee, and a recommendation that municipalities which expect to enjoy maximum benefits from the Project should survey existing port facilities and endeavour to determine necessary additional requirements, received the general support of members. The Committee recommends for the consideration of the Department the establishment of an economic survey to consider the effects of the St. Lawrence Seaway Project upon all regions of Canada.

Your Committee was pleased to learn that amendments to the Canada Shipping Act relating to pilotage on the Great Lakes are contemplated.

The Committee wishes to commend the Minister and officers of the Department for the successful arrangements made with the Towns of Thorold and Merriton and the City of St. Catharines, Ontario, in connection with the remodelling of the Second Welland Canal locks and channel. The conversion of this abandoned canal, for many years a hazard to residents of the area, into a valuable asset for drainage in the area is appreciated. Work on this project is expected to commence this summer.

Your Committee heard with approbation the work of the Department in conjunction with the Canadian Boating Federation in the testing and determining of power and load capacities of small boats and the promotion of an extension of the use of "capacity loading plaques" by Canadian boat manufacturers. It is felt that this program coupled with the many improved items of safety equipment now available will further contribute to the safety of boating generally.

The major construction program relating to the maintenance, improvement and extension of runways, taxiways and aprons at airports across Canada in order to cope with the increasing amount of air travel and to accommodate the larger and more advanced types of aircraft was presented to your Committee. The Department's Airport Terminal Building Projects were outlined, and it was observed that more than 17 airports have benefitted during the past year or will in the near future benefit from the construction of new Terminal Buildings.

Your Committee was pleased to learn that provision has been made for the takeover by the Department, of direct operation and maintenance of the Northwest Territories and Yukon Signal System from the Department of National Defence. This will permit some degree of integration with services already operated in the area by the Department and make possible a saving of 10 per cent or more in the annual operating cost. It is intended that the high standard of public service maintained in the past by the Royal Canadian Corps of Signals will be continued.

Consistent with the Government's program for the accelerated development of Canada's North and Arctic regions, it is proposed to carry out, within the next year, certain improvements and the modernization of equipment and expansion of facilities.

Your Committee wishes to record its appreciation to officers of the Department of Transport, the Canadian Maritime Commission, the National Harbours Board, the Air Transport Board, and the Board of Transport Commissioners who appeared before it and contributed to its work.

A copy of the Minutes of Proceedings and Evidence is appended.

Respectfully submitted,

GORDON K. FRASER
Chairman.

The first part of the book is devoted to a general history of the United States from its discovery by Columbus in 1492 to the present time. It covers the early years of settlement, the struggle for independence, the formation of the Constitution, and the growth of the nation to its present position. The second part of the book is devoted to a detailed history of the United States from 1789 to the present time. It covers the early years of the Republic, the struggle for the abolition of slavery, the Civil War, and the Reconstruction period. The third part of the book is devoted to a detailed history of the United States from 1865 to the present time. It covers the Reconstruction period, the Gilded Age, the Progressive Era, and the modern history of the United States.

CHAPTER I

THE DISCOVERY OF AMERICA

The discovery of America by Christopher Columbus in 1492 is one of the most important events in the history of the world. It opened up a new world of opportunity and led to the development of the United States as a great nation. Columbus's voyage was the first of many that followed, and it led to the establishment of a permanent European presence in the Americas. The discovery of America also led to the development of a new world of trade and commerce, and it led to the development of a new world of culture and society. The discovery of America was a turning point in the history of the world, and it led to the development of the United States as a great nation.

MINUTES OF PROCEEDINGS

THURSDAY, July 17, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.05 a.m. this day. The Chairman, Mr. Fraser, presided.

Members present: Messrs. Asselin, Badanai, Baldwin, Brassard (*Chicoutimi*), Campbell (*Stormont*), Chevrier, Chown, Creaghan, Crouse, Drysdale, English, Fisher, Fraser, Garland, Hales, Horner (*Jasper-Edson*), Horner (*Acadia*), Howard, Kennedy, Martini, McDonald, McMillan, McPhillips, Monteith (*Verdun*), Pascoe, Rynard, Smith (*Simcoe North*), Smith (*Calgary South*), Thompson, Tucker, and Wratten—(31).

In attendance: The Honourable George Hees, Minister of Transport; Messrs. J. L. Baldwin, Deputy Minister; J. E. Devine, Executive Assistant to the Deputy Minister; A/V/M de Niverville, Director General of Air Services; H. J. Connolly, Director, Construction Branch; L. G. Fitton, Administrator of Airways; N. Wilson, Director, Marine Services; H. R. Press, Airports. G. Morisset, Member, Air Transport Board; R. Kerr, General Counsel, Board of Transport Commissioners; J. E. Dumontier, Director, Engineering Branch, Board of Transport Commissioners.

The Chairman observed the presence of quorum and called Item 463—Air Services—Grants for the development of Civil Aviation.

Following the questioning of Mr. Hees, Mr. Baldwin and A/V/M de Niverville, the item was adopted.

Item 464—Contributions to Municipalities or Public Bodies for Construction and improvements of Airports on Land acquired by such organizations—was called and adopted.

Item 465—Contributions toward Airport Development and Other Airport Projects—was called and adopted.

Item 648 (Supplementary)—Contributions toward Airport Developments and Other Airport Projects—was called and adopted.

Item 466—Contributions to Other Governments or International Agencies—was called and adopted.

Item 514—For the acquisition of land for control of properties in the vicinity of main terminal airports—was called and adopted.

Item 515—Loan to the Canadian Overseas Telecommunication Corporation—was called and adopted.

Item 512—Loans to the St. Lawrence Seaway Authority—was reopened by consent, discussed and closed.

Item 467—Air Transport Board—Salaries and Other Expenses—was called and following the questioning of Mr. Morisset, was adopted.

Item 468—Board of Transport Commissioners for Canada—Administration, Operation and Maintenance—was called and following the questioning of Mr. Kerr and Mr. Dumontier, was adopted.

Item 649 (Supplementary)—Board of Transport Commissioners for Canada—Administration, Operation and Maintenance—was called and adopted.

Item 469—Amount to be credited to the Railway Grade Crossing Fund—was called and adopted.

The Chairman read the title of Bill C-26, An Act to incorporate the Lakehead Harbour Commissioners and called, for consideration, Clause 1 of the Bill.

Mr. Wilson was introduced to the Committee and following questioning, Clauses 1 to 25 were adopted.

The enacting clause, title and Bill were adopted and the Chairman ordered to report the Bill without amendment to the House.

At 11.40 a.m. the Committee adjourned to the call of the Chair.

MINUTES OF PROCEEDINGS

TUESDAY, July 22, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.05 a.m. this day *in camera*. The Chairman, Mr. G. K. Fraser, presided.

Members present: Messrs. Allmark, Asselin, Badanai, Baldwin, Baskin, Bigg, Brunsdon, Campbell (*Stormont*), Chevrier, Drysdale, Fisher, Fraser, Grills, Hales, Horner (*Jasper-Edson*), Howard, Keays, Kennedy, Martini, Pascoe, Payne, Smallwood, Smith (*Simcoe North*), Smith (*Calgary South*), Tasse, Thompson, Webster, Wratten—28.

A draft "Report to the House" containing the observations and recommendations of the Committee was read and following discussion and amendment was adopted and ordered to be presented to the House as the Committee's "Third Report".

The Chairman thanked members of the Committee for their co-operation.

At 11.20 a.m. the Committee adjourned to meet again at 10.00 a.m. Thursday, July 24, 1958 for the consideration of certain private bills.

J. E. O'Connor,
Clerk of the Committee.

EVIDENCE

THURSDAY, July 17, 1958.

10:00 a.m.

The CHAIRMAN: Gentlemen, I see a quorum. This morning we are on the items of the Estimates of the Department of Transport. We only have a few more items and after we have completed them we will move on to Bill C-26, an Act to incorporate the Lakehead Harbour Commissioners.

We are on page 82 of the main estimates.

Item 463. Grants for the development of civil aviation in the amounts detailed in the estimates \$61,348,000

Are there any questions on this item?

Mr. CHEVRIER: Could we find out how the program for the training of pilots, instructors, and so on, is proceeding, if it is still in existence?

Hon. GEORGE HEES: (*Minister of Transport*): It is unchanged, but increasing slightly every year.

Mr. CHEVRIER: Are pilots being trained under this grant?

Mr. HEES: Yes.

Mr. CHEVRIER: How many in the last year?

Mr. HEES: About 1,800, and we expect that there will be 2,000 this year. It has been 1,800 in the past year.

Mr. SMITH (*Calgary South*): I wonder whether or not the department has given any consideration to organizing an equivalent to the C.A.P. in the United States? A lead has been given in two of our cities in organizing private aviation to a point which has proven to be very useful in the event of a disaster. It is not under a national defence item. All the elements, which do not come under the Royal Flying Clubs, could assist generally a civil aeronautical control unit which, if possible, would come under the Department of Transport. It does not need a grant, but rather needs more organizational help.

Mr. HEES: We have had meetings with Department of National Defence on this matter. This comes, primarily, under them; they are giving very active consideration to it at the present time. They are working on it.

Item agreed to.

Item 464. Contributions to Municipalities or Public Bodies for Construction and Improvements of Airports on Land Acquired by such Organizations, including contributions to appropriate authorities in respect of airports at Lourdes-du-Blanc-Sablon and at Harrington Harbour, Quebec \$125,916

Mr. CHEVRIER: May I ask if the amount mentioned in the details covering those municipalities include them all? Are there any other contributions being made to municipalities over and above those mentioned in the details on page 588

Mr. HEES: The next vote covers the total contributions towards municipalities.

Mr. CHEVRIER: May I ask if any consideration has been given to the establishment of an airport at Cornwall?

Mr. J. R. BALDWIN (*Deputy Minister, Department of Transport*): To the best of my recollection, our offer to the city is still outstanding; that is, if

at any time they wish to acquire land and agree to operate a field, we will be prepared to make a recommendation to obtain the necessary funds for construction.

Mr. CHEVRIER: Would the minister give consideration to this aspect of the Cornwall situation; it is now, because of its position on the seaway, a centre for both power and navigation and it may well be that this is one of the cases which fits into the program where the department should foot the whole cost for the construction of an airport. I know that there are some other cases—or rather I should say I believe there are some other cases where this has been done. Perhaps this is a case which merit consideration.

Mr. HEES: We will be very glad to consider it.

Mr. SMITH (*Calgary South*): I wonder if the department could, perhaps, say a word—I realize this was discussed to a certain extent at the last meeting—in respect of the policy concerning contributions towards municipal airports and as to whether the government makes direct contributions towards the construction entirely under the Department of Transport. Two municipalities in our province have now very satisfactory utilities at their airports which are municipally owned. Would the government be well advised to encourage that in more detail rather than outright construction? I am speaking of larger areas because naturally a smaller airport would not have the traffic and the utility would not be the same as a utility at a larger airport.

Based on the experience of Calgary, I do not think it would be in the interest of the government to give more encouragement to municipally owned and constructed airports.

Mr. HEES: We are very happy to enter into an agreement with a municipality if they are willing to operate the airport.

Perhaps I could give a little more information. The present arrangement under which the majority of airports are federally operated, particularly in the secondary field category, is the result of historical development and war-time growth. Basically speaking, however, the present policy is that the federal government encourages municipal operation of airports, and at main line airports served by scheduled services may, if necessary, pay a subsidy to a municipal airport operator to meet operating deficits. If the municipality is not prepared to operate the field and if the field is a major airport required to carry out international commitments, the federal government would assume responsibility.

In other cases, particularly requests for construction of a new airport, the federal government normally requires municipal participation, giving as a minimum assurance it will provide the land for the airfield and agree to operate it after the federal government has constructed it.

In the case of local airports, dollar for dollar participation may also be required. The granting of operating subsidies to meet municipal deficits are dealt with by special investigation, both technical and economical, in each case, and then referred to Treasury Board for decision.

Mr. CHOWN: About three years ago the St. James, Winnipeg, airport made application to the Department of Transport to have returned to it for operation and administration the Stevenson Field at Winnipeg. What is the status of that application at the present time?

Mr. BALDWIN: The Winnipeg airport at Stevenson field is in a rather special category in that it is a large military base as well and also an international port of call and it falls rather in the category of major airports of the type normally operated by the federal government.

I cannot recall any form of specific request from the city officials of Winnipeg and St. James jointly on that point, although there were a number

of discussions at which we discussed with them the possibility of operation of the field. I would have to refresh my mind as to what happened as a result of this discussion, but off-hand I would say that it just petered out.

Mr. CHOWN: May I ask, inasmuch as I was on that commission, that we have a report on that? May I ask for that independently?

Mr. HEES: I would be very glad, if you wish you could come down to the department any time, and talk it over with our officials.

Mr. CHEVRIER: What is the status of the Vancouver airport? Is it still municipally owned?

Mr. HEES: Yes, and as far as we are concerned we are very happy about it. I should not say it is municipally owned. It is municipally operated, and we think it is very well run.

Mr. CHEVRIER: How many airports are municipally owned and operated?

Mr. BALDWIN: Among the major ones are Vancouver, Calgary, Edmonton, Fredericton, and Saint John. I think there are half a dozen others in a secondary category such as Timmins, Sudbury, and so on.

Mr. CHEVRIER: What is the status of all those small airports, or strips that were to be built at Thunder River, Natashquan, and so on? Have they been done?

Air Vice-Marshal A. de NIVERVILLE (*Director General, Air Services, Department of Transport*): Yes. Natashquan has been completed. Thunder River has been brought to the state of a northern strip; it is not a first-class airport. Natashquan still wants a little work to be done. The local people have brought to the attention of the department that possibly some binding material could be used to keep the sand from blowing away.

Mr. CHEVRIER: Is there a strip at Riviere au Tonnerre?

Mr. de NIVERVILLE: Yes.

Mr. CHEVRIER: Is it contemplated to build other strips along the north shore to Baie Comeau; between Seven Islands and Baie Comeau?

Mr. de NIVERVILLE: They have been built by private companies at places like Shelter Bay and others. They were used by Quebec Air illegally. They are still in existence and usable for light aircraft.

Mr. CHEVRIER: What is the status of the airstrip between Tadoussac and Murray Bay?

Mr. de NIVERVILLE: That requires a little more work before it is properly usable.

Mr. CHEVRIER: Has any money been spent on it?

Mr. de NIVERVILLE: There was some spent.

Mr. RYNARD: In respect of the municipally owned airports I would like to ask if the Department of Transport sets a certain specification across Canada or whether or not there is any control or licensing of those municipally owned airports?

Mr. HEES: Yes. They are licensed if operated for public use.

Mr. RYNARD: In other words they have to come up to the standards and specifications set by the department.

Mr. HEES: Yes.

Mr. CHOWN: I was going to ask the minister what the policy is with reference to private flying clubs presently operating off fields such as Stevenson airport where you have a joint civilian and air force operation and where there is a need for establishing separate strips for these smaller planes in the interests of safety.

Mr. HEES: Where we have large fields like that our plan is to develop satellites in the vicinity to take some of the pressure off the larger fields, especially fields where we have a lot of commercial carriers and military planes at the same time.

Mr. CHOWN: Is there a need for such a satellite field at Stevenson airport?

Mr. HEES: We are looking for a site at the present time. I am advised that we have found a site which is suitable to us but some of the local people are objecting. We have to get this straightened out. Perhaps that is a matter which you might discuss when you come down to the department and you may be able to help us.

Mr. SMITH (*Calgary South*): I would like to add that we had in Canada almost without exception—perhaps Winnipeg is the only exception—discarded R.C.A.F. flying areas in which the Department of National Defence had in many instances given no indication as to whether or not they had any future use for them. It seems to me that a little cooperation in this matter could move much of this private flying into those fields.

Mr. GARLAND: What is the proximity that these satellites have to be located to the main base?

Mr. HEES: It is a matter of convenience to the communities served. It is not a question of proximity to the main base. It is a question of proximity to the municipality concerned and is largely a matter of convenience to the people in the main community.

Mr. GARLAND: There is not any particular limit?

Mr. HEES: No.

Item agreed to.

Item 465. Contribution toward airport development and other airport projects on cost-sharing basis, in the amount detailed in the estimates \$245,000

Mr. CHEVRIER: May I renew my question here about the status of the airport at Murray Bay?

Mr. BALDWIN: Yes, sir. The airport, if my recollection is right, requires roughly \$70 or \$75 thousand more to be spent on it to put it into proper condition for use by aircraft up to the DC-3 type. We have in this vote \$50,000 for a cost-sharing grant in aid in the hope that the municipality will be able to find the balance of the funds.

Mr. CHEVRIER: Is the municipality holding up the project?

Mr. BALDWIN: Yes; because of its inability to meet our grant.

Mr. CHEVRIER: No consideration has been given for a strip?

Mr. BALDWIN: It is partially built now.

Mr. CHEVRIER: The strip?

Mr. BALDWIN: Yes.

Mr. CHEVRIER: What planes can land there?

Mr. BALDWIN: We do not recommend, except in very dry weather, much of anything landing there.

Item agreed to.

Supplementary Item 648. Contributions toward airport development and other airport projects on cost-sharing basis, in the amounts detailed in the estimates—
Further amount required \$123,176

The CHAIRMAN: This item corresponds approximately to item 465.

Mr. CHEVRIER: What is being done at Gander under this vote?

Mr. BALDWIN: This is the wind-up contribution of our grant towards the cost of construction of the new schools in the town of Gander.

Mr. CHEVRIER: Is the new terminal at Gander completed?

Mr. HEES: That has been completed for some time.

Mr. CHEVRIER: Is it being used?

Mr. HEES: Not the new one; no.

Mr. CHEVRIER: It is still on the old site?

Mr. HEES: Yes.

Item agreed to.

Item 466. Contributions to Other Governments or International Agencies for the operation and maintenance of airports, air navigation and airways facilities.... \$236,227

Mr. CHEVRIER: What is the status of Kinross? I presume a portion of this grant is for the repair, maintenance and capital cost of the Kinross airport?

Mr. BALDWIN: Primarily, if I remember correctly, it is for the aeronautical facilities at Houghton and Grande Marais. Kinross is a United States field which has been used to serve the Sault. There is some United States military construction going on this summer which has substantially interrupted civil use.

Mr. CHEVRIER: Is T.C.A. using these two airports?

Mr. BALDWIN: Houghton and Grande Marais are beacon or radio ranges. They use them in flying the Airway to the Lakehead and they are primarily for Canadian use. The Director General says that Kinross this summer is restricted to DC-3's only, until the military construction program is completed.

Mr. CHEVRIER: Is our cost of being a member of the International Civil Aviation Organization going up or down?

Mr. BALDWIN: It is not varying very extensively. Those funds are voted through the Department of External Affairs. These are special contributions to cost sharing arrangements for north Atlantic aviation facilities, the cost of which is shared between user nations.

Mr. McDONALD (*Hamilton South*): May I revert to item 459 for a moment?

The CHAIRMAN: Yes.

Mr. McDONALD (*Hamilton South*): Could the minister comment on the new aircraft accident investigation organization set up in the Department of Transport? I understand there has been a new division set up in the Department of Transport having to do with the investigation of accidents.

Mr. HEES: Yes. The investigation of aircraft accidents has been one of the functions of the Air Regulations Division until 1958. The inadequacy of this arrangement is being corrected by the creation of the separate division whose members may be expected to become expert in their work through process of selection, training and specialization. The organization will consist at the outset of a chief, assisted by five investigators at Ottawa, and a technical officer with one investigator and an aircraft inspector in each of the six regions.

The regional investigator must rely, as at present, on the existing staff of the Air Regulations and Aeronautical Engineering Divisions for assistance in various practical and technical aspects of his work.

The time and place of an aircraft accident being unpredictable imposes the requirement that all members of this investigating agency must be ready to travel within or beyond the boundaries at a moment's notice and the new organization will take account of this requirement. It will be recognized that the need for the further progressive development of the Accident Investigation Division is a real one when it is noted that more than five hundred reportable aircraft accidents have occurred in the calendar year 1957.

Mr. McDONALD (*Hamilton South*): Will they investigate every type of accident in Canada whether it involves a private aeroplane or a company aeroplane?

Mr. HEES: Yes. All accidents including minor accidents.

Item agreed to.

Item 514. To provide for the acquisition of land for control of properties in the vicinity of main terminal airports to prevent the erection of hazards to flying, and for future development of new and existing main terminal airports including alternative facilities for relieving congestion thereat \$4,000,000

Mr. CHEVRIER: This is the item which deals with the proposed zoning of airports.

Mr. HEES: Yes.

Mr. CHEVRIER: That is the point which was raised by Mr. Smith. What is the progress on this; how much zoning is being done at the main airports in Canada?

Mr. BALDWIN: We are well along in our zoning program.

Mr. CHEVRIER: Have you completed zoning for the Dorval and Malton airports?

Mr. BALDWIN: Yes; although it is possible that further adjustments in the existing regulations may have to take place as new runways are built as the zoning is related to the particular runway pattern.

Mr. CHEVRIER: Is this applicable only to the main transcontinental airports?

Mr. BALDWIN: So far, I think, we have zoned six or seven major airports now, and have five or six zoning plans under way.

Mr. CHEVRIER: How much of this item did you spend last year.

Mr. BALDWIN: This particular vote is a dual vote. It is primarily in connection with the acquisition of land as distinct from zoning. At a number of airports we have primarily been carrying forward a program of long-term land acquisition to obtain enough land for future development of airports. Over and above that we superimpose the zoning which applies primarily to the land we may not own.

Mr. SMITH (*Calgary South*): This point came up as a result of a distressing problem which has occurred at many Canadian cities where airports are being moved to such an extent out of the centre of the city that it is difficult for air transport to become competitive with any other source of travel. The indication by one airline, T.C.A., for example, is that with the required new length of runway strips one has to wonder whether the present zoning regulations take into consideration the new lengths that are still going to be required within the next ten years and whether or not our present regulations are still sufficient to meet the demand and that in another five years they may have to move the airports a further distance out of the cities.

Mr. BALDWIN: This has been a continuing item in the estimates for roughly three years. We have been buying land very substantially to cover our future requirements so that if the time arrives when we have to put in a ten thousand foot runway then we will have the land at that time rather than be caught.

Mr. SMITH (*Calgary South*): Your engineers are not able to give you any indication as to whether or not the turbo-driven aircraft have pretty well reached the point when they can establish what is going to be a maximum length of runway required.

Mr. BALDWIN: This is one of the great problems of civil aviation which has bothered the International Civil Aviation Organization for many years.

The problem is really one which rests in the hands of the manufacturers; that is, how to persuade the manufacturers not to build aircraft which require more and more in the way of runways.

As far as we are able to determine, we are about at the end of a cycle in the present stage of the big power jets.

Mr. RYNARD: I am wondering, if considering this problem, that we are dealing with the municipality and it is up to them. Mr. Smith spoke of the distance from the centre of the city. I wonder if there should not be co-operation with the cities to give us a through runway to get downtown in a hurry. That would perhaps be in the interests of the city. I am wondering whether or not the Department of Transport is working in cooperation with the city where an airport is located? It would seem to be a matter of good common sense if you have a good straight throughway down to the centre of the city that you have overcome most of the problem.

Mr. HEES: We endeavour in every instance to point out this very real need to the municipality in order to try to persuade them to make such a throughway available, but very often we find that they turn around and ask us to build a road, which is not our responsibility. All that we can do is point out the need and hope that they are a far-seeing municipality.

Mr. RYNARD: Perhaps you could use the threat of not improving that airport if they did not build a road.

Mr. CHEVRIER: Is it possible to find out how much of that \$5 million was spent last year under this vote?

Mr. BALDWIN: We spent more than \$5 million last year. My recollection is that we spent between \$5 million and \$6 million, but I do not have the exact figure before me.

Mr. GARLAND: Are there any plans or negotiations going on to acquire land in the vicinity of the North Bay airport?

Mr. HEES: No. We have all the land we need.

Mr. McMILLAN: What action do you take to prevent the erection of houses such as high buildings? Do you have to pay so much for the land surrounding airports in order to prevent the erection of high buildings or towers or anything like that?

Mr. HEES: In some cases we buy the land and in others we rely on the zoning regulations which do not allow buildings of a certain height to be erected within a certain proximity of an airfield.

Mr. McMILLAN: Do you have to pay the owner of the land?

Mr. HEES: Yes; in some instances.

Item agreed to.

Item 515. Loan to the Canadian Overseas Telecommunication Corporation in accordance with section 14 of the Canadian Overseas Telecommunication Corporation Act for additions and betterments to facilities \$2,400,000

Mr. CHEVRIER: This is a capital expenditure. What is it for?

Mr. BALDWIN: The largest single item is in connection with the proposed Canada-U.K. telephone cable.

Item agreed to.

Mr. CHEVRIER: Has item 512 been carried?

The CHAIRMAN: Yes.

Mr. HEES: We do not mind reverting to it if you have some question which you would like to ask?

Mr. CHEVRIER: I was not here at the time.

Mr. HEES: That is quite all right. This is an imformative committee. As the deputy minister points out, we might not be able to answer all the questions on the seaway authority because the head of the seaway authority is not here, but we will do our best.

Mr. CHEVRIER: Is that the final amount required for the construction of the facility.

Mr. HEES: As far as I know it is; yes. I would say there will probably be some cleaning up items as there always seem to be on any project, but we hope it will pretty well clean it up.

Mr. CHEVRIER: Will you seek legislation to increase the \$300 million because this takes you beyond the \$300 million authorized by parliament?

Mr. HEES: This may have to be done.

The CHAIRMAN: Are there any other questions on this?

Mr. CHEVRIER: I have a lot more, but—

Mr. McMILLAN: Including this \$128 million, what is the exact total advanced to the seaway authority?

Mr. HEES: It is estimated the expenditure will be \$321,862,800.

Mr. CAMPBELL (*Stormont*): Was the Dominion Government compensated to any extent by the Ontario Hydro for the closing of the old Cornwall Canal because of the fact that there is no necessity of constructing an alternative fourteen-foot channel which had been envisaged in the original plans?

Mr. HEES: We have not completed our final settlement with Ontario Hydro, but the factor is being taken into consideration.

Mr. CAMPBELL (*Stormont*): In the International Rapids Act there is a specific reference to compensation being required in lieu of construction of an alternative fourteen-foot channel.

Mr. HEES: That has been taken into account.

Mr. CHEVRIER: What is the status then, following that question of Mr. Campbell's, of the agreement between Ontario and the federal government? Is it being renegotiated at the present time?

Mr. HEES: I am advised that at the end of the construction period we expect to get our arrangements with the Ontario Hydro cleared up.

Mr. CHEVRIER: The act as it stands is no longer applicable?

Mr. HEES: That is right.

Item 467. Air Transport Board—Salaries and Other Expenses, including the Canadian Delegation to the International Civil Aviation Organization \$337,179

Mr. WRATTEN: Mr. Chairman, what does that item cover?

Mr. HEES: This item covers the licencing and regulatory board that deals with aircraft and applications of aircraft companies.

Mr. CHEVRIER: How many applications are there before the board now for service in competition with T.C.A.?

Mr. HEES: There are four applications.

Mr. CHEVRIER: May we have the names?

Mr. G. MORISSET (*Member, Air Transport Board*): C.P.A.—transcontinental; P.W.A.—Pacific Western Airlines, transcontinental also. We have an application from Quebec Air for service between Montreal and Quebec city, and between Chicoutimi and Montreal. We also have a P.W.A. application for service between Regina and Saskatoon.

Mr. CHEVRIER: May I ask the minister if in view of this answer the recommendations contained in the Wheatcroft report are going to become, as it were, instructions to the Air Transport Board on these lines?

Mr. HEES: No they are not. They have been referred to the Board as pertinent material and information which will be of assistance to them in considering the whole matter.

Mr. CHEVRIER: What is the status as to the two transcontinental applications? Are they being proceeded with?

Mr. HEES: Yes. All the hearings will be held as soon as it is possible to hold them. As you know the chairman of the Air Transport Board has had a heart attack. As soon as we can proceed with the hearings they will be proceeded with.

I wonder, Mr. Chairman, if I might be excused for a moment? I have a telephone call from the Prime Minister's secretary and it may be important.

The CHAIRMAN: Perhaps we can carry on. If there are any questions you wish the minister to answer, he will answer them on his return.

Mr. PASCOE: Mr. Chairman, did I understand the witness to say something about a P.W.A. service between Regina and Saskatoon? Is that an application?

Mr. MORISSET: That is an application which is pending now before the board.

Mr. PASCOE: Are they not operating a service there now?

Mr. MORISSET: They are operating a prairie service between Edmonton, Lloydminster, North Battleford, Moose Jaw, Prince Albert and Regina.

Mr. PASCOE: That is the point I am trying to get at. This is a separate service which leaves Moose Jaw out?

Mr. MORISSET: On that service they have no local traffic flight between Regina and Saskatoon. They have asked to have that right. That application is pending before the Board.

Mr. PASCOE: When is that hearing coming up?

Mr. MORISSET: Some time in the fall.

Mr. PASCOE: Thank you.

Mr. CHEVRIER: Coming back to the two applications of C.P.A. and P.W.A., the minister said the applications were being processed. When were the applications made?

Mr. MORISSET: Of which one are you speaking?

Mr. CHEVRIER: I am speaking of these two transcontinental applications which will be in competition to T.C.A. service. When were they made?

Mr. MORISSET: Some time in December.

Mr. CHEVRIER: When will they be heard? I realize the chairman is ill but does the board not proceed with cases in some instances when the chairman is not available?

Mr. MORISSET: We plan on holding these hearings as soon as possible in the fall.

Mr. CAMPBELL (*Stormont*): In respect of applications for local licences in small municipalities, would hearings in that regard be postponed or is there a preambulating agent of the board that normally hears these applications for local licences in respect of small airport business? Would they necessarily be postponed because of the incapacity of the chairman of the board?

Mr. MORISSET: No, those hearings will go on. The board can function with two members. We need a quorum of two. As long as we have that quorum the board can render decisions. These applications will be dealt with in due course even though the chairman might not be in attendance.

Item agreed to.

Item 468. Board of Transport Commissioners—Administration, Operation and maintenance.

Item 468 agreed to.

Supplementary item 649 agreed to.

Item 469. Board of Transport Commissioners for Canada—Amount to be credited to the Railway Grade Crossing Fund, in addition to the amount, if any, to be credited to the Fund under the railway Act in the current fiscal year, for the purpose of contributing towards the cost of an exceptional number of railway grade separation projects on the Trans-Canada Highway in British Columbia.... \$10,000,000

Mr. McMILLAN: Is this amount to be spent in British Columbia.

Mr. BALDWIN: No, sir. This is a general allocation to the grade crossing fund in order to increase the amount which the board may authorize or allocate to grade separations anywhere in Canada.

Mr. McMILLAN: In other words that amount will be \$15 million this year?

Mr. BALDWIN: That is correct, sir.

Mr. HORNER (*Jasper-Edson*): Mr. Chairman, could we have some information as to how this fund is administered? I would particularly like to know how a community goes about taking advantage of this particular fund.

Mr. BALDWIN: You make an application to the Board of Transport Commissioners. The Act sets up certain specified percentages that may be shared as between municipalities, the railways and moneys out of this fund. It is a formal application to the board. The board may or may not authorize the project. If it does, it says how the cost is to be shared between the parties.

Mr. HORNER (*Jasper-Edson*): In other words the Board of Transport Commissioners decides whether or not there is justification in an individual request?

Mr. BALDWIN: Yes, if funds are to be voted out of this federal grant here. If there are no federal funds involved the board does not come into it.

Mr. HORNER (*Jasper-Edson*): What is the usual contribution by a municipality involved?

Mr. BALDWIN: It varies quite a lot, sir. There was some slight error. We thought this item had been passed and the experts from the board are not here.

Mr. WRATTEN: Was this item not before the railway committee yesterday, or the day before?

The CHAIRMAN: That committee is the sessional Committee in respect of Government-owned Railways.

I see that Mr. Kerr and Mr. Dumontier of the Board of Transport Commissioners are here now and they will answer that question.

Mr. R. KERR (*General Counsel, Low Branch, Board of Transport Commissioners*): In the case of automatic protection at crossings there is a rule of division which provides for 60 per cent from the fund, 15 per cent from the railway and 25 per cent from the municipality, unless there are special conditions which, in the board's opinion, or by agreement by the parties, warrant some different allocation.

In the case of subways, overhead bridges and grade separations, each case is looked upon on its own merits. There is a special allocation of contribution ordered as the board sees fit.

Mr. BRASSARD (*Chicoutimi*): Does this fund apply only to C.N.R. and C.P.R., or to private railways? I have in mind, for example, the Roberval-Saguenay Railway.

Mr. KERR: It applies to all railways under the jurisdiction of parliament; not to privately controlled railways.

Mr. FISHER: There was some mention in the Sessional Committee on rails and shipping the other day that a private citizen could initiate some sort of a study or investigation, or some move in this regard, is that correct?

Mr. KERR: The board always gives consideration to any request from any member of the public affecting the safety of the public. In respect of highway crossings the municipality which has jurisdiction over the road is more concerned than one individual citizen because the municipality may have to bear some portion of the cost.

Any request from individual citizens are always passed on and considered with the municipality and the railway concerned.

Mr. FISHER: I was thinking of a specific case where last week three people were killed at Hornepayne at a crossing which is—I may be wrong—just outside the municipality.

Obviously as a result of an accident you have some reason for feeling that this may be a bad situation. Who can take the initiative in getting some sort of work done?

Mr. KERR: Every accident on a railroad crossing is investigated by the board's staff in the first instance, and the board itself may feel that some protection is necessary at the crossing. If so the board would order it. Otherwise the request comes from the municipality which has the crossing within its boundaries.

Mr. FISHER: The point I wanted to clear up is that in my constituency, and I am sure there is a great amount of unorganized territory in other members' constituencies—for instance, the C.P.R. runs through White River. That is a divisional point but White River is not a municipality.

Mr. KERR: That is not an unusual condition in Canada. There is a considerable amount of unorganized territory.

Mr. FISHER: In that particular case where can the initiative come from?

Mr. KERR: Any person can initiate the matter and direct it to the attention of the board. The board will then take it up with the appropriate authority; that may be the province or somebody else.

Mr. CHEVRIER: May I ask a question or two on the broader aspect of railway grade crossings?

There is a large amount in the estimates, relatively speaking—\$15 million. Is it not a fact that there are many applications before the board for overpasses and underpasses?

Mr. KERR: Our director of engineering is here. He is more familiar with the applications than I am and perhaps he can give you that information.

Mr. J. E. DUMONTIER (*Director, Engineering Branch, Board of Transport Commissioners*): We have quite a number of applications. I have them all listed here under various provinces and estimated costs, and the amount which would be needed from the railway grade crossing fund if the board applied the full contribution of 60 per cent.

Mr. CHEVRIER: How many applications have you before the board now I suppose it is a matter of hundreds, is it?

Mr. DUMONTIER: I beg your pardon?

Mr. CHEVRIER: How many applications are there before the board now? I take it there are hundreds?

Mr. DUMONTIER: No, I do not think there are hundreds at the present time. I would say there are around 65.

Mr. CHEVRIER: How many are outstanding?

Mr. DUMONTIER: These applications are outstanding that are before the board now.

Mr. CHEVRIER: Is it a fact that some of the difficulty is that there are so many of these applications it is not possible to deal with a large number like that over a period of a year or so, in order to use up the amount in the grade crossing fund?

Mr. DUMONTIER: We have been using the full amount of the grade crossing fund since the amendments were made in 1955. We have had enough applications to use the full amount.

The CHAIRMAN: Will you speak louder? They cannot hear on the other side of the room.

Mr. DUMONTIER: We have been able to use the full allotment.

Mr. CHEVRIER: Does that mean that all the applications which are made for overpasses and underpasses are dealt with immediately?

Mr. DUMONTIER: That is right, sir.

Mr. SMITH (*Simcoe North*): Does the board set up any sort of a priority system having regard to vehicular traffic going over crossings in respect of applications for grade separations?

Mr. DUMONTIER: This priority is considered in the case of protection at highway crossings, but in respect of grade separations, the reason for them is not always a question of safety, but a question of convenience also. We may have a crossing that is well protected where there has been no accident for years and yet we have an application for a grade separation. This is considered justifiable from the point of view of convenience.

Mr. SMITH (*Simcoe North*): Yet in spite of light signals, a heavily travelled highway may still have a fairly high percentage of accidents after the light system is installed?

Mr. DUMONTIER: Yes. I think about one-third of highway crossing accidents happen on protected crossings. We consider that in respect of those crossings which are protected there is more traffic going over them.

Mr. SMITH (*Simcoe North*): A grade separation is really the best protection for a heavily travelled highway?

Mr. DUMONTIER: I would say that most of the applications that we have in regard to grade separation are mainly for convenience rather than protection.

Mr. CAMPBELL (*Stormont*): How long would it normally take from the time you receive an application until the time construction began? I know this varies in respect of each individual case.

Mr. DUMONTIER: It varies very much. In the case of a subway the detail plans are prepared by the railway. This may take eight months before we can get the detailed plan ready.

Mr. CHEVRIER: It may take two years?

Mr. DUMONTIER: It sometimes takes two years.

Mr. CAMPBELL (*Stormont*): It sometimes takes five years.

That answer was in respect of the preparation of the plans. From the time you get an application until it is finally approved, how long does that take?

Mr. DUMONTIER: There has to be negotiation between the railway company and the municipality involved. This depends on who sends the application in.

Mr. CAMPBELL (*Stormont*): A subsidiary question; why does the railway pay only a comparatively small portion of the cost?

Mr. DUMONTIER: The cost varies quite a bit. The apportioning is generally made by agreement between the railway and the highway authorities. If they do not agree then the board has to rule on it.

Mr. CAMPBELL (*Stormont*): I was speaking of these figures—60 per cent; 15 per cent and 25 per cent.

Mr. DUMONTIER: That is in respect of automatic protection?

Mr. CAMPBELL (*Stormont*): Yes.

Mr. DUMONTIER: I think that has been accepted throughout Canada pretty well since it was started.

Mr. CAMPBELL (*Stormont*): It seems very lenient in regard to the railway companies.

Mr. CHEVRIER: Is that percentage not provided by statute?

Mr. DUMONTIER: No.

Mr. CHEVRIER: The 60 per cent share taken out of the grade crossing fund was much less than that at one time?

Mr. DUMONTIER: The share was 40 per cent out of the grade crossing fund until 1955.

Mr. CHEVRIER: That proportion was increased but the railway companies' proportion was not?

Mr. DUMONTIER: I think the railways' proportion was 30 per cent.

Mr. CHEVRIER: That percentage has now been decreased to 15 per cent.

Mr. HORNER (*Jasper-Edson*): I am particularly interested in this matter because there is a mainline of the C.N.R. and also a main highway to Jasper running across my constituency. There are no big cities along that road but there are a number of small sized towns. These crossings are all within the boundaries of these small towns.

It seems to me it is going to be quite a burden on those towns. There is a definite need for crossing protection in two or three of those towns at this time because of the number of accidents that have been occurring. One accident occurred recently at Stony Plain.

If these towns are going to be required to pay that share—I understand from talking to my colleague here that these signals cost in the neighbourhood of \$12,000 for installation—it will involve \$4,000 each. Is there any other way of doing this other than asking these small towns to pay \$4,000 in order to protect people from outside of the towns who are coming to the towns?

Mr. KERR: I am advised that the simple automatic protection consisting of flashing lights and bells, without gates, costs around \$6,000 or \$7,000. The \$12,000 you mentioned may relate to more elaborate installations perhaps where there are automatic gates which come down.

This whole problem of contribution by municipalities and by railways was the subject of public hearings across Canada in 1953 and 1954, I believe. As a result of that inquiry into grade crossings conducted by the board the board issued a report to the governor in council. That inquiry had many representations from many municipalities and railway companies as to the proportion that the municipality and the railway respectively should bear in respect of the cost of protection at crossings.

I think it is not unusual for the municipality to complain that the amount which they have to bear is too high, but that percentage, in the board's judgment in respect of the ordinary case where there are no unusual circumstances, is the amount which they should bear.

Mr. HORNER (*Jasper-Edson*): I disagree with that judgment because these towns are situated as a result of the railway being there, and it seems to me that it is very unfair that these towns should be asked to pay more than the railways. I feel that is not fair.

Mr. CHEVRIER: Is it not a fact, sir, that there are so many of these crossings from one end of the country to the other that the amount in the grade crossing fund is infinitesimal in regard to dealing with all these dangerous crossings from one end of the country to the other?

Mr. KERR: Mr. Chevrier, there are approximately 33,000 crossings in Canada.

Mr. PASCOE: Mr. Chairman, I would like to have an answer in regard to a local problem in Saskatchewan.

A farmer lived in a municipality right at a railway crossing. The town has now closed that crossing and constructed a new crossing which is closer to the town. Has he any redress at all to the board, or is that a municipal matter completely? The road was there and the crossing was there but the town has now moved the crossing closer to town and closed the other one off. Could this farmer apply for a private crossing?

Mr. KERR: He has no redress as far as the Railway Act is concerned. I do not know whether he would have a redress under provincial law.

Mr. RYNARD: Mr. Chairman, is there any specific regulation that grade crossings should be installed when a province or municipality is building a new road or repairing a road?

Mr. KERR: There is no statutory requirement.

Mr. RYNARD: I wonder why that is not done when new roads are being constructed? I know of a new highway which has been constructed that still has level crossings.

I am wondering whether this is not the whole crux of the problem. There should be some correlation between the Department of Transport and the provincial department of highways to the end that level crossings would be eliminated on new roads, or on roads which are being rebuilt.

Mr. KERR: As I said, there is no statutory requirement.

Mr. RYNARD: I wonder if this committee could make a recommendation in that regard? It would seem to me that this would be common sense. You are going to be dealing with this problem over and over again.

The CHAIRMAN: Mr. Rynard, would it be wise if instead of making a recommendation here, we asked the Board of Transport Commissioners to look into the matter with a view of seeing if there is something that could be done to help along this line that you have suggested?

Mr. RYNARD: Mr. Chairman, could I leave that request to you?

The CHAIRMAN: I think we should ask the Board of Transport Commissioners now to take that under consideration.

Mr. KERR: I would be glad to bring it to the attention of the board. I am sure they would consider it.

Perhaps I should say that where a highway is about to be constructed across a railway the party which is constructing the highway, be it the department of highways, a city or a municipality—must apply to the Board of Transport Commissioners for leave to construct that highway.

Sometimes the party wishes a level crossing and the railway company, for instance, might think it should be a grade separation.

Mr. RYNARD: I am thinking of the road that goes between Toronto and points north—the 400 highway going north has level crossings and that is a very heavily travelled highway.

Mr. BALDWIN (*Peace River*): Mr. Chairman, I know of a case which involves a major bridge which carries both vehicular and rail traffic. There is a system of controls consisting of gates and flashing lights which are manually controlled. The people in charge of these controls are railway men. These controls are operated so that when rail traffic is on the bridge vehicular traffic is stopped, and vice versa.

It seems that the railroad people in the operation of these manual controls discriminate against vehicular traffic.

Are there regulations within the scope of which the attention of the railway company can be called to the fact that there is this discrimination? Are there regulations covering this form of control, or has the railroad company carte blanche control?

Mr. KERR: I am advised by the director of engineering that our board has received no complaints of that nature.

Mr. BALDWIN (*Peace River*): You can consider my statement here as a complaint.

Mr. SMITH (*Simcoe North*): Further to Dr. Rynard's statement in regard to the 400 highway, it is now possibly the most heavily travelled highway in Canada. The Board of Transport Commissioners considered that since it was a completely new road that a level crossing on this 400 highway at Thornton where the northwestern line of the C.N.R. crosses was sufficient, it being a controlled access highway designed for the purpose of express traffic. There was a completely new highway cut across the fields.

Mr. RYNARD: Just to finish Mr. Smith's comment, I would like to draw the attention of the commissioners here to the fact that there have been at least two or three people killed on that particular road.

Mr. SMITH (*Simcoe North*): That was their own fault.

Mr. RYNARD: Perhaps it is always the fault of the people killed but nevertheless they are killed.

Mr. CHEVRIER: Let us have some agreement on this thing.

The CHAIRMAN: Perhaps if they were alive today they might not think they were to blame.

Mr. BALDWIN (*Peace River*): Going back to my original question; it was suggested there were no complaints. I think that situation might be rectified. However, if there were complaints, are there regulations which would control the way in which the traffic is controlled? That is the point I wanted to get clear.

Mr. CHEVRIER: Perhaps I could help, if I might.

Is it not a fact that it depends a great deal on whether the bridge is owned by the railway? If this bridge is owned by the railway I suppose the railway has certain priority over vehicular traffic.

Mr. BALDWIN: The situation here is that the bridge was built by the province of Alberta for the purpose of carrying both rail and vehicular traffic at a time when the province of Alberta operated the Northern Alberta railway. The Northern Alberta Railway was, of course, acquired by the Canadian National Railways and the Canadian Pacific Railway. It is a very mixed up problem, Mr. Chevrier.

Mr. CHEVRIER: Are there not then regulations of the board that apply to the highway and railway priority?

Mr. KERR: There are no general regulations but the board in individual cases has made regulations, where the safety of the public is concerned.

Mr. BALDWIN: And in respect of convenience, I suppose?

Mr. KERR: Where a railway operation is involved the board would have the power to make an appropriate arrangement.

Mr. HORNER (*Jasper-Edson*): In the case of these crossings do any of the provinces contribute?

Mr. KERR: Yes, they contribute in each individual case by agreement. Our board does not impose a portion of the cost to the province because it has no power to do so.

Item agreed to.

The CHAIRMAN: Gentlemen, we have now concluded our consideration of the estimates of the Department of Transport. We will prepare a report in this regard and meet on next Tuesday morning. That meeting will be held *in Camera*.

The CHAIRMAN: We now have Bill No. C-26, an Act to incorporate the Lakehead Harbour Commissioners.

Clause 1 of this Bill reads:

"This Act may be cited as the Lakehead Harbour Commissioners Act."

Perhaps before we proceed I had better introduce the gentlemen who are here to answer questions in that regard.

Mr. CHEVRIER: In regard to clause 1, Mr. Chairman, I suppose there will be a general discussion entertained?

The CHAIRMAN: Yes.

Mr. CHEVRIER: May I ask the minister if there are applications from any other communities along the seaway for harbour commissions such as this?

Mr. HEES: Cornwall has asked for a harbour commission. That request is under consideration at the present time.

Mr. CHEVRIER: That is an application made by the city of Cornwall?

Mr. HEES: Yes.

Mr. FISHER: How is the Windsor harbour board working, to your knowledge?

Mr. HEES: This board is just getting organized at the present time.

Mr. CAMPBELL (*Stormont*): What is the position of the application by the Cornwall municipality in respect of a harbour commission?

The CHAIRMAN: Mr. Norman Wilson of the Department of Transport will answer that question.

Mr. NORMAN WILSON: This application has recently been received and is under consideration by the board.

Mr. CAMPBELL (*Stormont*): Has there been any previous application from Cornwall for a harbour commission?

Mr. WILSON: Not prior to the development of the seaway. This is a current application.

Mr. FISHER: Was there any discussion in respect of the selection of the name "Lakehead Harbour Commissioners"? Was there any discussion in that regard? Who put forward the name, Lakehead Harbour Commissioners?

Mr. HEES: I do not think I can answer that. I think it was a local decision as far as I know. The locality has always been known as the "Lakehead".

Mr. BADANAI: I think I can answer that question.

Both the cities are interested in this commission. We could not call it the Fort William harbour commission or the Port Arthur harbour commission so we called it the Lakehead Harbour Commissioners.

Mr. FISHER: As long as the name just grew I think it is all right.

Mr. HEES: Nobody imposed the name or objected to it.

Mr. CHEVRIER: Is the application in regard to Cornwall the only application apart from this which has come up for consideration by the Department of Transport?

Mr. HEES: They are the only applications of which I am aware at the present time.

Mr. FISHER: I have two questions to ask. Could you give us a little more information with regard to how the money which is coming out of government finances is going to be spent on terminals and wharfs.

Mr. HEES: There will be an appropriation by the Department of Public Works for the construction of facilities.

Mr. FISHER: That will become part of the responsibilities of this Lakehead Harbour Commission?

Mr. HEES: Yes.

Mr. FISHER: There is no question at the present time of even talking about giving them the long-term capital project?

Mr. HEES: Yes.

Mr. CHEVRIER: How much is it again; how much is the expenditure for the wharf?

Mr. HEES: The best information we have is that it is estimated it will cost somewhere between \$3 and \$4 million.

Mr. CAMPBELL (*Stormont*): Is the incorporation of a harbour commission an essential prerequisite to the construction by the department of harbour facilities? In other words, does the department ever construct harbour facilities without the incorporation of a harbour commission prior thereto?

Mr. HEES: We have many public harbours in which the government constructs facilities.

Mr. CAMPBELL (*Stormont*): And it subsequently, after it has been in operation for some time, possibly appoints a harbour commission?

Mr. HEES: Yes. There are three types of harbours. There are harbours owned and operated by the National Harbours Board, then there are harbours under municipal control like this one, and harbours like the Hamilton and Toronto harbours, and there are also public harbours.

Mr. CAMPBELL (*Stormont*): The department could conceivably construct harbour facilities of some sort at Cornwall without incorporating a harbour commission?

Mr. HEES: Yes.

Mr. CHEVRIER: That would be the Department of Public Works, not the Department of Transport?

Mr. HEES: The facilities would be constructed by the government but it would be done under the Department of Public Works.

Mr. DRYSDALE: Is it envisioned that this project will be self-liquidating?

Mr. HEES: No; not in the foreseeable future.

Mr. FISHER: This bill does not deal with the project at all. Perhaps I should not have introduced that.

The CHAIRMAN: At this point I will properly introduce Mr. Norman Wilson. Earlier I gave his title incorrectly; he is Director of Marine Services. He will be able to answer some of the questions.

Clauses 2 to 4 inclusive agreed to.

On clause 5—Members of Corporation.

Mr. FISHER: I would like to ask a question relating to clause 5 in respect of the commissioners appointed by the crown at Windsor. Could you tell me what backgrounds they have?

Mr. WILSON: Two of them are substantial businessmen who have retired.

Mr. DRYSDALE: Why do you require five commissioners instead of, for example, three?

Mr. HEES: This is a dual community.

Mr. DRYSDALE: I know it is two cities. I have a somewhat similar problem. I wonder what the reason is?

Mr. HEES: We consider that this is the number which will function best in this particular instance. One is appointed by each of the municipalities and three are appointed by the governor in council.

Mr. DRYSDALE: To give the government more or less control?

Mr. HEES: Well, I suppose so; yes.

Mr. CHEVRIER: You could have had seven.

Mr. HEES: We are investing a lot of money in this.

Clause 5 agreed to.

On Clause 6 (1)—Tenure of office

Mr. BADANAI: There is no provision for the appointment of a commissioner in the event of the death or resignation of any of the commissioners. I am sure that the city concerned should be appraised of and should approve, the appointment of a commissioner in the event of someone resigning.

Mr. HEES: What would take place is that if one of the three commissioners appointed by the governor in council were to die or resign, his successor would be appointed by the governor in council. If a commissioner appointed by Port Arthur or Fort William resigns or dies there will be an appointment by the respective city.

Mr. CAMPBELL (*Stormont*): Why would a member of the council be considered ineligible? Is that a normal situation?

Mr. HEES: Because he has a direct interest too closely associated with the municipality.

Mr. CAMPBELL (*Stormont*): Is that not desirable?

Mr. HEES: It is considered desirable he should be neutral.

Mr. CAMPBELL (*Stormont*): I see.

Clauses 6 to 8 inclusive agreed to.

On Clause 9—Officers and employees and their compensation.

Mr. FISHER: At the present time we have a harbour master and some other people up there. Is it the intention, if possible, to use those people under the new set-up?

Mr. WILSON: The harbour master at Port Arthur and Fort William is a sub-agent of the Department of Transport, and he will continue in that capacity. He will relinquish his duties as harbour master. Such duties will then be discharged by an appointee of the commission.

Clause 9 agreed to.

On Clause 10—Jurisdiction within harbour.

Mr. BADANAI: This defines the powers of the corporation in respect of entry on to property owned by the crown, but it does not define the powers in respect of any property owned by the cities of Fort William or Port Arthur.

Mr. WILSON: The commission will only have jurisdiction over the municipality owned property that is assigned to them for administration and control. The situation will be the same in respect of federal property passed to them for administration.

Clause 10 agreed to.

On Clause 11 (1)—Property.

Mr. FISHER: I would like a bit more information with reference to sub-clause (2) of clause 11; "...subject to such terms and conditions as may be agreed upon at the time control thereof is transferred to it...".

Does that mean terms and conditions with the municipalities as far as property is concerned?

Mr. WILSON: Yes. That would be a matter for adjustment between the commission and the municipality.

Mr. FISHER: And also: "... and any property owned by Her Majesty ...". Is the C.N.R.'s property considered as being Her Majesty's property?

Mr. WILSON: No; that is private property.

Mr. BADANAI: The corporation would have power to expropriate property required for the purpose?

Mr. WILSON: Yes.

Mr. BADANAI: They would have the power to expropriate property from the Canadian Pacific Railway or the Canadian National Railway?

Mr. WILSON: Only with the approval of the governor in council.

Clause 11 agreed to.

On Clause 12—Regulation and control of water-front property.

Mr. BADANAI: In respect of subclause (2) it would appear that the harbour commission should be subject to taxes on a full basis as is any other property owned by the federal government. What is the provision in respect of taxation on the installations?

Mr. WILSON: I know of no case where a municipality has taxed a harbour commission for its property. It is considered, I think, as a contribution.

Mr. BADANAI: There is no provision for assessment of taxes?

Mr. SMITH (*Simcoe North*): Does this matter come within the terms of the Municipal Grants Act whereby the federal government makes a grant each year in lieu of municipal taxes?

Mr. BADANAI: That is precisely the question I asked.

Mr. HEES: I do not think so. Mr. Chevrier you may be able to answer that.

Mr. CHEVRIER: I would question why it would not.

Mr. CAMPBELL (*Stormont*): The act just applies to federal property and this is property owned by the commission. Legally, there is a valid distinction there.

Mr. CHEVRIER: Is it not a fact, in situations where property is owned by the Canadian National Railways, the National Harbours Board, or other crown agencies, that for the purposes of the Municipal Grants Act they are considered crown property.

Mr. SMITH (*Simcoe North*): Not the C.N.R.

The CHAIRMAN: This is something which will have to be brought before the Department of Finance, I imagine.

Mr. HEES: Suppose we obtain an answer on this from the Department of Finance and have it ready when the bill comes up before the house.

Mr. FISHER: It has been the practice of the Department of Public Works, in respect of the channels, to do maintenance dredging. There will be a certain amount of maintenance dredging necessary over the years to come. Does this mean that the commission will be in charge of that dredging, or will the Department of Public Works still carry it on?

Mr. WILSON: The Department of Public Works in all probability will carry out the dredging as in the past, at least until such time as the corporation becomes self-supporting. They may, at some stage of the development, assess a certain proportion of the dredging cost against the commission, but that will not be the case at the beginning.

Mr. FISHER: The base of the Kam River every so often has to be cleaned out. The bill for that work will not fall on the Commission.

Mr. WILSON: That will be a question for the Department of Public Works to answer, but I know of no other case where it has.

Clause 12 agreed to.

On Clause 13—By-Laws.

Mr. DRYSDALE: I have a question in respect of subclause (1) (f) of Clause 13 with reference to the appointment of constables. What is the practice? We have a somewhat similar problem. I wonder how the constables appointed by the harbour commission could enforce the by-laws because there is no provision for power to arrest.

Mr. BADANAI: Would that not come under the municipal Police Force Act?

Mr. WILSON: It depends on the manner in which the constables are appointed? I submit it is largely a matter for municipal arrangement or arrangement between the commissioners and the municipality.

Mr. DRYSDALE: Would the constable have to be a constable for the commission and also, in effect, a special constable for the municipality or the R.C.M.P.? The reason I am interested is that we have a similar problem with the North Fraser Harbour Commission. When I looked into it I did not think that they actually had any power to make an arrest to enforce the by-law.

Mr. HEES: I would say that this is something to be worked out between the Harbour Commissioners and the municipality.

Mr. CAMPBELL (*Stormont*): These constables would be analogous to the security staff of a private corporation and in many instances might even be members of the Corps of Commissionaires. It would be more in the nature of a security staff than an actual police staff?

Mr. HEES: Yes.

Mr. DRYSDALE: What good are they if they cannot make an arrest.

Mr. HEES: If the harbour commissioners do not want to appoint them it is up to them.

Clauses 13 and 14 agreed to.

On Clause 15—Charges against revenues.

Mr. HORNER (*Jasper Edson*): I have a general question in respect of the whole financing of the harbour commission. What effect is the setting up of this harbour commission going to have on the movement of material through the harbours I am thinking particularly of western grain. Will it increase the cost of the movement?

Mr. CHEVRIER: It has nothing to do with that at all.

Mr. HORNER (*Jasper Edson*): In other words, will there be a charge against traffic for the use of the harbour?

Mr. CHEVRIER: The same charges as exist now.

Clauses 15 and 16 agreed to.

On Clause 17—Expropriation proceedings under Railway Act.

Mr. BADANAI: According to Clause 17, provision is made for the commission to purchase lands. Both the cities of Port Arthur and Fort William have offered lands to the commission for the purpose of establishing these facilities. There was no mention of selling the property. Does the government intend to purchase the property from the municipalities or is this a donation by the municipalities of the land upon which the facilities are being constructed?

Mr. WILSON: One of the purposes of the creation of a harbour commission is the development of a joint interest in the whole enterprise. It has always been a practice by the municipalities interested in harbour development to make a donation to the commission of property suitable for harbour development. This has been a prerequisite in the creation of a commission. So far as the acquisition of additional land is concerned after a commission has been created, that is a separate case and a different matter.

Clause 17 agreed to.

On Clause 18—Valuation of goods under Customs Act.

Mr. FISHER: I would like some idea of the revenue which came in from ship rates in the past in that harbour?

The CHAIRMAN: The minister gave that information in a speech he made the other day in the house.

Mr. HEES: I said: "The logical site for the terminus, if thorough investigation proves its suitability, is astride the boundary between the two cities. The commissioners would also have harbour dues and water-lot lease revenues, which last year amounted to \$12,000 and \$1,800 respectively."

Clauses 18 to 25 inclusive agreed to.

Mr. BADANAI: May I ask one question before you leave the subject? It has to do with the appointment of these commissioners by the government. We are now, in the city of Fort William advertising for applications from suitable persons who wish to apply to act as commissioners. Are you going to advertise the positions in respect of appointment of the commissioners appointed by Order in Council, or are you going to accept the recommendations of the municipalities in respect of the appointment of the commissioners who are to be appointed by the governor in council.

Mr. HEES: The city of Fort William will have the right to appoint one commissioner and the city of Port Arthur the other, and three will be appointed by the governor in council. We will take advice of people whom we think are in a position to advise us as to who the three commissioners whom we will appoint ought to be.

Mr. FISHER: I hope the minister will not let political considerations enter into it.

Mr. HEES: I am sure the hon. member knows that the minister would never do that.

Mr. CAMPBELL (*Stormont*): Is there any provision as to salary for a commissioner, and what would be a normal stipend?

Mr. HEES: Salaries have not been fixed. I am told it is customary that the salaries are either non-existent or are nominal at the beginning.

Mr. FISHER: I think there is a gentleman in Fort William whom you might consider by the name of Charnock. I do not know his political affiliation.

The CHAIRMAN: Shall the enacting clause, title and Bill carry? Shall I report the bill to the House?

Agreed.

Mr. HEES: I will have the answer, I trust, to the question which arose with reference to clause 13, when the bill comes up in the house.

The CHAIRMAN: Thank you very much, Mr. Minister, Mr. Wilson, and gentlemen.

Index

DEPARTMENT OF TRANSPORT ESTIMATES

PROCEEDINGS Nos. 1-5 inclusive.
PAGES NUMBERED 9-171 inclusive.

<u>Item No.</u>	<u>Pages</u>	
414	Departmental Administration.....	9-47
415	St. Lawrence River Joint Board of Engineers—Canadian Section.....	50
416	Canal Services—Administration.....	52-65
417	Canal Services—Operation and Maintenance.....	65
418	Canal Services—Construction or Acquisition of Buildings, Works, Land and Equipment.....	65
419	Marine Services—Administration.....	65-70, 89-90
420	Marine Service Steamers—Administration, Operation and Maintenance	74
421	Marine Services—Construction or Acquisition of Vessels and Equip- ment.....	70-71
422	Aids to Navigation—Administration, Operation and Maintenance.....	71-74
423	Aids to Navigation—Construction or Acquisition of Buildings, Works, Land and Equipment.....	74
424	Nautical Services—Administration, Operation and Maintenance.....	77
425	Pilotage Service—Administration, Operation and Maintenance.....	77-83
426	Steamship Inspection Service.....	84-88
427	Marine Reporting Service.....	88
428	Ship Channel Service—Administration, Operation and Maintenance...	88
429	Contract Dredging.....	88
430	Railways and Steamship Services—Repairs and Expenses—Official Railway Cars.....	107
433	Strait of Canso—Transportation Improvements and Facilities.....	107
434	Strait of Canso—Causeway Maintenance.....	107
435	Enlargement of Dock and Terminal Facilities at North Sydney, N.S....	107
436	Construction—Dock and Terminal Facilities at Port aux Basques, Nfld.	108
437	Construction or Acquisition of Auto Ferry Vessels and Equipment....	108-109
438	Newfoundland Coastal Services—Construction or Acquisition of Passenger-Cargo Vessels and Equipment.....	109
439	Yarmouth, N.S.—Bar Harbour, Maine—Ferry Service.....	109-110
440	Surveys of Newfoundland Railway Properties.....	110
441	Degaussing Canadian-owned ships.....	110-111
444	Subsidy of \$25,000 per mile rail construction.....	111
445	Pension to former pilots.....	111
446	Railway Employees—Provident Fund.....	111-112
447	Supplemental Pension Allowances to former employees of Newfoundland Railways, Steamships and Telecommunication Services.....	112
448	Payment to the widow of the late John H. Tudhope.....	112
449	Air Services—Administration.....	115-117
450	Air Services—Construction Services Administration.....	117-118
451	Radio Aids to Air and Marine Navigation—Administration, Operation and Maintenance.....	118-121
452	Construction or Acquisition of Buildings, Works, Land and Equip- ment.....	121-126, 144-145
453	Radio Act and Regulations—Administration, Operation and Main- tenance.....	126-128
454	Construction or Acquisition of Buildings, Works, Land and Equip- ment.....	129
455	Telegraph and Telephone Service—Administration, Operation and Maintenance.....	129
456	Construction or Acquisition of Buildings, Works, Land and Equip- ment.....	129
457	Meteorological Division—Administration, Operation and Main- tenance.....	129-132

<i>Item No.</i>		<i>Pages</i>
458	Construction or Acquisition of Buildings, Works, Land and Equipment.....	132-133
459	Control of Civil Aviation.....	133
460	Airways and Airports—Operation and Maintenance.....	133-138
461	Airway and Airport Traffic Control.....	138-140
462	Construction or Acquisition of Buildings, Works, Land and Equipment.....	140-143
463	Air Services—Grants for the development of Civil Aviation.....	157
464	Contributions to Municipalities or Public Bodies for Construction and improvements of Airports on Land acquired by such organizations.....	157-160
465	Contributions toward Airport Development and Other Airport Projects.....	160
466	Contributions to Other Governments or International Agencies.....	161
467	Air Transport Board—Salaries and Other Expenses.....	164-166
468	Board of Transport Commissioners for Canada—Administration, Operation and Maintenance.....	166
469	Amount to be credited to the Railway Grade Crossing Fund.....	166-171
470	Canadian Maritime Commission—Administration.....	90-93
471	Canadian Maritime Commission—Steamship Subventions for Coastal Services.....	93-102
472	National Harbours Board—Advances.....	102-106
512	Loans to the St. Lawrence Seaway Authority.....	50-52
513	Canal Services—Acquisition of Land—Cornwall Navigation System...	65
514	For the acquisition of land for control of properties in the vicinity of main terminal airports.....	162-163
515	Loan to the Canadian Overseas Telecommunication Corporation.....	163-164
516	Advances to the National Harbours Board.....	106
628	Departmental Administration.....	47-50
629	Canal Services—Construction or Acquisition of Buildings, Works, Land and Equipment.....	65
630	Aids to Navigation—Administration, Operation and Maintenance.....	74
631	Aids to Navigation—Construction or Acquisition of Buildings, Works, Land and Equipment.....	74
632	Nautical Services—Administration, Operation and Maintenance.....	77
633	Pilotage Service—Administration, Operation and Maintenance.....	83
634	Construction or Acquisition of Auto-Ferry Vessels and Equipment....	71
636	Inquiry into the coasting trade of Canada.....	88-89
637	Air Services—Administration.....	117
638	Air Services—Construction Services Administration.....	118
639	Radio Aids to Air and Marine Navigation—Administration, Operation and Maintenance.....	121
640	Construction or Acquisition of Buildings, Works, Land and Equipment.....	129
641	Construction or Acquisition of Buildings, Works, and Land Equipment.....	129
642	Meteorological Division—Administration, Operation and Maintenance.....	132
643	Construction or Acquisition of Buildings, Works, Land and Equipment.....	133
644	Control of Civil Aviation.....	133
645	Airways and Airports—Operation and Maintenance.....	138
646	Airway and Airport Traffic Control.....	140
647	Construction or Acquisition of Buildings, Works, Land and Equipment.....	143
648	Contributions toward Airport Developments and Other Airport Projects.....	160-161
649	Board of Transport Commissioners for Canada—Administration, Operation and Maintenance.....	166
650	Canadian Maritime Commission—Administration.....	93
651	Canadian Maritime Commission—Steamship Subventions.....	102
661	Canal Services—Acquisition of Land—Cornwall Navigation System..	65
662	Increase to \$6,000,000—revolving fund.....	106-107

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

Bill S-6—An Act respecting Trans Mountain Oil Pipe
Line Company

TUESDAY, JULY 29, 1958

WITNESSES

Mr. J. A. Renwick, Parliamentary Agent; Mr. D. M. Morrison, President
Trans Mountain Oil Pipe Line Company and Mr. E. C. Hurd, Adminis-
trative Manager; Mr. J. H. McQuarrie, Secretary; Mr. R. F. B. Taylor,
Treasurer; Mr. Claude Pearce, Shareholder.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Gordon K. Fraser, Esq.,
and Messrs.

Allmark,	Fisher,	McPhillips,
Asselin,	Garland,	Michaud,
Badanai,	Grills,	Monteith (<i>Verdun</i>),
Baldwin,	Hales,	Nielsen,
Baskin,	Hardie,	Nixon,
Batten,	Horner (<i>Acadia</i>),	Pascoe,
Bigg,	Horner (<i>Jasper-Edson</i>),	Payne,
Bourbonnais,	Howard,	Phillips,
Brassard (<i>Chicoutimi</i>),	Howe,	Racine,
Brassard (<i>Lapointe</i>),	Johnson,	Rouleau,
Bruchési,	Keays,	Rynard,
Brunsdén,	Kennedy,	Smallwood,
Campbell (<i>Stormont</i>),	LaRue,	Smith (<i>Calgary South</i>),
Chevrier,	MacEwan,	Smith (<i>Simcoe North</i>),
Chown,	MacInnis,	Tassé,
Creaghan,	Martini,	Taylor,
Crouse,	McBain,	Thompson,
Drysdale,	McDonald (<i>Hamilton</i>	Tucker,
Dupuis,	<i>South</i>),	Webster,
English,	McMillan,	Wratten—60.

J. E. O'Connor,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

House of Commons, Room 277,
TUESDAY, July 29, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:15 o'clock a.m. The Chairman, Mr. Gordon K. Fraser, presided.

Members present: Messrs. Allmark, Baldwin, Batten, Brassard (*Chicoutimi*), Chown, Crouse, Drysdale, Fisher, Fraser, Hales, Horner (*Jasper-Edson*), Horner (*Acadia*), Howard, Howe, Kennedy, Martini, McPhillips, Monteith (*Verdun*), Nixon, Smallwood, Smith (*Simcoe North*), Tasse, Thompson, Tucker, Wratten.

In attendance: Messrs. J. A. Renwick, Parliamentary Agent; D. M. Morrison, President, Trans Mountain Oil Pipe Line Company; E. C. Hurd, Administration Manager; J. H. McQuarrie, Secretary; R. F. B. Taylor, Treasurer; also Claude Pearce, Toronto, Ontario.

The Committee considered Bill S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

On motion of Mr. Hales, seconded by Mr. Howe.

Resolved,—That pursuant to the Order of Reference of June 11, 1958, the Committee print, from day to day, 750 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence as they relate to Bill S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

During the study of the said Bill Messrs. Renwick, Morrison, Hurd, McQuarrie, Taylor and Pearce were heard.

Mr. Howard moved, seconded by Mr. Fisher, that the Committee do not now proceed with the Bill but that each of the shareholders be communicated with inviting them to appear before the Committee, or write to the Committee so that their opinions regarding the Bill may be available to the Members of the Committee.

The question having been put on the motion of Mr. Howard, the said motion, on a show of hands, was resolved in the negative.

During further study of the Bill the tariff of the Trans Mountain Oil Pipe Line Company was filed and ordered to be printed as Appendix "A" to the day's proceedings.

The Preamble of the Bill was agreed to.

Just prior to the recess, Mr. Horner (*Jasper-Edson*), moved, seconded by Mr. Smallwood, that further consideration of the said Bill be delayed until the Committee can procure and hear from expert witnesses on the financial aspects from the Investment Dealers Association and on the petroleum aspects from the Canadian Petroleum Association and such further witnesses that the Committee may decide to call.

At 12:40 o'clock p.m. the Committee took recess.

AFTERNOON SITTING

The Committee resumed at 3:30 o'clock p.m. The Chairman, Mr. Gordon K. Fraser, presided.

Members present: Messrs. Allmark, Brassard (*Chicoutimi*), Brunsdon, Campbell (*Stormont*), Chown, Crouse, Drysdale, Fisher, Fraser, Hales, Horner (*Jasper-Edson*), Horner (*Acadia*), Howard, Howe, Keays, Martini, McPhillips, Monteith (*Verdun*), Nixon, Payne, Phillips, Racine, Smallwood, Smith (*Simcoe North*), Smith (*Calgary South*), Tasse, Thompson, Tucker, Wratten.

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

The Committee resumed consideration of Bill S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

The question was put on the proposed motion of Mr. Horner (*Jasper-Edson*), and on a show of hands it was resolved in the negative.

The discussion on the Bill was continued with the witnesses present under questioning.

At one stage the Chairman asked whether Clause 1 carry. On a show of hands, the Committee decided to continue the discussion.

Mr. Howard moved, seconded by Mr. Campbell (*Stormont*), that the Committee adjourn and meet again at the call of the Chair.

It was agreed that the Committee should not reconvene for the study of the said Bill until the Evidence heard this day be printed and available to all Members.

At 5:30 o'clock p.m. the Committee adjourned.

Antoine Chasse,
Clerk of the Committee.

EVIDENCE

TUESDAY, July 29, 1958.

10 a.m.

The CHAIRMAN: Gentlemen, I see a quorum.

First of all could we have a motion in regard to printing the minutes of this committee?

Mr. HALES: Mr. Chairman, I move, seconded by Mr. Howe, that pursuant to the order of reference of June 11th, 1958, the committee print from day to day 750 copies in English and 200 copies in French of its minutes of proceedings and evidence as they relate to bill No. S-6, an act respecting Trans Mountain Oil Pipe Line Company.

The CHAIRMAN: Gentlemen, you have heard the motion to print 750 copies in English and 200 copies in French.

Agreed.

This morning we have Senate Bill No. S-6, an act respecting Trans Mountain Oil Pipe Line Company. I am going to ask Mr. J. A. Renwick, the parliamentary agent for the pipe line company to come up to the table and, with your permission, ask Mr. Renwick to give us an outline of this bill. Is that agreeable?

Some hon. MEMBERS: Agreed.

Mr. J. A. RENWICK (*Solicitor for the Trans Mountain Oil Pipe Line Company*): Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, attending with me this morning are Mr. D. M. Morrison, president of the Trans Mountain Oil Pipe Line Company; Mr. E. C. Hurd, administration manager; Mr. J. H. McQuarrie, secretary and Mr. R. F. B. Taylor, treasurer. They will be available to answer any questions which you may wish to ask them.

I believe it would be of assistance if I gave you some brief background of the company in order to aid you in considering this bill.

The company was incorporated by special act of the parliament of Canada on March 21, 1951, which was the date when the statute received royal assent. The company was authorized to engage in, construct and operate interprovincial and international crude oil pipe lines. Since that date it has constructed and presently operates an oil pipe line system for the transportation of crude oil from the vicinity of Edmonton, Alberta to the vicinity of Vancouver, British Columbia, with a spur line to the international border through into Burlington in the state of Washington.

The company—this is the point which I think merits a clear distinction in the minds of the committee—is engaged solely in providing a service. The company transports oil from Edmonton through to Vancouver, or down to the international border where it is picked up by a wholly owned subsidiary which transports it through into the state of Washington. The company charges a tariff for the service which it performs. It does not own the crude oil which passes through the line, it simply receives it from the companies which tender it at the one end and delivers it at the other end, either to refineries or over the wharf at Vancouver for export by tanker.

The company has no long term contracts for the carriage of crude oil. For that reason it is a highly speculative company in the sense that its operations

are governed to a large measure by the international laid down price of oil in California, and indeed, in the state of Washington, and perhaps at the same time in the city of Vancouver.

The original inception of this line called for financing, on the advice of the investment advisors of the company, taking the form of \$60 million in bonds and \$15 million in stock. The stock, which was issued at that time, was issued for a price of \$10 with the exception of 450,000 shares which went to the public in Canada at a net price to the company of \$9.50.

The original authorized capital was 5,000,000 shares without nominal or par value. 1,500,000 shares, as I have said, was issued at the time of the initial financing. Of that number of shares, 450,000 went to the public in Canada, some 670,000 shares went to the major supporting oil companies, and 250,000 shares went to independent producers, about fourteen in number, in the province of Alberta mainly.

The additional 130,000 shares went to the Bechtel Company which were the original sponsors who, through their Canadian company, Canadian Bechtel Limited, acted in the construction of the line.

The major companies concerned were the Imperial Oil Company which took 130,000; the Shell Oil Company of Canada which took 130,000 shares; the Standard Oil Company of British Columbia which took 130,000 shares; the Richfield Oil Corporation, which took 50,000 shares; the Union Oil Company of California, which took 100,000 shares; and the Canadian Gulf Oil Company, which has since become the British American Oil Company, which took 130,000 shares, making a total of 670,000 shares.

The fourteen independent oil companies took a total, in aggregate, of 250,000 shares.

The public, as I have said, took 450,000 shares on a public offering in Canada.

At the present time five of the original oil companies are still holding stock. The Union Oil Company in California has since sold its 100,000 shares. The five other companies still retain the shares which they originally took.

In addition the original holdings of 250,000 shares of the fourteen independent companies is now reduced to approximately 50,000 shares, so they have, over the past months, disposed of some 200,000 shares on the public market.

It would therefore appear from the records that are available to the company at this time that there are approximately 30 percent of the shares owned by the major supporting oil companies, with the balance of the shares available on the public market for trading. The company, of course, cannot be specifically certain as to how many of the remaining two thirds of the company's shares are so available.

Coming now, directly to the bill, which is being sponsored on behalf of the company by Mr. Broome, who unfortunately is absent, I can say that the bill is simply to divide the shares of the stock of the company into five, so that for the 5,000,000 authorized shares there will be 25,000,000 authorized shares, and 1,504,928 shares which are presently issued will be multiplied by five, and the treasury shares will be multiplied by five.

I think perhaps it would be of assistance to point out clearly to the members of this committee that this subdivision of the stock will not produce any money for the company. This is simply a subdivision of the number of units into which the shares of the company are divided. This bill does not alter, on the balance sheet of the company, the paid up capital of the company in any way. This bill is desired by the company for two reasons; one, simply to enable a wider participation by the public—and the company is hopeful that that will mean the Canadian public—in the shares of the company.

Secondly, to provide that if and when additional financing is required by the company that the lower price per unit of the shares of the company resulting

from this subdivision will permit the raising of additional funds by equity participation on a public offering of these shares.

Again, the company at the present time has no definite plans as to when it will require additional funds. Certainly as the capacity of the Line requires an increase then further funds will be required. This bill will provide the flexibility which will enable the directors of the company at that time to decide upon the most advantageous way of raising additional funds.

One of the reasons why this flexibility is necessary, and why in all likelihood further financing will involve issuance of stock of the company, is that the debt of the company at the present time is in the neighbourhood of \$100 million, and the equity of the company is, as I have stated, approximately \$15 million. That ratio would indicate that the investment advisers of the company would probably recommend the financing by way of an issue of the shares of the company.

The CHAIRMAN: Thank you Mr. Renwick.

Gentlemen, we have Mr. Claude Pearce of Toronto, who is a stockholder of the company, who would like to be heard. Is it your wish that Mr. Pearce be heard?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Mr. Pearce, would you kindly come up to this table?

Mr. Pearce, you have something to say and we would like to hear you.

Mr. Claude PEARCE: In connection with the bill that Trans Mountain Oil Pipe Line Company split their stock on a five for one basis I, as one of the largest individual stockholders in the company, am absolutely opposed to it. I am opposed to this split for two or three reasons which I will attempt to enumerate to members of this committee for your observation because I know that while dealing with a bill of this kind it is very important that you get all the angles to the situation.

I was rather interested in the company's statement, through their solicitor, that the funded debt of the company was approximately \$100 million in outstanding bonds, and that the purpose of this stock split was for, at some future period when their investment advisers saw fit, reducing that funded debt by issuing common stock.

There is a story behind that idea which I think this committee ought to be aware of. That story is this: when these bonds were issued by this company for the building of this line, and the projecting of this line over into the northwestern United States, the bond holders demanded some form of security in regard to the bonds in respect of a pipe line that was running out among these wild Indians in western Canada, as they thought, which might be disrupted at any time.

These major oil companies, who received a bonus of \$130,000 shares of this stock at \$10 a share, backed these bonds as guarantors in perpetuity meaning, as long as these bonds were available, these major oil companies were the guarantors of the bonds individually and collectively.

According to the statement that was made by the company's solicitors, the purpose of this split of stock is to relieve these big oil companies of that guarantee that they have on the bonds at some future date when their investment advisers advise that it is the appropriate time.

That is not the main reason that I have for opposing this stock split because I believe that people have debts from time to time and try to take the easiest route possible to eliminate themselves from these overhanging debts which is probably good judgment. But, I as a shareholder in this company—with millions of dollars invested in it—do not get any stock as a bonus. I bought my stock on the open market at the Toronto stock exchange, every share of it.

I respect the management of the company. I think they are doing a good job. I do not want to appear here as being a dissident or interrupter, or someone who is trying to create trouble. That is not my purpose. I am just an ordinary Canadian appearing before this committee of the parliament of Canada to protect what I think is my interest in this company.

This money which I have invested was not given to me, I earned every dollar of it. I invested this money in this company because this company was authorized to issue only five million shares. Of that figure, 1,500,000 shares were issued. That was the main reason I put my money into this company. I felt that with only 1,500,000 shares outstanding that this company could earn, in the very near future, approximately \$2, \$3 or \$4 per share. As a Canadian, looking for some sound investment in Canada, I put that money into this company, but I never had any idea that this company was going to split their stock on a five to one basis which would give the company 17,500,000 shares in their treasury to peddle out, or to give out on bonus at some future date in any manner that the shareholders saw fit to do that is if the government representatives here authorize them to do so. Once you do that you have no control whatever over the authorization of stock in this company, you are done.

I would like to say this; if this stock remains in the position that it is it will become one of the finest investment stocks that there are in the dominion of Canada.

And to prove that, let me point the facts out to you. The prospectus of this company issued in December of 1951, when this stock was put on the market—there were at that time a number of oil companies who owned stock in this company. The first one to start to get rid of their stock was Union Oil Company of California, who had purchased stock at \$10 a share and were—I am not sure—I think they were the partial guarantors on the bonds. They sold 100,000 shares of stock in the first go-round. 75 per cent of the small oil companies that got their stock as bonus at \$10 a share have sold their stock. The public bought the stock at anywhere from \$20 a share to \$145 a share last July.

Now, the reason that stock was \$145 a share last July in my opinion was the fact that the company at that time had the Suez Canal issue, and difficulties in the Middle East, which put Trans Mountain Oil Pipe Line in a very major position, so far as the distribution of petrolatum products was concerned.

However, at the back of that there were two or three big refineries opened up in the State of Washington which began to bring oil through the subsidiary, or the American subsidiary of Trans Mountain Oil Pipe Line. The American investment market, when they saw the Trans Mountain Oil Pipe Line start to deliver by tanker to the market in California immediately began to see the possibilities of this great Canadian undertaking.

What was the result? They walked in and bought stock from \$100 a share to \$145 a share. Now, I venture to say that those people who bought that stock, and at the present time have a terrific loss on it—myself included—under no possible consideration would have bought that stock, had they known that the company was going to split the stock on a five-for-one basis. Because, in most of these great corporations in the United States, like the American Telephone and Telegraph Company, and many other companies we could name, the pressure has been brought to bear on them to split their stock from the time the company has been initiated. Yet those companies have never once attempted to split their stock. Because they have maintained that no matter what the price the stock is selling at, if behind that stock is sufficient capabilities of the company, and sound management—just like there is in this company; because I have found no fault with the management here; they have sound management—then the public is going to come in and buy stock, whether it is \$10 or \$1,000—that is, if it has a proper return on it.

I maintain that your committee, acting for the parliament and the Government of Canada, will do a disservice to Canada, first, and to the shareholders, like myself, second, by allowing this company to split their stock.

I am unalterably opposed to it, because I feel that if the company wants to raise funds and if the company wishes to reduce that funded debt on which these large oil companies are presently guarantors on the bonds, then they have 3,500,000 shares of stock in their treasury that is not yet issued, and that they can still issue to the public at whatever price their investment advisors advise them to issue it at. They can use the money there and pay for the bonds.

If they had been as clever as these oil companies usually are, when stock was selling above \$100 a share last summer they could have sold every bit of that 3,500,000 shares and raised enough money to pay off a great proportion of that funded debt which they are now obligated to.

I wish to thank the members of the committee graciously for the attentive hearing they have given me here and to assure you that I am unalterably opposed to any change in the set-up of this company at the present time. When this company came to your parliament in the first place to have their federal charter, if they had suggested to the government that after a period of one or two years of operation they were going to split that stock on a five-for-one basis, then if I had been in your committee that handled it, I can assure you that they would have not got a charter. Because people realize that here in Canada we have been exploited—and I do not cast any insinuation upon this company. But I do say we have exploited back and forth, and the names of some of our stocks stink in the nostrils of decent people in the United States, by what has been developing in connection with these stocks, with the stock splits in these various companies.

I maintain that we live here along the border of a country of 160 million people who are anxious to invest money in what they think is a sound undertaking, and I do not think that there is a sounder undertaking in this country than Trans Mountain Oil Pipe Line, and I have no affiliation with it. The possibilities for good of that line to the people of western Canada are so tremendous that sometimes it just beggars description.

Because if somebody fires a pistol off in the Near East, the whole Pacific coast is depending upon Trans Mountain Oil Pipe Line for its petrolatum products. Besides that, we in Canada today can produce approximately one million barrels of oil a day. At the present time we are producing approximately 400,000 barrels a day.

I was rather surprised to find one of the biggest companies in this set up, and a company that comes before the Government of Canada and the municipalities of Canada from time to time to get great privileges from them, in exploration and in development of the country, and establishing their product stations throughout the country—I was amazed to find here that when western Canada is staggering under an unemployment problem and is in desperation to try to get rid of their oil—one of these biggest companies in this set-up who are guarantors of these bonds imported 500,000 barrels from British Borneo,—while the president of this company at the present time is one of the former officers of the company. I find that hard to understand. Because here we are in Canada, attempting to develop natural resources of the country; and I maintain this, that it is to the credit of the Parliament of Canada, the manner in which they have assisted these companies and these individuals in developing the resources of Canada.

I was rather amazed when I saw one of these large companies which took approximately 30,000 or 40,000 barrels per day notify the company that they would no longer take oil from them, and start to buy oil in other markets.

Yet these same companies come here today to ask you, who are responsible to the people of Canada, and who are looking to your wits end for the development of markets for various products that our country produces—here is a company that comes to you with their hands outstretched asking for these privileges; and at the same time they will not even buy the product you produce in your country.

Gentlemen, what is going on here? I have perhaps taken up too much of your time. I hope I have developed the reasons for my opposition to this situation.

I know one thing, that if the Parliament of Canada—and not to make any difference to this committee or anybody else—but if the Parliament of Canada, through their elected representatives in this committee allow this company to split its stock, I for one, 12 months from now will not be a stockholder in the company, and I know that hundreds of other fine people who have invested in it feel the same way. Because the history of these split up stocks—and you can take a look at 90 per cent of them—is that the split up stocks became almost worthless. I can show you companies in western Canada where the people went in and paid anywhere from \$2 to \$5 a share for the stock of the company, and they had five or six go-rounds of splits, and today that stock is worth perhaps five or ten or perhaps fifteen cents a share.

I maintain that these gentlemen should be allowed to do what they want in the private operation of their company; but I also believe that when they come before parliament and ask from the Parliament of Canada this privilege, according to their solicitor, for the purpose of relieving them from their obligation that they now have on this bonded indebtedness, I think it is time for this committee to stop, look and listen.

Mr. DRYSDALE: May I ask Mr. Pearce a few questions?

The CHAIRMAN: Yes.

Mr. DRYSDALE: I was wondering—you mentioned that you were a large shareholder. How many shares do you hold?

Mr. PEARCE: 25,000 shares.

Mr. DRYSDALE: How much did you purchase them for?

Mr. PEARCE: About \$2 million.

Mr. DRYSDALE: What is that?—my mathematics are not too good; how much is that?

Mr. PEARCE: I bought them all the way from \$25 a share—and I think I paid as much as \$105 a share.

Mr. DRYSDALE: What is the market for shares today?

Mr. PEARCE: It is \$60 a share.

Mr. DRYSDALE: What effect would it have on the market value, in your opinion, if there is a five-for-one split?

Mr. PEARCE: I think the stock will immediately go down.

Mr. DRYSDALE: To how much per share?

Mr. PEARCE: I am not that good a guesser; I wish I were.

Mr. DRYSDALE: You said you had 25,000 shares?

Mr. PEARCE: That is right, 25,500.

Mr. DRYSDALE: Do you have any idea of what the extent of the other shareholders' holdings would be? Is yours an unusually large shareholding?

Mr. PEARCE: No. I know of many people who have 4,000, 5,000 or 6,000 shares of stock.

Mr. DRYSDALE: Do you know of your own personal knowledge as to the shares that were disposed of by the various oil companies,—as to where they went?

Mr. PEARCE: I do not know; I think Canadian Oil Petrol is here today, or their representative; they ought to be able to tell what they sold their 110,000 shares for.

Mr. DRYSDALE: You would not know of your own personal knowledge?

Mr. PEARCE: No.

The CHAIRMAN: Are there any other questions?

Thank you very much, Mr. Pearce.

Now, gentlemen, will the preamble carry?

Agreed to.

On clause 1—Subdivision of shares.

Mr. DRYSDALE: Mr. Chairman, I believe it was Mr. Hurd who, in announcing the objectives of the company, said they were interested primarily in a wider participation of the public. I was a little confused as to the shares which were acquired originally by the various oil companies and how those shares were disposed. Does Mr. Hurd have information as to the total number of shares disposed of by the oil companies and to whom they were disposed?

Mr. RENWICK: You are referring to the Union Oil Company which disposed of 100,000 shares?

Mr. DRYSDALE: Yes; that was one.

Mr. RENWICK: They disposed of somewhere in the neighbourhood of 200,000 or 250,000 which they originally took then. You would like to know if someone has knowledge as to where those shares went?

Mr. DRYSDALE: Yes.

Mr. J. H. McQUARRIE (*Secretary, Trans Mountain Oil Pipe Line Company*): Mr. Chairman, I have no knowledge as to where those shares went specifically. We assume they were simply sold in the open market.

Mr. DRYSDALE: Were they disposed of entirely in Canada?

Mr. McQUARRIE: To the best of my knowledge they were. The stock is not listed on any American exchange.

Mr. SMITH (*Simcoe North*): This company is not a common carrier of oil; they carry on under a private contract?

Mr. McQUARRIE: We have not been declared a common carrier but we act as if we were.

Mr. SMITH (*Simcoe North*): We will assume one of the companies which is a part owner of Trans Mountain Oil Pipe Line Company has a source of oil outside Canada where the production costs are cheaper and if there is an all-Canadian producer who wanted to use the lines, you would be able to refuse that company transit. You would be able to refuse that company transit of its oil if you wanted to.

Mr. McQUARRIE: I doubt it very much. I think we would be very happy to carry it.

Mr. SMITH (*Simcoe North*): There is nothing to compel you to accept the all Canadian producer as a customer?

Mr. McQUARRIE: I think there is. There is the power of the Board of Transport Commissioners in Canada to declare it a common carrier.

Mr. SMITH (*Simcoe North*): But you have not been declared a common carrier?

Mr. McQUARRIE: No; but we have at all times acted as if we were, and that is the intention of the company.

Mr. SMITH (*Simcoe North*): At this particular time there is nothing to stop you making a contract with another oil producer?

Mr. MCQUARRIE: We have issued a tariff which says we shall treat all carriers equitably. This is a published tariff: "When more petroleum is offered by shippers to the carrier under its tariff than can be transported currently, the transportation furnished by the carrier shall be apportioned among all carriers equitably."

Mr. SMITH (*Simcoe North*): Who fixes that tariff?

Mr. MCQUARRIE: The actual number of cents is set by our board of directors. This tariff is filed with the Board of Transport Commissioners.

Mr. SMITH (*Simcoe North*): Would you read it again?

Mr. MCQUARRIE: It says: "When more petroleum is offered by shippers to the carrier under its tariff than can be transported currently, the transportation furnished by the carrier shall be apportioned among all carriers equitably." In other words it is—

Mr. SMITH (*Simcoe North*): Prorated.

Mr. MCQUARRIE: Prorated; yes. We define in our tariff what we will undertake to carry, and say we will accept tenders providing the quality of the oil meets the tariff and providing the quantities meet the tariff. We say to all the world, in effect, if you tender in accordance with this tariff we will carry it. Therefore, I say under our present tariff, regardless of who tenders the oil, we will be happy to carry it.

Mr. SMITH (*Simcoe North*): Is that a very long document?

Mr. MCQUARRIE: It is four pages.

Mr. SMITH (*Simcoe North*): Could a copy be filed?

Mr. MCQUARRIE: Certainly.

The CHAIRMAN: If it is the wish of the committee, it may be filed as an appendix.

Agreed.

(See appendix A)

Mr. WRATTEN: Why does the company want to split this stock five to one instead of selling the other 3½ million shares which they have?

Mr. MCQUARRIE: Our financial advisers feel it is good business to keep shares in the treasury. They think that the treasury should not be denuded of shares. There have been times in the past when in raising additional funds it was required to attach shares, or rights to buy shares to bonds. If we had no shares in the treasury it would be impossible to finance in that way. We cannot foresee what the marketing conditions of the bonds will be at the time we want to raise the money. If we denude ourselves of shares and need the money urgently for expansion purposes it might be difficult to raise the money at reasonable rates.

Mr. WRATTEN: But, on the other hand, if what Mr. Pearce said is true, and you had an opportunity to sell some of those at \$140 a share, why did you not take advantage of that if you wanted money to put in your treasury? You would have had money to go ahead and expand.

Mr. MCQUARRIE: That is true; but it depends on when you want the money. We might want it today. It happens that we do not want it, but if we did we would only get \$60 today. When you want the money it may not be at \$140 a share.

Mr. WRATTEN: I think, if you fellows had been smart, when it was at \$140 a share if you had put the money away or invested it at 6 per cent some years ago you would have had this money to expand.

Mr. MCQUARRIE: If we had known that was going to happen we would have all been millionaires now.

Mr. WRATTEN: Apparently it did happen. It was almost at \$140 at one time.

Mr. MCQUARRIE: That is perfectly true; but if we had sold $3\frac{1}{2}$ million shares, if we had put those shares on the market, it is probable that the price would not have remained for very many minutes at \$140 a share.

Mr. WRATTEN: But you did not have to put up the whole $3\frac{1}{2}$ million in order to make a nice little pot to hold for future development?

Mr. MCQUARRIE: That is true. However, the opportunity remains open to the company to raise money by the sale of shares. What the company proposes to do is to follow the advice of its financial experts as to how best to raise money.

Mr. DRYSDALE: Mr. Chairman, I notice in the explanatory note you say first "It is believed", and I repeat that, "That the lower unit price and larger number of shares should encourage a wider distribution of the company's shares among investors in Canada and would facilitate future financing by the company." What is this proposed future financing? It has seemed very vague.

Mr. MCQUARRIE: Perhaps I should refer this to Mr. Taylor, the treasurer of our company.

Mr. R. F. B. TAYLOR, (*Treasurer, Trans Mountain Oil Pipe Line Company*): Would you kindly repeat the question?

Mr. DRYSDALE: To put it very simply, apparently you come to parliament to get this bill passed for two reasons as stated by your counsel: you are hoping for added participation by the public and yet you were unable to give any indication as to whether or not there was wider participation by the public in the 200,000 shares which were disposed of by the oil company. The second reason which you mention is that you require it to facilitate further financing by the company. The question that comes to my mind first is; is it necessary to go to 25 million; why not 10 million, why not 15 million. Secondly, what is the proposed nature of the expansion; how much, and approximately when do you contemplate this future financing by the company?

Mr. TAYLOR: To answer the second part first, if I may, there is no proposed future financing now. We have no idea when we will require to raise more money. At the present time we have a plant which has available capacity of somewhere in the order of three times the current business which we are now doing; so, the need for more money is some time off.

Mr. DRYSDALE: In this type of business is the financing something that you can predict in terms of months or years, or is it something now and immediate in terms of days.

Mr. TAYLOR: We have found in our experience that we have been hit with a volume of business which we have not been able to take in a reasonably short time.

Last year, for instance, we had to go out and raise money fairly fast, and that could happen again. Somebody mentioned shooting in the Middle East. If that happened and business developed at an alarming rate we might need to raise money quickly for further expansion.

When we speak of further expansion we are speaking in terms of large sums. I believe the next expansion which we would do might involve \$30 million. We are speaking in terms of large sums of money.

Mr. DRYSDALE: When would that requirement for the \$30 million possibly be, in terms of years; in a year, five years, ten years, or twenty years?

Mr. TAYLOR: I do not think I can answer that. It turns on world events.

Mr. DRYSDALE: The sort of naive problem which is perplexing me specifically is, you say you want some money and you do not know when you require it or how much you require. Why are you here now?

Mr. TAYLOR: I think a short answer to that may be this: it is quite within the realm of possibility that we would need the money faster than we could get the consent of parliament to the split.

Mr. DRYSDALE: There must be something motivating the company, at this particular time, rather than when they require it, say one year, two years or three years from now.

Mr. TAYLOR: We started this in the fall of 1956. We wanted to be prepared then for the next go-around of the financing. As it has happened, since that time; we have had additional financing and have sold more bonds.

Mr. DRYSDALE: You have no idea at present what your future plans are for expansion?

Mr. TAYLOR: No, not as to time.

Mr. DRYSDALE: You have no estimate at all? You do not attempt to predict in advance what expansion you are going to do.

Mr. TAYLOR: No. It would only be when the volume of business warranted it. Mr. Morrison may want to add something to that.

Mr. D. M. MORRISON (*President, Trans Mountain Oil Pipe Line Company*): To answer that, we did have a requirement thrown on us very suddenly and we had to finance in a great rush. The last expansion was a crash program, and it was a very costly one. At that time we prepared for future financing, because the estimates indicated our throughput would continue to rise from then on. In the meantime, we lost that business.

So although there is no immediate indication for a financing requirement, there could be at any time. Our present ceiling is 250,000 barrels a day. We could have shipped 300 or 400 thousand barrels a day in 1957 during the Suez period if we had had the capacity.

We want to be prepared to finance in the best way in the event of a similar situation, and that method would be indicated to us by our financial advisers at the time.

Mr. DRYSDALE: Your financial advisers would recommend some maximum productivity towards which you would be aiming?

Mr. MORRISON: The management of the company would do that.

Mr. DRYSDALE: You would possibly be aiming at some figure, say 300 or 400 thousand barrels?

Mr. MORRISON: Yes.

Mr. DRYSDALE: What amount of money would you have to invest to get your expansion to 300 thousand barrels at present?

Mr. MORRISON: I cannot give you that exactly; but we have a step by step program of expansion which would give us up to 600 thousand barrels. We have already purchased additional pipe which is standing out in a field in British Columbia which would take us to something like 288 thousand barrels.

Mr. DRYSDALE: What would that cost?

Mr. MORRISON: \$12 or \$14 million plus the cost of the pipe. We had planned to bring it up to 300,000 barrels as the next step.

Mr. DRYSDALE: What would that cost?

Mr. MORRISON: About \$30 or \$35 million, I believe, including the cost of the pipe. Then we could go from that to 400,000 barrels, 500,000 barrels, and then to 600,000 barrels. We have had it indicated that that sort of requirement might come upon us by 1962, 1963 or 1964 or somewhere in that period.

Mr. DRYSDALE: What would your expansion cost you at your maximum output?

Mr. MORRISON: \$200 million or more. These figures are from memory; it is in that order.

Mr. DRYSDALE: Returning to Mr. Pearce's statement, what in your opinion would be the effect at present of the five for one split on the market value of shares such as a shareholder has?

Mr. MORRISON: I might tell you when we approach of the financial houses the last time it was indicated that we would have to do some financing and that we might be required to give warrants; if it were a bond issue or debenture, we might be required to give warrants with it. You cannot very well give half a share. If they want to issue a number of shares along with the debentures, of say \$20 or so, and the stock happens to be at \$150, you cannot give a fifth of a share. It is easier, I think, to deal this way. I am not a financial man, but it seems a bit more flexible if you have units of a smaller size.

Mr. DRYSDALE: With reference to the wider participation by the public, what do your financial advisers, or your share or bonding houses indicate is to the extent to which the shares will be picked up by the Canadian public.

Mr. MORRISON: I suppose they would all be picked up. I do not see the oil companies buying any more.

Mr. DRYSDALE: Would it be intended to dispose of all the shares in Canada and none in the United States?

Mr. TAYLOR: Unless you go for new financing the split does not put any more shares on the market.

Mr. DRYSDALE: I realize that.

Mr. TAYLOR: The wider distribution resulting from the splitting is merely that you may have more people holding the shares of the company trading within themselves, whereas now we have seven thousand-odd shareholders and the effect of the splitting would be that we would have eight, nine or ten thousand shareholders.

Mr. DRYSDALE: I understand that the same number of people would have five shares instead of one share and because of the much smaller market value I would assume there would be more individuals likely to participate in a larger quantity of shares. In respect of that I am curious as to the extent of these new shares which would be issued, how they would be picked up by the public, and what the indication is as given by the investment houses because I think they would have experience in this matter and could give an indication.

Mr. MORRISON: They would go to the present holders.

Mr. RENWICK: Mr. Chairman, we have asked the Canadian investment advisers, the McLeod, Young, Weir and Company, and the Wood, Gundy and Company, of Toronto, to let us have any comment which they might wish to make on the proposed stock split. I have a letter here from them.

Mr. DRYSDALE: I would be very interested in having it read.

Mr. RENWICK: This is a letter addressed to the company and signed by McLeod, Young, Weir and Company and by Wood, Gundy and Company:

Dear Sirs:

In connection with your application before parliament of Canada for authority to subdivide the shares in your capital stock, we, as underwriters and distributors of the shares at the time of the initial public offering, think it appropriate to comment on the proposed course of action.

There are two principal reasons in support of the subdivision of the company's capital stock:

(1) The creation of a smaller share unit with a lower market value provides an opportunity for a larger number of investors to acquire an interest in the equity of the company.

(2) Establishment of a broader investment interest in the company should facilitate financing when more capital is needed to provide for additional plant facilities.

In seeking approval of a subdivision of shares it is appreciated that no change takes place in the paid-in capital or the equity behind the common shares as shown in the last balance sheet. The "splitting" of the shares merely creates a larger number of share units with a consequent downward adjustment in value to reflect the proposed exchange of 5 new shares for each old share.

This move follows a trend advocated both in and outside of parliament to have Canadians participate in the equity ownership of Canadian enterprises. A notable example along these lines was the case of the Canadian chartered banks. Formerly their shares were of \$100 par value each and had risen to such high market values that public ownership of their shares was severely restricted and the obtaining of additional equity capital to support an expanding economy was rendered extremely difficult. To rectify the situation the chartered banks appealed to parliament and parliament approved the subdivision of their shares on a 10 for 1 basis with the 1944 revision of the Bank Act. Since then the number of investors holding shares in Canadian chartered banks has been increased by approximately 65 per cent, while additional capital has been provided by the shareholders to the extent of nearly \$230 million.

A number of major Canadian life insurance companies, faced with a similar situation, sought and obtained permission during the period 1951 to 1953 inclusive to subdivide their shares on a 10 for 1 basis and thereby adjusted the market price of their shares with the consequent encouragement of wider ownership.

In addition, such leading industrial corporations as Aluminum Limited, The Bell Telephone Company of Canada, the Consumers' Gas Company and Consolidated Mine and Smelting Company of Canada Limited, among others, have found it desirable to subdivide their shares in recent years to widen share ownership and facilitate raising additional capital.

It is not without interest to look at the capital stock ownership of Trans Mountain Oil Pipe Line Company. When the company's financing was undertaken in 1952, 1,500,026 shares were issued. Of this number 26 shares were held by the original directors and the balance allotted as follows:

670,000 shares to the sponsoring major oil companies, including Imperial Oil Limited, Shell Oil Company of Canada, Limited, Canadian Gulf Oil Company (since taken over by the British American Oil Company Limited), Standard Oil Company of British Columbia Limited, Union Oil Company of California, and Richfield Oil Corporation

130,000 shares to Canadian Bechtel Limited, an engineering firm which sponsored the building of the Company's line

250,000 shares to Canadian oil producing companies other than those listed above, and

450,000 shares to the public.

As will be seen 30 per cent of the capital stock was made available to the investor. While every effort was made in the first instance to secure distribution on as wide a national basis as possible, ownership of these "public" shares since then has tended to accumulate in relatively few hands. This has been due in part to the fact the market value

of the stock has risen to the point where it became of limited interest to the average investor because of its cost. During the period from the beginning of 1957 and for 1958 to date the common shares of Trans Mountain Oil Pipe Line Company have ranged in value from a high of \$145.25 a share to a low of \$40.50 a share.

By splitting the shares of your company a larger number of shares would be made available for trading purposes at lower values. The lower unit value resulting from this move should unquestionably attract more Canadian investors, thereby achieving wider distribution of the company's shares.

In this connection we have been advised by a major trust company that it has been their experience that when a company subdivides its shares it can expect a 10 per cent increase in the number of shareholders in the year following such action and that ultimately the increase in numbers would run 15 per cent and higher.

The subdivision of the stock and the consequent downward adjustment in the market price of shares would unquestionably facilitate future equity financing by the company. To date the expansion in operations has been financed through retained earnings and the sale of first mortgage bonds. Sooner or later a list will be reached in the amount of financing that can be effected under the terms of the trust deed securing the presently outstanding bonds. When that happens then the company must look to other means of raising capital. Permanent capital can only be secured through the sale of capital stock. With a wider market for the company's shares better financing terms are possible as shares can be marketed at the lower price range which would result from a subdivision of the company's shares.

That it is easier to place shares selling at the \$10 to \$25 price range than at some higher level is attested by a sampling of the common stock financing in recent years, exclusive of rights offerings. The average offering price of 17 representative underwritings of the companies listed in the attached schedule was \$16.24 a share. The highest per share offering price was \$40 and the lowest \$4.50. Of the 17 issues the offering price of six issues were under \$11 a share, and only one was priced over \$27.50 a share.

For the reasons set out above we are convinced that the proposed subdivision of the company's shares is not only desirable but a constructive move. The broadening of investment interest through having a lower priced share follows the modern trend in financing, while the creation of a wider public investor interest should enable the company to secure future capital needs on a more favourable basis, all other factors being equal.

Mr. HOWARD: Mr. Chairman, I listened with a great deal of interest to the comments in opposition to this bill for the stock split which Mr. Pearce made. Inasmuch as Mr. Pearce is obviously an individual shareholder, and one of the largest, he is probably expressing the views of a number of other shareholders who own lesser numbers of shares.

I think we would be well advised to attempt to get the opinions of some of the other shareholders with respect to this stock split, and accordingly, I would move a motion to the effect that we do not now proceed with this bill but that we communicate with each of the shareholders, notifying them to appear before the committee or write to the committee so their opinions regarding the bill may be available to the committee.

Mr. FISHER: I will second that motion.

The CHAIRMAN: A public advertisement appeared in all the newspapers regarding this bill. I have doubts as to whether we would ever be able to get in touch with all of the shareholders, because the stocks are changing hands all the time. I doubt whether that could be done, Mr. Howard. I think it would delay the bill for perhaps another year or two years.

Mr. HOWARD: I may have said in my motion, "every shareholder", but I would change that to "those who are in a position to advise us at the moment". I do not intend that if I were a shareholder today and sold my shares tomorrow that you should attempt to contact me in this regard. I think probably we should contact those shareholders of whom we have knowledge at the moment.

Mr. RENWICK: I might point out to the committee that the by-law authorizing this application to subdivide the company shares was a matter considered at a meeting of the shareholders which was held in January of 1957. It was passed at that time by the shareholders, who had notice, as shareholders, of the meeting, of the purpose for which the meeting was called. Those shareholders approved of this step being taken by the company.

Mr. WRATTEN: How many shareholders were present at that meeting?

The CHAIRMAN: Mr. McQuarrie will answer that question in a moment.

Mr. WRATTEN: I have another question, Mr. Chairman. This question is relative to this motion. This is a question which Mr. Drysdale asked, which the president side-stepped very well. Mr. Drysdale asked the president what his opinion was in respect of what the price would be if these shares were split five to one. I noticed that he stepped around that question very well. Would he give us his opinion now?

Mr. MORRISON: I did not hear that question.

The CHAIRMAN: I think Mr. Taylor could make a comment in that regard.

Mr. TAYLOR: The immediate effect would be to divide the price by five.

Mr. WRATTEN: Yes.

Mr. TAYLOR: The market would probably "zig" a little bit, but we have read many articles written in the United States recently which indicate that the general tenor would be, unless the split is accompanied by an announcement that there was some increased dividend, that the market is divided by the ratio of the split, and stays about there.

If there is an announcement of an increased dividend, it might increase the share value a little.

Mr. WRATTEN: The present price of a share, as I understand it, is approximately \$60?

Mr. TAYLOR: Right.

Mr. WRATTEN: This would then bring it down to approximately \$12 a share, is that what you mean?

Mr. TAYLOR: Yes.

The CHAIRMAN: Mr. McQuarrie has that figure you asked for.

Mr. MCQUARRIE: At the special general meeting of the company held on January 8, 1957, at which this specific resolution in regard to the stock split was passed, there were 1,062,581 shares represented in person or by proxy.

Mr. WRATTEN: Do you know the number of people who were there?

Mr. MCQUARRIE: Fifty-three people were present representing 5,326 shares, and the balance of the shares, of course, were represented by proxies which were sent in to the meeting.

Mr. DRYSDALE: What percentage was required to pass that resolution? Was two-thirds required?

Mr. TAYLOR: I believe that is correct.

Mr. SMITH (*Simcoe North*): I have two or three questions to ask which are more or less in sequence, Mr. Chairman.

The first question I would like to ask of the treasurer of the company. Is it not true that the price of the shares, after a stock split, will depend on the purpose for which the stock split is made? In other words, if the company sold split shares in order to retire the bonds, would that more than likely have an effect on reducing the price of shares generally, because the earnings for the shares are higher than the earnings required to meet your interest charges on the bonds? Would this have that effect?

Mr. TAYLOR: The company is not planning to sell any more shares.

To come back to your first statement, the purpose of the split is merely to subdivide the shares. There is no other purpose.

Mr. SMITH (*Simcoe North*): Are you seriously suggesting that the purpose is not to sell more shares?

Mr. TAYLOR: The purpose of the stock split is to make it easier to sell shares in the future. When we sell them we will sell them at a price relative to the market price at that time, and not relative to the present market price.

Mr. SMITH (*Simcoe North*): The company was incorporated in 1951. On what date did the company start operations?

Mr. TAYLOR: The company started operations in October of 1953.

Mr. SMITH (*Simcoe North*): You applied to parliament in 1955 for a stock split?

Mr. TAYLOR: No, I am sorry. In 1957—last year—we applied to parliament for a stock split.

Mr. SMITH (*Simcoe North*): That was at the beginning of 1957?

Mr. TAYLOR: Yes.

Mr. SMITH (*Simcoe North*): Then that comment of McLeod, Young, Weir and Company which makes a comparison with bank stocks and insurance company stocks is rather misleading, because the banks and insurance companies have been in business for 50, 60 or 100 years whereas here we have a company that is barely in operation and wishes to change its finance structure. Is that not a misleading situation? This seems to mislead me anyway.

Mr. TAYLOR: We started business in October, 1953 and lost \$470,000 in two and one half months. During the whole year of 1954 we lost \$1,256,000; in 1955 we earned \$3,086,000; in 1956 we earned \$6,991,000; in 1957 we earned \$8,306,000. I might just add here that this will be public knowledge in a matter of a day or so, but in the first half of 1958 we had earned about \$300,000. If you multiply that figure by two you will arrive at a figure of \$600,000, or one-half million dollars for profit which is not too far wrong.

Mr. SMITH (*Simcoe North*): Is the \$60 million debt by way of debentures, or bonds?

Mr. TAYLOR: This is by way of first mortgage bonds.

Incidentally, I might, for the sake of accuracy, correct Mr. Renwick in regard to that figure. That original figure was \$65 million not \$60 million.

Mr. SMITH (*Simcoe North*): The figure was \$65 million?

Mr. TAYLOR: The figure was \$65 million in 1952. In 1954 we sold a small issue of six million, and in 1957 we sold 30 million. With the usual retirement in the meantime, that gives us a funded debt of about \$100 million in first mortgage bonds.

Mr. SMITH (*Simcoe North*): At what interest rate are those bonds, six per cent or seven per cent?

Mr. TAYLOR: There are different series of issues at interest rates of four per cent, eight per cent and four per cent, and last year five per cent in the United States and five and one-half per cent in Canada.

Mr. SMITH (*Simcoe North*): Do they carry any stock warrants, bonuses or privileges?

Mr. TAYLOR: No, they were sold to institutions with the guarantees, as Mr. Pearce has said, by the oil companies, but with no bonuses.

The CHAIRMAN: Mr. Pearce wishes to say something.

Mr. PEARCE: I do not like to interrupt the procedure of your meeting, but one member of the committee asked a question in regard to what happened when stock was split. I think this question was asked either of Mr. Taylor, Mr. McQuarrie or Mr. Morrison, the president of the company.

I think it is obvious to you gentlemen of the committee what happens when a stock is going to be split. When the announcement of this stock split was made the stock was selling at \$100 per share. When the announcement was issued the value of the stock went down to \$40.50. I believe that answers this question. That is not anyone's opinion, that is fact.

In answer to another question put by a member of the committee Mr. Taylor said that the company was not planning to sell any more shares. Why does the company want a stock split? Are stock certificates pretty things to look at, and instead of having 3,500,000 shares in the treasuries of these big oil companies we will have 17,500,000 shares?

I think those questions are imperative, and I think they deal with the effects of the situation. I do not think anyone's opinion is worth anything, especially an opinion like that expressed by McLeod, Young and Weir. McLeod, Young, Weir and Company have been the biggest sellers of Trans Mountain Oil Pipe Line Company's shares over the period of the last year. They probably do not like this stock split either.

I think these things are things that members of the committee ought to know about. These are facts. I know that when a committee of parliament is dealing with a matter as important as this, the committee should have facts and not hearsay.

The CHAIRMAN: Thank you Mr. Pearce.

Mr. THOMPSON: Mr. Chairman, in regard to the motion made by Mr. Howard that other shareholders should appear as witnesses, I do not think it is necessary because, as far as I am concerned personally, I am not convinced yet that this stock split is necessary. The company has not demonstrated this morning any immediate need for this stock split. The company has not given the committee any reason for an immediate stock split. In view of Mr. Pearce's remarks about the lowering of the value of the shares by splitting the shares, and the fact that this might upset the value of the present issue of shares, I do not think it is a good idea to do so at the present time unless the company can show some reason why they need the money right now.

If they have some development which must be done immediately then I think I could go along with this bill, but unless they can show some immediate need for money I think it would be much better to wait until they do have something in mind at which time they could come back and ask for this present legislation.

Mr. MORRISON: In regard to the immediate need, gentlemen, we attempted to get this stock split bill through when there was an immediate need. That was well over a year ago. If that need arises again, and if it is going to take another two years or so to get this authorization—I think that is probably a sufficient answer.

Mr. PEARCE: Could I ask Mr. Morrison a question, sir?

The CHAIRMAN: Yes, Mr. Pearce.

Mr. PEARCE: Mr. MORRISON, is it not a fact that Trans Mountain Oil Pipe Line Company has a very high standard in the bond market?

Mr. MORRISON: I hope so, Mr. Pearce.

Mr. PEARCE: You have proven that in the way in which you have raised money very easily in the past.

Mr. MORRISON: That was not too easy, Mr. Pearce.

I do not know what better security we could have than the guarantee of these major oil companies. There is probably no better guarantee possible. Mr. Pearce, it is rather odd to find you and the C.C.F. on the same side. I am rather confused by this situation.

Mr. PEARCE: I am certainly not interested in this as a political situation. I am not interested in the C.C.F. I am only interested in sound economy, that is all, sir.

The CHAIRMAN: All right, Mr. Pearce, thank you.

We had a motion that we do not now proceed with this bill but that we communicate with each of the shareholders notifying them to appear before the committee or write to the committee so that their opinions regarding the bill may be available to the committee. This motion was moved by Mr. Howard, seconded by Mr. Fisher.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I have a question—

Mr. WRATTEN: I have just one question, Mr. Chairman.

Mr. SMITH (*Simcoe North*): My question has nothing to do with this particular motion.

The CHAIRMAN: We are now considering the motion.

Mr. DRYSDALE: Mr. Chairman, in order to avoid the possibility of the company going to all this additional expense and difficulty I think the problem implicit in Mr. Pearce's remarks is, first of all, that the individual shareholders represent a minority group and, I would assume, represented by proxy, and that therefore the oil companies would have had no difficulty in getting this resolution passed. In other words, there would not be sufficient individual shareholders to oppose it. What Mr. Pearce is apparently worried about is that his stock, let us say, \$60 today, is being split five ways; theoretically each share would be worth \$12. But his contention, and the problem I have raised two or three times, and to date have not got an answer satisfactory to myself, is that very likely the effect on the market will be that shares may possibly sell for \$10 or at less than \$12. In other words his equity through the split is becoming less, through more shares.

I would like to have the members of the company express some opinion on what the effect of the stock split will likely be on the value of the shares, because I believe that is Mr. Pearce's main contention.

Mr. TAYLOR: As I said, the immediate effect would be to divide the market price by five.

Now, whether or not you split, subsequent events, world-wide, or stock market interest, or other economic interest, are going to make fluctuations, whether it is \$60 before the split or \$12 after. I do not think that one can guess that it is more likely to be \$10 than \$14. In the last few days we have seen it go down from \$73 to \$60. That was not because of the split. As I said, from an article we have read in the United States, from the Harvard Business Review, they came to the conclusion that unless there was some increased dividend action announced at the same time as the split took place, that the market effect is really just the ratio of the subdivision.

Mr. DRYSDALE: In other words, you would say that each of those shares would go on the market for \$12?

Mr. TAYLOR: Yes, if it were done when the market was at \$60. The next trading would be at \$12. After that it would depend, not on the split but on the general economic conditions as developed before the split.

Mr. DRYSDALE: In fairness to the company, I am interested in the facts. The difficulty I am having, to get information about your expansion, lies in the fact that any intention of any expansion in the immediate future would have a substantial effect on the sales of the shares.

Mr. MORRISON: If a condition developed that would require expansion, I suppose it would. That I think was the reason for the stock going from \$100, as Mr. Pearce mentioned, to \$145. We saw business ahead of us that we could not carry. And the Suez situation was such that Canada could have exported all the oil we could get to tidewater. It was indicated that that situation might last for a considerable period of time. What happened when the canal re-opened was that there was a great surplus of tankers and of oil, and ships were running actually at a loss. The actual freight from the Persian gulf to Puget Sound varied from something like the less than \$2 or \$1—and Mr. Hurd could give a better figure—to something like \$6 per barrel, when the value of that oil was only \$1.85. Is that right?

Mr. E. C. HURD (*Administration Manager, Trans Mountain Oil Pipe Line Company*): Yes.

Mr. MORRISON: So that the variation in freight alone was two or three times the value of the oil.

Mr. DRYSDALE: I think the difficulty with myself, and perhaps with some of the other members of the committee, is that the two reasons advanced were wider participation by the public and secondly, if and when you needed additional financing. I think the committee is having difficulty in understanding why it is necessary to do it now since you seem to have no idea—to put it bluntly—as to when you are going to expand. That was the only reason I made that suggestion myself. I thought perhaps if there was an intention to expand in the near future, then I assumed you would not want to divulge it, even to the committee, because that would probably increase the value of the shares. But you can see Mr. Pearce's dilemma, as a minority shareholder, that he is in the situation that he apparently cannot see either, as to why the split is necessary, when it is going possibly to mean a substantial diminution in his equity.

Mr. MORRISON: I do not know if I can make it any clearer. The demand on us may come about more suddenly. We cannot tell now when that demand will come. But in a situation where there is a stoppage of oil flow in Iraq, or any of the Middle Eastern countries, it would immediately develop a requirement for Canadian oil from the Pacific coast. Who can tell when that is going to happen? We are not hiding anything at all. I can show you any estimate we have made. Our administration manager is here. In connection with any problem of oil flowing through the system, he will answer any questions in that connection.

Mr. DRYSDALE: If it is a question of expansion, would not the various oil companies, the major oil companies be able to provide you with interim financing, and then you could come back to parliament at that time to get the necessary expansion?

Mr. MORRISON: I have not seen them offering anything.

Mr. WRATTEN: I think we are getting farther away from the motion, are we not?

Mr. SMITH (*Simcoe North*): My difficulty with this matter does not come from whether Mr. Pearce is being adequately protected or not being adequately protected, because the shareholders in the company knew what they were doing when they bought the shares; and they know that if this were a private company, not incorporated by Act of Parliament, none of this would happen. If it were an Ontario company or an Alberta company we would not be worrying about the protection of the shareholders.

My difficulty in the matter comes from something entirely different. Trans Mountain Oil is, as I understand, a monopoly; and it is a monopoly that was granted by the Dominion Government. Their profits were largely made, not completely by the expansion of trade but by the fact that they were a monopoly. And when they are monopoly they have an exclusive right to carry oil from Alberta oil fields to the Pacific coast. I think that is right, is it not?—that you have the exclusive right?

Mr. MORRISON: We have the only pipe line.

Mr. SMITH (*Simcoe North*): Yes, you have the only pipe line. Therefore, in a sense, although you are not a public carrier, you are in effect a public utility because you are providing a service. Whether or not this stock split is arranged to get to refinance your bonds and get your major oil companies to give you guarantees, is something I do not think matters very much—or whether it is to arrange for the convenience of McLeod, Young and Weir, and finding more money for you. But I do think that nobody is being entirely forthright in the matter when they say that they have no plans.

I am quite satisfied that there must be plans in the back of some minds as to what is going to be done when this stock split is made; and I think that we are entitled to know, with a considerable degree of particularity, as to what will be done when the stock split is going to be made. Is it going to be used for the purpose of issuing more treasury shares and retiring bonds? Is it going to be used for the purpose of increasing the size of your pipe line, the size of your storage facilities—or what? There must be plans, I think, having regard to the speed with which you have attempted to change your capital construction. It may be that the company has not planned too far ahead in these matters.

But, generally speaking, I think there must be plans; and I think that this committee should know and is entitled to know, with a considerable degree of particularity as to what your plans are, having regard to the fact that you have a monopoly and are, in a sense, a public carrier of oil.

Mr. MORRISON: In so far as having plans, we do have plans. We have very specific construction plans, of how we would increase the capacity and how much it would cost. The timing of that is a thing that we do not know, but it may come on us very suddenly. Therefore we would like to be prepared to finance in the best way possible as we will be advised by our financial committee.

Mr. SMITH (*Simcoe North*): For example, is there any plan and any discussion about retiring the bonds of the company?

Mr. TAYLOR: No; I have been trying to get a chance to say that. There has been no suggestion made, not even the vaguest one, that we would ever sell to retire the present debt.

Now, the present situation of the company is, as Mr. Renwick has pointed out, that it has about \$100 million worth of bonds and \$15 million worth of stock, and also has about \$14 million worth of accumulated earnings.

If we were hit, within a comparatively short time—let us say a year—with a major expansion project that would cost, let us say, \$25 million to \$30 million, we could not, right now, as I believe, raise the money by bonds. We would be forced either to raise the money by the selling of shares or a combination of bonds and shares.

If we are given a couple of years of satisfactory earnings before we are hit with the expansion, it is quite possible that we could finance that next stage of the expansion without either selling bonds or selling shares.

I am trying to be perfectly honest with you. We have no plan for financing at the present time because we do not see yet the need for it. But the suggestion that we are going to sell shares to use the money to retire the bonds and get the guarantors or the sponsors off their commitments is quite unfounded.

Mr. PEARCE: The statement was made by your solicitor, in answer to a member of the committee, that a portion of these stocks might be used for the retirement of bonds.

Mr. TAYLOR: No, he did not say that. He said it might be sold with bonds.

Mr. BATTEN: May I ask for a review of some of the figures. Would the treasurer give me for the years, in round figures, the profits of this company for 1955, 1956 and 1957.

Mr. TAYLOR: Yes.

Mr. BATTEN: You gave it before, I think.

Mr. TAYLOR: For 1955 it is \$3,086,000; 1956, \$6,991,000; 1957, \$8,306,000.

Mr. BATTEN: And your estimated profit for the present year is what?

Mr. TAYLOR: May I let it go at less than a million dollars.

Mr. BATTEN: Yes. And out of \$5 million worth of stock that you have, the company owns \$3,500,000?

Mr. TAYLOR: Out of 5 million shares of stock the company has not sold 3,500,000.

Mr. BATTEN: And it is not your intention to sell any of that 3,500,000?

Mr. TAYLOR: Not at the present time, no—whether it is split or not. There is no present intention to sell any.

Mr. HORNER (*Jasper-Edson*): Could any extension of the company be related particularly to the storage facilities on the coast? It would not be related to the doubling of the line, or anything of that nature?

Mr. MORRISON: No, it would be essentially for more line. We have already put in two parallel sections. That was the last expansion; and if we had the business and the requirements to continue we would eventually end up with a complete second line.

Mr. HORNER (*Jasper-Edson*): Is it not true that if the business was there, if the need was there for this entire double line, and if the economy was such, that the oil expansion program could take that, that you would not have any difficulty at that time financing the additional line? You did not have difficulty financing the first line, and you should not have any difficulty in financing a double line, if the business were there at the time you required it.

Mr. TAYLOR: Just as in buying a house, you have to have a down payment of a third, and then you can borrow the other two-thirds.

Mr. HORNER (*Jasper-Edson*): But you would not have any difficulty in doing that because the major oil companies, which are your major shareholders—it would be to their benefit to have that additional outlet for their product. I would say that therefore at the time you want the expansion you should not have any difficulty raising the financing, so far as I can see.

Mr. MORRISON: The oil that would be shipped through our line would not necessarily be the oil of our major bond holders or stockholders. It is pro-rated in Alberta.

Mr. HORNER (*Jasper-Edson*): I am aware of that, being a member from the Province of Alberta. But it seems to me—it is pro-rated—but the larger the total, the larger the pro-ration of the major oil companies. And that is the only way they can increase their ratio, by having a larger total.

Mr. MORRISON: Yes.

Mr. HORNER (*Jasper-Edson*): And at the moment, so far as I can see, the major oil companies in western Canada, the independents—that is the way they can keep living, by having their own ratio. And that has to be there. But at the same time the only way the major oil companies can increase their production is to have their market in total. Therefore they are going to be vitally interested in building this line. I do not think there would be any difficulty in financing it when you need it.

Mr. MORRISON: I think Trans Mountain will want to stand on its own feet. It will want to go out and finance on the basis of Trans Mountain business, not on the basis of the backing of the major oil companies.

Mr. HORNER (*Jasper-Edson*): Well, after all, the majority of your stock is held by your major oil companies.

Mr. MORRISON: No, not the majority.

Mr. HORNER (*Jasper-Edson*): They control the thing.

Mr. TAYLOR: No; as of March this year there are 570,000 shares, with the major oil companies as we mentioned before. There are 50,000 shares with other smaller producing companies and 882,000 that are not held by the oil companies.

Mr. TUCKER: When was the last general meeting of the shareholders held?

Mr. MCQUARRIE: April 8, 1958.

Mr. TUCKER: I understood the last meeting was held on January 8, 1957?

Mr. MCQUARRIE: I did not hear you.

Mr. TUCKER: I understood the last annual meeting by the shareholders was held on January 8, 1957.

Mr. MCQUARRIE: No; the January 8, 1957, meeting was a special meeting of shareholders held to consider this bill, among a couple of other things. It was a special meeting called to approve this by-law No. 5.

Mr. TUCKER: The company holds annual meetings, does it?

Mr. MCQUARRIE: Every year, that is right. But because of the timing it seemed advisable to have a special meeting to advise the shareholders about the proposed stock split, and they approved of it.

Mr. DRYSDALE: You very kindly gave me the breakdown of your barrel production, as to the proposed increase. I was wondering if you could indicate what the time factor is that is involved for the various stages in construction.

The CHAIRMAN: Mr. Hurd will answer that question. He is the administration officer of Trans Mountain.

Mr. DRYSDALE: Just for the convenience of the record, could you tie in the amount of money, also as to the time of the expansion at the same time.

Mr. HURD: I perhaps will not be precise.

Mr. DRYSDALE: Just a rough indication.

Mr. HURD: As Mr. Morrison has said, we have specific plans in an engineering way to increase the capacity of our system by stages, up to capacities of maybe 600,000 barrels a day, or even more than that; and the only thing we have that ties that in with time is the result of an extensive survey made by Stanford Research Institute in 1956. At that time it showed that we would need to be above the figure of 250,000, which is today's capacity, some time about 1961 or 1962, and going on up to a higher figure in subsequent years.

The incidents of the Suez crisis apparently show that this estimate was low at that stage of the game.

But the general recession in the world oil picture, the surplus of oil, and the surplus of tankers in consequence, and the lower tanker freight rates, brought the number well below the estimate that the Stanford Research Institute had put together on the basis of their study.

Mr. DRYSDALE: Mr. Hurd perhaps can help me. What I am interested in is that you are producing 250,000 barrels a day. Mr. Morrison said that a certain situation might arise, let us say today, that would necessitate your going up to the next step, whether it is 350,000 or 400,000. He gave me a cost figure on the first step of \$13 million. What I am interested in is starting out at X days would end up with fifteen million—how long that will take. Will it take one year or six months or 10 years?

Mr. HURD: To build the plant, do you mean?

Mr. DRYSDALE: Whatever is necessary to come up to the next step. I do not know what is necessary. You have a series of steps, and you are putting up the money on it. I assume that there will also be an approximate time schedule to reach that particular step, regardless of when it is taken.

Mr. MORRISON: Perhaps if we told you a little of the story, as it was during and before the Suez period, it might help.

Mr. DRYSDALE: Mr. Morrison, I do not think that is relevant. It is going to take you a certain number of dollars, let us say \$15 million, to come up to a stage. It does not matter whether you go up to 400,000 or 500,000. You will require \$15 million for 400,000 and \$30 million for 500,000. How long will it take you to reach that stage in construction time?

Mr. MORRISON: I was coming to that. We had a well organized plan to expand, to go from 200,000 to 300,000, which was estimated to cost \$70 million. These are round figures, from memory. They are not our exact engineering figures. That was to have taken place in the next two years, I think, from that time.

Now, Suez came on us, and that was broken down into the first and possibly the second and the third step. The first step was rushed, as a crash program, costing \$30 million, and it brought us up to 250,000 barrels in a very short period of time, as such construction goes. The rest of \$70 million could have been divided into two further steps, one to take us to 288,000—and that could be done if required in, I think, six months time, if it happened to be in the summer time. The same would apply to the next step.

Then, from then on, it would depend on the shape of the curve that we had as we approached the time required, as to just when we would take the 350,000 or 400,000 or 500,000 or 600,000 barrel steps.

Mr. DRYSDALE: I realize it is a matter of time. But you will have the approximate maximum and minimum period of construction time involved to reach that objective, whether by a crash program or whether under normal circumstances.

Mr. MORRISON: It is summer-time work.

Mr. DRYSDALE: What is it from 300,000 to 400,000?

Mr. MORRISON: What is what?

Mr. DRYSDALE: The cost, in millions of dollars. I am interested in seeing how the curve goes up.

Mr. MORRISON: We did not bring our engineering studies with us. We have a whole series of forward orders on pipe. Those figures are quite definite. The construction costs will vary from time to time. The total costs to get up to the 600,000 market I think was \$225 million. That is from memory.

Mr. DRYSDALE: How long would that take, if you had to start from today, and that situation arose?

Mr. MORRISON: It would depend on the urgency. If we had time to do the engineering work, we could certainly get it in two construction seasons, and they might get it in one because we have the right-of-way, and a great deal of preliminary work has already been performed. We had the right-of-way for the next stage to go to 300,000 at the time of the 250,000 barrel program.

Mr. DRYSDALE: One year would do it, then?

Mr. MORRISON: I would hate to state definitely—but certainly in two construction periods. I think we could do it mostly in one.

Mr. McPHILLIPS: This is really a question of procedure. This resolution seems to be hanging over our heads. We should dispose of it before we go on to any further discussion.

Speaking for myself, I think there is no merit in the motion at all because these applicants, like all applicants to parliament, are required by law to do some expensive advertising; and that is for the purpose of advising the shareholders or anyone else, so that they might be apprised of the action being taken. I think it would be improper to delay this.

The CHAIRMAN: Are you speaking on the motion?

Mr. THOMPSON: I wish to ask a question of Mr. Morrison. You referred to the expansion and the fact—

The CHAIRMAN: We cannot hear what you are saying.

Mr. THOMPSON: Mr. Morrison spoke about expansion, and the fact that the company has plans for expansion if and when the time comes at some indeterminate future date.

I take it for granted that this stage might be, in case war broke out, or in case we have some trouble in the Middle East; and if that time comes, is it not the case that you would have no difficulty in selling the shares as they are, and that people would buy them up without having them split? Would you encounter any difficulty in selling your shares, when the time for expansion comes?

Mr. MORRISON: Mr. Chairman, your question was as to whether we would have any difficulty in financing if this emergency did develop, is that right?

Mr. THOMPSON: Yes.

Mr. MORRISON: I think we would. It would depend on the method suggested by the finance committee. And if it were a matter of debentures with warrants, then warrants of the value of the stock as it might then be might be more difficult to dispose of. I can see these shares going up again to the \$150 mark. If it is desired that the warrant price be something like \$20, what are we going to do? We cannot sell a fifth of a share.

Mr. THOMPSON: How about selling more shares, Mr. Morrison?

Mr. MORRISON: It is the public that is going to buy these shares, and apparently the public prefers to buy shares in smaller denominations.

Mr. TAYLOR: We cannot sell these shares at very much less on the market, I think that is perhaps the point that is missed.

Mr. CHOWN: I think perhaps I should declare that I have a small interest in this company before I ask a question, Mr. Chairman.

The financing that you did on the crash program as the result of the Suez crisis is the financing that you described to us whereby these oil companies stepped in as guarantors of these bonds, and this financing was done with these bonds?

Mr. TAYLOR: Yes, in the same way as the original financing was done, as far as bonds were concerned.

Mr. CHOWN: How much money did you receive at that time?

Mr. TAYLOR: Last year we raised \$30 million.

Mr. ALLMARK: Mr. Chairman, I understand that the operating capacity of the line in 1957 was 100 per cent?

Mr. TAYLOR: That is right.

Mr. ALLMARK: You were operating at 100 per cent capacity in 1957?

Mr. HURD: Not for the whole year. We were operating at 100 per cent capacity for the first part of the year, but we dropped off later.

Mr. ALLMARK: What was the operating capacity for the whole year then?

Mr. MORRISON: We just finished the expansion when the Suez crisis ended.

Mr. ALLMARK: I am just asking for a rough idea.

Mr. HURD: For the first half of the year we were pumping at capacity, which at that time was not 250,000 barrels, but about 180,000 barrels on the average. The peak capacity at the end of the second quarter was 200,000 barrels. The average for the year was just under 155,000 barrels.

Mr. ALLMARK: Your earnings at that time were \$8,350,000. What were your earnings per share in 1957?

Mr. TAYLOR: The earnings per share were \$5.52.

Mr. ALLMARK: \$5.52. What is the operating capacity at the present time?

Mr. HURD: 250,000 barrels per day.

Mr. ALLMARK: What is your levelling off, at the present time?

Mr. HURD: About 80,000 barrels per day.

Mr. ALLMARK: What are your earnings per share at the present time?

Mr. TAYLOR: Twenty-three cents for the first six months.

Mr. WRATTEN: Mr. Chairman, are you going to put the question now?

Mr. HORNER (*Jasper-Edson*): On the motion, Mr. Chairman, I was wondering if it would be wise for the committee to have some further advice from independent bodies in this regard. I am thinking particularly of the Canadian petroleum association and perhaps other people connected with the stock market. Perhaps we could have some further advice in regard to what this split will do. I do not think we have had sufficient advice this morning, and I feel we should have some outside advice in this regard.

The CHAIRMAN: You have had some advice from the McLeod, Young, Weir and Company.

Mr. HORNER (*Jasper-Edson*): Yes, but that is a single opinion from a company which is obviously involved in this transaction. I think we should have some independent advice.

The CHAIRMAN: That firm is responsible for the transaction.

Mr. HORNER (*Jasper-Edson*): That firm is obviously involved in this transaction.

Mr. TAYLOR: I would just like to say—this may be an unfair implication—that if there is just a split of stock, nothing will accrue to McLeod, Young, Weir and Company, or Wood-Gundy because of that fact.

Mr. HORNER (*Jasper-Edson*): That is true if there is just a split, but if there is an increase in activity, or if there are plans for the sale of stock in the near future then they are involved.

Mr. TAYLOR: There are no such plans.

Mr. HORNER (*Jasper-Edson*): McLeod, Young, Weir and Company are your financial advisers, and I think we should have independent advice on this matter.

Mr. MORRISON: Could the answer not be taken from that Harvard business review article that Mr. Taylor mentioned? That was a study of some 70 major companies in the United States, I believe, who had split their shares. This was a statistical review of the results of those splittings. This showed that unless there was an increase in the dividend, that there was no rise except during the short period of increased activity following the split, but if the dividend remained the same, there very often was a slight reduction.

That review was the best we could find in searching through the literature.

Mr. HORNER (*Jasper-Edson*): That review, of course, applied to the United States?

Mr. MORRISON: I do not believe there would be much difference in the reaction between Canadian and American investors.

Mr. DRYSDALE: Mr. Chairman, Mr. Pearce in his statement alleged that notification of the stock split drove the price down from approximately \$100 per share to \$60 per share. I would be interested to have a comment from the various gentlemen here in that regard. If that is not the cause then I would be interested in having a specific comment—not generalities—as to what caused the drop in the market price of the shares.

Mr. TAYLOR: I am speaking from memory, now, but my recollection is that when the proposal to split the stock was first announced in the latter part of 1956 the market price of the shares was in the neighborhood of \$70.

Mr. PEARCE: What was that again?

Mr. TAYLOR: I said, my recollection is that when the proposal to split the stock was first made public in the fall of 1956, or towards the end of the year, the market price of the stock was in the neighbourhood of \$70. It went up at that time. I know for a fact that towards the end of November it was 93. I would say that the stock rose on the announcement of the split. Then it crowded upwards rather continuously with I believe the pressure of the Suez incidents at the same time until it reached \$145-odd in June of last year. You may remember that we were here during that first six months of last year and the stock split was being debated in the then parliament quite strenuously.

With the reduction in volume after the settlement of the Suez affair, the market started to sag off and it fell fairly regularly, I believe, down to \$43. I think that was the figure mentioned by Mr. Pearce. Then it began to come up again. It came up in some leaps and bounds and it got up to \$73, and then within the last three or four weeks it sagged off to the present level of \$60.

Mr. DRYSDALE: But the first decline was due to the first intended stock split?

Mr. TAYLOR: No. It went up after the proposal to split was announced.

Mr. DRYSDALE: That was at the time of the Suez crisis?

Mr. TAYLOR: Well, it was percolating then. I do not believe it had reached the crisis stage.

Mr. MORRISON: It started around October.

Mr. DRYSDALE: Would you attribute the rise to the fact of the stock split?

Mr. TAYLOR: Not really; no. But it certainly has been declining.

Mr. PEARCE: The splitting of the stock—

The CHAIRMAN: Mr. Pearce, you can make statements, but if you wish to ask questions you must do so through the chair.

Mr. PEARCE: Before the directors decided on the splitting of the stock it was public knowledge?

Mr. TAYLOR: No; not before the directors decided on it.

The CHAIRMAN: We cannot have questions by you or any witness. You have to ask them through the chair.

Mr. PEARCE: I appreciate the courtesy being extended to me. Through you, Mr. Chairman, I would like to ask the president, Mr. Morrison, if in answer to a question asked by a member of the committee he said it was not their intention to sell any of the present stock which they have in their treasury in the amount of 3,500,000 shares; he also said it was not their intention to use any of the 17,500,000 shares they are going to have for the refinancing.

I would like to ask Mr. Morrison what is the purpose then of maintaining either the 3,500,000 shares before the split or the 17,500,000 shares after the split.

The CHAIRMAN: You are asking that through me.

Mr. MORRISON: I do not remember making any such statement. It was probably Mr. Taylor.

Mr. SMITH (*Simcoe North*): Yes.

Mr. TAYLOR: Yes. There is no present intention of selling any shares, but we want to be in a position to be able to sell shares at a reasonable price per share if we have to sell shares.

Mr. SMITH (*Simcoe North*): In view of what Mr. Morrison just said, will he confirm what the treasurer just said?

Mr. MORRISON: Yes, sir.

Mr. NIXON: I was just asking the witness, when he says that there is no intention of selling these shares whether he means that there is no intention at the present time?

Mr. TAYLOR: Yes, that is right.

Mr. NIXON: But that it might become your intention later on.

Mr. TAYLOR: Yes.

Mr. NIXON: I think that is where the confusion comes about.

The CHAIRMAN: Before I put the motion, does anyone else wish to speak to it; does anyone wish to speak to the motion?

Mr. RENWICK: I am not speaking either one way or another. I just wish to make certain that the members in the committee understand the facts of what the company has done so far as informing their shareholders is concerned.

It enacted a by-law in December of 1956. The directors enacted that by-law and called a special general meeting of the shareholders for the purpose of considering the by-law, which was a by-law authorizing the company to make application to parliament for a bill to subdivide the stock.

That meeting was held in January of 1957 and the by-law was approved by the shareholders and sanctioned at that time.

When the first application was made to parliament in the spring of 1957 public notice was given as required by the rules of parliament.

Again, this year, when the application was presented to parliament the same public notice was given. Therefore we would feel that any shareholder who wished to appear, as has Mr. Pearce, and who wished to do so, could have been here today.

Some Hon. MEMBERS: Question.

The CHAIRMAN: Gentlemen, the motion has been moved by Mr. Howard, and you have heard it. It was seconded by Mr. Fisher. All those in favour of the motion will please indicate.

And a division having been taken—

The CHAIRMAN: I declare the motion defeated.

Mr. HORNER (*Jasper-Edson*): I would like to move that we ask for an independent opinion of the stock exchange, if necessary, or whoever would be available, and also for an opinion from petroleum associations in western Canada.

The CHAIRMAN: Is there a seconder for that motion?

Mr. SMALLWOOD: I second it.

The CHAIRMAN: How would you word that motion?

Mr. SMITH (*Simcoe North*): What Mr. Horner is suggesting is really that we call in some outside witnesses. I doubt if the committee has the authority to take an opinion. I think it is a suggestion that we might at another session call outside witnesses, which might be a proper thing for us to do.

Mr. DRYSDALE: Amend your motion.

The CHAIRMAN: Would you write out your motion, Mr. Horner.

Mr. DRYSDALE: I think, too, speaking to the motion, that we have raised quite a few questions. I think in fairness to the company they would like you to give a more detailed answer. With reference to the statement made by Mr. Renwick, although I realize that the independent shareholders are apparently in the majority, I would be interested to find out, from these shareholders, those who are affiliated in any way with the oil companies.

Mr. RENWICK: Mr. Chairman, at the present time there are 570,000 shares of the 1,500,000-odd shares outstanding which are held by the major oil companies who are the guarantors under the deficiency agreements for the \$100 million approximately, the principal amount of first mortgage bonds.

Mr. DRYSDALE: Mr. Chairman, I am sorry to interrupt, but does that include the 130,000 or 230,000—whatever it was—that was disposed of?

Mr. RENWICK: That does not include that.

Mr. DRYSDALE: You stated earlier that you did not know where the 200,000, or 130,000 have gone?

Mr. RENWICK: That is right.

Mr. DRYSDALE: So they could have been disposed of by the oil companies to other oil interests, or they could have been disposed of to the general public?

Mr. RENWICK: No, I think we can say that we do not know to whom they went, but they did not go to the oil companies.

Mr. DRYSDALE: How do you know that if you do not know where they went?

Mr. RENWICK: Because the records of the company as at the end of March showed that there were 570,000 shares held by sponsoring oil companies, 53,000 shares by other oil companies and 881,903 by all other shareholders.

Mr. DRYSDALE: Those figures would not include shares that would perhaps be disposed of to the president or other members of these particular oil companies, would they?

Mr. RENWICK: No, but I do not believe the company has any knowledge of that.

Perhaps these figures may be of interest, Mr. Drysdale. At the end of March of this year Canadian individual shareholders numbered 5,396—that is individual Canadians.

Mr. DRYSDALE: But you do not know whether those individual Canadians are affiliated with oil companies or not?

Mr. RENWICK: No. Those individual shareholders held 255,334 shares. Canadian companies, of which there were 618, held 959,669 shares included in which, of course, would be some of the major companies, which are Canadian companies.

Mr. DRYSDALE: Perhaps I could simplify or clear up this difficulty. When you passed this special resolution how many shareholders representing how many shares, if any, voted against the resolution for a stock split?

Mr. MORRISON: We received one proxy from a lady who indicated that she wished to vote against the stock split bill. She was a holder of 50 shares. She was the only shareholder who indicated any adverse reaction.

Mr. DRYSDALE: Did Mr. Pearce not oppose this resolution?

Mr. MORRISON: Mr. Pearce did not oppose this resolution.

Mr. DRYSDALE: Is that correct Mr. Pearce?

Mr. PEARCE: I beg your pardon?

Mr. DRYSDALE: Mr. Chairman, could I ask Mr. Pearce a question?

Were you present at the meeting where the special resolution was passed?

Mr. PEARCE: No.

Mr. DRYSDALE: Logically you were unable, then, to vote?

Mr. PEARCE: I was away at the time.

Mr. RENWICK: Mr. Chairman, with your permission, I could try to right the perspective in which this company should be placed.

This company was started in 1951 and it was an entirely speculative and risky operation. I think it cannot go unquestioned that this company would not have ended up in 1953 with a pipe line had it not had the support and guarantee in the initial stages of the sponsoring oil companies.

Like the individual financing operation, whether it is an individual one or a corporate one, to get a project underway you often have to go outside to secure the guarantee of some other person.

It is not the wish of this company, and ought not to be assumed that because the board of directors are taking the course which they are now proposing to take, that it is their wish to go forward indefinitely having to rely on the guarantee of outside persons even though these persons in the initial instance were the major sponsors of this project. This company is making a definite and determined attempt to be a Canadian operation and a Canadian owned operation to the fullest extent that it is possible to do so.

There are in the company now, all Canadian employees; the majority of the directors of this company are Canadians; the major oil companies, which are on the guarantee are holding and presumably will continue to hold—of this we have no knowledge—their share interest in the company until such time as they are no longer called upon in respect of their guarantee of the bonds.

As Mr. Taylor has said, there is no foundation for any suggestion; and if I erred in my remarks, there is no foundation for any suggestion that any money is going to be raised through the sale of stock for the purpose of retiring the bonds. But it may very well be true, and I am quite certain if the situation developed the company might again have to rely on the guarantee of the oil companies as it has in other instances.

If the people of Canada do not invest in this company by way of bonds or shares, the company may very well have to rely on the oil companies to continue its expansion; but I think you will all agree that is an improper way to expand a growing operation designed entirely for the exportation of Canadian crude oil, it being a very speculative or risky business.

Mr. SMITH (*Simcoe North*): Excuse me. There are some statements which have been made which seem to have been made without a great deal of care. One of them is that the Trans Mountain oil pipe line was a very speculative or risky business because it meant getting oil from a major oil field to the coast. I am not sure that it was not unduly emphasized in some of the statements which have been made.

Mr. MORRISON: We have pointed out, in the submission to the Borden commission, the difference between oil and gas pipe lines. One of the points is that although the two systems are very similar in construction, pumping stations, and that sort of thing, on the other hand the financing is very different. The gas pipe lines buy their material and they have long-term contracts for the purchase and for the sale of that material which is a finished product in their system.

The oil pipe lines have no such purchase contracts or such guarantees of delivery or sales. Therefore a gas pipe line company is considered a relatively safe operation, while an oil pipe line is a high risk venture. That was written on the front page of the original prospectus.

Mr. HORNER (*Acadia*): There is some doubt in my mind as to the ultimate aim in this splitting. In one sense it was stated they are not in any way trying to alleviate the backers of the larger oil companies or get them off the hook in guaranteeing the company, and then Mr. Renwick stated that in a sense this has, as its main objective, to create more shares to be sold to more individual Canadians. I would like the matter cleared up as to whether they want the oil companies to support and guarantee them or whether they do not want that.

Mr. RENWICK: I think the ultimate objective is that this company will not necessarily be a company controlled by the major oil companies. The control at the present time is 570,000 shares out of 1,500,000-odd which of course may very well be, as a practical matter, giving or allowing to remain in those companies the effective control of this company's operation. They are on a guarantee of bonds up until 1972.

The company has been functioning since 1953, and it would be, I think, reasonable to anticipate that in due course there will be more and more shares held by the public, as is the case in other public companies throughout the country. I think it is only proper to realize that the oil companies' interest at the moment is 570,000 shares out of 1,500,000. I think it is also proper to realize that the bonds which are out in the hands of large institutions, were marketed in Canada, and through the New York area, or that the oil companies do not have an interest in that. All they have is a liability for \$100 million. It does not seem to me invidious on the part of the oil companies that they should choose to continue to hold the original number of shares which they acquired at the inception of the company.

And if I may direct these remarks to answering the question about the riskiness of the venture, I think it is fair to say that this company itself could not have raised the funds to construct the oil line from Edmonton to Vancouver, and they could not sell the bonds to the bond houses which bought them, and the insurance companies and other investors who originally subscribed the \$65 million of first mortgage bonds in the United States and in Canada, if those bonds had not been guaranteed by the sponsoring oil companies.

Indeed, it went farther than that, even in the case of the Shell Oil Company of Canada and the Standard of British Columbia, and I believe in the

case of what is now the British American Oil Company—those bonds, their guarantee had to be in turn guaranteed by Standard of California, and Imperial Oil by Standard of New York, and Shell Oil by Shell Company, not Imperial—correction.

Mr. HORNER (*Jasper-Edson*): It is not more speculative or risky when the major oil companies guaranteed \$100 million.

Mr. RENWICK: I say the insurance companies and other investors would not have bought these bonds without the guarantee of the major oil companies. Having bought those bonds, and the oil companies having assumed that obligation, they have continued to hold their approximately one-third interest in this company. And I assume as a matter of business that they would continue to hold it until their liability on the guarantee is discharged—which is in 1972—when the bonds will be paid off.

The balance of the shares of the company we think are not sufficiently widely distributed to permit the ordinary person to invest in them, if he chooses to invest his money in a risky proposition.

That is one of the reasons why we would like to see a large number of Canadian people have the opportunity to invest, and that in due time, not that the company has not a plan as to how it will expand its line, but it cannot say what date it will expand its line, nor can it say what critical situation will develop which will force them to expand their line and be put in a position to go to the public and raise funds to enable them to do so.

Mr. THOMPSON: I would like to move that we adjourn until 3.30 this afternoon.

Mr. PEARCE: Before you put your motion, may I make a statement to clear up a misunderstanding in the minds of members of the committee.

The CHAIRMAN: We have a motion before us, Mr. Horner, of Jasper-Edson, has moved—

Mr. THOMPSON: Does not a motion to adjourn take precedence?

The CHAIRMAN: That is right; the motion to adjourn does take precedence.

—Adjournment.

AFTERNOON SESSION

TUESDAY, July 29, 1958,
3:30 p.m.

The CHAIRMAN: Gentlemen, I see a quorum. This morning when we adjourned we had before us a motion from Mr. Horner (*Jasper-Edson*). The motion reads:

It is hereby moved that further consideration of this bill be delayed until the committee can procure and hear some expert witnesses on the financial aspects from the Investment Dealers' Association, and on the petroleum aspects from the Canadian Petroleum Association, and such further witnesses as the committee may decide to call.

That motion was seconded by Mr. Smallwood.

Does anyone wish to speak to the motion?

Mr. MCPHILLIPS: I think, Mr. Chairman, that a motion of this kind is wrong in principle.

I think the committee could very easily be put off the track. I do not think we are a bit concerned about what the stockbrokers may think about this bill. After all, this company is the creature of the parliament of Canada which has given it its powers and given it its capital.

Of necessity if they want to make any change in their capital structure they must appear here. They are not asking for an increase in capital but merely to split their stock five to one. Such a move has already been approved by their own shareholders.

Speaking for myself I would not be the least interested to know what stockbrokers might have to say about this matter, or what the petroleum interests might have to say. Surely we may decide in this committee on the evidence which is brought before us, not on opinions as to what might happen in the stock market.

The CHAIRMAN: Does any other member wish to speak?

Mr. DRYSDALE: I am inclined to agree with Mr. McPhillips as to the strict viewpoint he has taken on this matter. I think the evidence has indicated so far that there was only one individual who could possibly be interpreted as being opposed to the stock split. I think she held 50 shares and from what I could gather she was not too clear exactly as to what was being done.

So from the viewpoint of the actual stock split itself, I believe the company has the authority—and adequate authority—to carry out a split.

However, we still have the difficulty before us which I think the committee should resolve through questioning as to the future financing of the company. I think they should elaborate somewhat on their plans, because I believe that has been causing a great deal of difficulty, speaking for myself as well as for some of the other members of the committee.

Accordingly I do not feel on the basis that the hon. member from Jasper-Edson has suggested that I could support his motion, and I say that with respect.

The CHAIRMAN: Are there any other comments on the motion? If not, shall I put the question?

Those in favour of the motion will please indicate accordingly.

The motion reads:

Moved that further consideration of this bill be delayed until the committee can procure and hear some expert witnesses on the financial aspects from the Investment Dealers' Association, and on the petroleum aspects from the Canadian Petroleum Association, and such further witnesses as the committee may decide to call.

This motion has been moved by Mr. Horner (Jasper-Edson) and seconded by Mr. Smallwood. Those in favour will please indicate.

The CLERK: Eight.

The CHAIRMAN: Those against the motion?

The CLERK: Nine.

The CHAIRMAN: I declare the motion lost. Now, gentlemen, we are on clause 1 of the bill.

Mr. WRATTEN: Mr. Chairman, how many directors are there in the company?

The CHAIRMAN: Do you wish to answer that question, Mr. Renwick?

Mr. RENWICK: There are nine directors.

Mr. WRATTEN: Is there any rule on the books of the company that any of 3,500,000 shares shall be reserved for these directors at a given price?

Mr. RENWICK: There are no shareholders or directors that are employees of the company with the exception of Mr. Morrison who is not only a full time employee but is also a director, as well as being an officer of the company.

None of the three and one-half million shares are necessarily reserved for him, but in the issue of stock of the company, you will recall, there were 1,504,928 shares, of which 4,900 shares are shares on which options were granted to full time employees of the company under an incentive stock option plan; and the option price the day this option was granted to certain employees was in the neighbourhood of \$38, based on the closing price of the Toronto stock exchange; and that was an option to these individuals to purchase shares at any time after that date at that price.

Under the stock option plan which was set out in a by-law and approved by the share-holders, there are 15,000 shares reserved, but none of the directors of the company have any rights under that plan. It is purely for the full time employees of the company, of whom Mr. Morrison is the only one who is both an officer as well as a director.

Mr. SMITH (*Simcoe North*): The majority shareholders are nominees of shareholding oil companies and other interests rather than direct shareholders?

Mr. RENWICK: No, sir.

Mr. SMITH (*Simcoe North*): I was reading your brief at noon and I noticed there is an executive vice president of Imperial Oil, and assistant vice president of British American Oil, and representatives of your law firm. Are they not representing respectively Imperial Oil, British American Oil, Shell Oil, and so on?

Mr. RENWICK: Yes.

Mr. SMITH (*Simcoe North*): Then they are nominees of shareholding oil companies?

Mr. RENWICK: Yes.

Mr. SMITH (*Simcoe North*): But you said no.

Mr. RENWICK: No, not of oil companies having a majority of stock, but simply 570,000 shares.

Mr. SMITH (*Simcoe North*): Yes, they represent the oil companies by whom they are employed.

Mr. RENWICK: That is right.

Mr. NIXON: I may have missed the point but I wonder if there is an explanation as to why in 1957 the profits were over \$8 million while the estimated profits in 1958 would be less than \$1 million? Is there an explanation which could be given?

Mr. RENWICK: I think before giving a specific answer to that question, perhaps I might set the content for it and then refer the question to Mr. Taylor for reply.

The market for Trans Mountain Oil Pipe Line is either refineries at one end of the line where they deliver oil, or over the wharf at Vancouver for shipment to other refineries.

The total refinery capacity in British Columbia at the moment is, I understand, 72,000 barrels per day.

In the state of Washington, it totals 104,000 barrels a day; in Oregon, it is 3,500 barrels per day; while in the whole of California it is 1,244,030 barrels per day.

That in substance constitutes the available market for Trans Mountain to deliver oil on behalf of others to Vancouver or to other refineries.

They were operating during 1957 in the first six months, at capacity but now they are not operating at capacity.

Before I turn over the question to Mr. Taylor, I would like to mention that the laid-down price of crude oil in San Francisco today from the Persian Gulf is a price lower than can be met by the producers in Canada laying down oil in San Francisco. I now turn the question over to Mr. Taylor. Oh no, Mr. Hurd will elaborate on it.

The CHAIRMAN: Shall we now hear from Mr. Hurd?

Mr. HURD: From the standpoint of the business we now have as compared with what we had during the latter part of 1956 or the first part of 1957: in the last half of 1956 we went up in our through-put which is another way of saying volume of business, from about 100,000 barrels per day to 155,000 barrels per day which at that time was all we could handle.

Over the year end of 1956 and into early 1957 we had an expansion program which was being done as fast as we could do it; and from that time on we pumped to capacity through the first half of 1957, pumping an average over that first half of 1957 of about 183,000 barrels per day.

At the end of the second quarter of 1957 the business that we had had which was for the pumping of oil through our lines to be loaded into tankers destined primarily for California, was lost for the reasons Mr. Renwick has given. It disappeared; that market disappeared during the third quarter.

In the fourth quarter of 1957 we delivered an average of only 97,000 barrels per day as compared with the earlier figure of something over 180,000.

In addition to having lost the tanker market, some of the refineries that are connected with our system in the state of Washington have reduced their take of Canadian oil as it comes over our line, so that at the present time we are pumping an average of somewhere around 80,000 barrels per day and it may be less than that for the next few months. I think that is the best answer which I can give.

The CHAIRMAN: Thank you Mr. Hurd.

Mr. WRATTEN: There has been some suggestion of rights being issued with a new issue of bonds. In the event that this split does take place who is going to determine the price per share that these rights are going to be given out at?

Mr. RENWICK: The decision of the type of security to be issued and the kind of security, or combination of securities, would be in the ultimate position a decision of the directors of the company. In reaching that decision they would have had the benefit of the experience, and indeed would need to have the benefit of, the investment advisers of the company who are close to the market and know at what price the securities could be placed either under an underwritten agreement—in which case, of course, the investment houses would purchase the securities and resell them to the public—or as an agent for the company, and would advise the company of the price that they anticipated, in the conditions as they existed on the market at that time, the securities could be offered.

Mr. WRATTEN: What I meant, Mr. Chairman, is that we heard this morning that the price might be \$12 per share. That was a price that was just thrown out this morning. If these big companies who would subscribe to this loan would have the privilege of buying these shares at \$10, that would be a discrimination against the ordinary man on the street, because he would be losing quite a profit in this regard.

The CHAIRMAN: I believe that was mentioned this morning. One of the officers—I think it was the treasurer—said that there was no suggestion of that.

Mr. WRATTEN: There was no suggestion of what?

The CHAIRMAN: That that stock would be sold at \$10.

Mr. WRATTEN: This morning the statement was made, Mr. Chairman, that that was one of the deals if they got a split; they would be able to issue rights for these shares, because they could not work it at a fifth of \$60.

Mr. RENWICK: I think you are correct. There was a reference this morning to the possibilities that one way of financing would be to issue bonds of the company accompanied by rights to purchase shares in the company.

I think the point that Mr. Chairman was referring to was the fact that we gave an unqualified "no" to the suggestion that the proceeds from the issue of any sale of stock would be used for the purpose of retiring existing bonds for the purpose of bailing out the oil companies.

In regard to the point which you have made, what happens usually is that the bonds are issued at a price at which the underwriters will take them and they are accompanied by warrants which, in substance, are rights to purchase stock over a period of time at certain stated prices. The prices recommended to any company, who proposed to finance in the past, on which the warrants can be exercised a year from now, or two years from now, or three years from now, would be matters of advice, and would be geared to the market for the stock at the time the bonds and the rights were issued as well as some anticipation of what the company's progress might be in future years. Usually the prices are higher prices, as you go along.

Mr. FISHER: There is no substance, you say, in the point that Mr. Pearce was making; that this was fundamentally going to get the oil companies "off the hook" as far as the bonded indebtedness was concerned? These bonds will be paid off when the bonds mature? What is the finance arrangement that you are making from year to year in preparation of paying off that indebtedness?

Mr. TAYLOR: Each of our bond issues is on a schedule of semi-annual retirement of bonds on an assigned scale, actually. I can read you one of the schedules.

We mentioned this morning the figure \$65 million worth of bonds. I will just read you quickly part of the sinking fund table there.

For the first two years they would be retired at a rate of \$500,000 each six months; for the next two years at the rate of \$750,000 each six months; for the next three years at a rate of \$1 million each six months; for the following three years, \$1,500,000 each six months; for the next four and one-half years, \$2 million each six months; and for the balance of the period of two years, \$2,500,000 each six months.

Subsequent issues of bonds follow the same percentages as those. We contracted not to retire one series of bonds faster than another series.

Actually this leaves about 35 per cent of the bonds still outstanding on the last day of the period, and that is in 1972.

Mr. FISHER: Would you expect to pay them off at that time from the money you may have in your treasury, or would there be another issue of bonds, or is this question getting too far afield?

Mr. TAYLOR: Well, that is pretty hard to say. I think there might very well be a further issue of bonds, or an extended period of time.

Mr. FISHER: This whole question of whether the oil companies secure the bonded indebtedness is not an important factor in the company's mind? That is something that will gradually disappear of its own accord?

Mr. TAYLOR: Yes. When the bonds are paid off their liability will be gone.

Mr. HOWE: What effect did the American restriction on importation of oil have on the business of this company?

Mr. MORRISON: It has had no effect as yet. The oil companies were given a certain quota on the west coast and they have not asked for that amount of oil as yet.

Mr. SMITH (*Simcoe North*): Has the company ever declared a dividend?

Mr. TAYLOR: Yes. In December of 1956 the company paid its first dividend of \$1 per share. In December of 1957 the company paid a dividend of \$2 a share, amounting to \$3 a share altogether which it has paid during its lifetime.

Mr. SMITH (*Simcoe North*): One further question concerning the matter of financing advice. In reading articles by members of various bond houses in "Stocks I Like", including members of McLeod, Young and Weir, we very often see statements that your bonded issue or your mortgage debt should bear a relation to your equity capital. We see suggestion of formula percentages, and so on in regard to how much common stock you should have for so many million dollars worth of bonds that you have. Has there ever been any advice in that regard in respect to Trans Mountain Oil Pipe Line Company? What common stock should you have having regard to your \$100 million bonded debt?

Mr. TAYLOR: I think the advice there would come from the purchasers of the bonds, and in the first issue they were willing then to buy, collectively, \$65 million in bonds against \$15 million in stock. The current situation of the company is \$100 million worth of bonds, approximately, and capital stock plus earnings of about \$27 million.

Mr. SMITH (*Simcoe North*): I have one other question directed to the chairman.

There was some point mentioned in this regard this morning. Has the Board of Transport Commissioners any control over the rates charged for shipping oil?

The CHAIRMAN: Mr. Smith, at noon I checked with Mr. Wardrope of the Board of Transport Commissioners and he said there was no check made on the rates at the present time owing to the fact that none of the oil pipe line companies had applied to become common carriers. Until they became common carriers the Board of Transport Commissioners has no control over them.

Mr. Morrison, I think, I could add something to that.

I might say that the Board of Transport Commissioners, of course, has the authorization for construction. The different pipe line companies generally deposit their reports with the Board of Transport Commissioners, but this is unofficial rather than compulsory.

Mr. SMITH (*Simcoe North*): I read their submission to the royal commission.

Mr. MORRISON: We would not have to apply to become a common carrier if we were not behaving in the way the Board of Transport Commissioners thought we should; they would declare us a common carrier and then they would be able to regulate rates, and so on.

Mr. SMITH (*Calgary South*): That was the point I was going to make but I would like to carry on. The reference made as to who has control of the tariff in oil is to some extent determined by the total economics and what a barrel of oil can be sold for in competitive markets which are influencing the Canadian consumer. But the witness said in answer to a question, Mr. Chairman, that the present voluntary oil import quota system currently has no effect on Trans Mountain operations; because if that is true would he not agree the same quotas based on the future operations or the hopes of eventual completion of your loopings, plus the fact that the new refinery capacity which will go on flow in the Puget Sound area together with the price factor of transportation cost, plus the present international situation—that your voluntary oil import quota might have a serious effect on the future of your operation?

Mr. MORRISON: Very definitely sir but under these conditions I believe the quotas would not remain as they are. The conditions in the United States would be entirely different. These are the quotas as they exist today.

Mr. SMITH (*Calgary South*): That leads me to the next question. In the future operation of the company the need for new capital or the need for what you are asking here, a splitting of your stock, to make it more marketable you want to be in a position to take advantage of any increased load you may be able to put through your lines to meet these markets. Is that what you are here for?

Mr. MORRISON: Yes sir. In the past, during the Suez period we shipped to California two or three shiploads, and one or two to Japan and France.

Mr. SMITH (*Simcoe North*): What is your attitude towards being declared a common carrier?

Mr. MORRISON: We think the board of transport commissioners have done a first rate job and I do not see that it would make a great deal of difference. The section of the system in the United States comes under the I.C.C. regulation. We file our tariffs with them. We file our tariffs with the board and if they do not like it they can reject it; we would have no say at all.

Mr. HORNER (*Jasper-Edson*): I wonder if we could have an answer to the basic question of why further shares were not issued which would have obviously cut down the amount of mortgage debt and I am sure there was the market in Canada at the time of issuing these shares because the ordinary person, unless they had an account with a brokerage house would not buy them.

Mr. RENWICK: I will try to answer that question. I think it is tied in with the purpose of the bill. As it has turned out the stock on the public market has been subject to wide fluctuations in price based to a large extent on extraneous matters over which this company has no particular control at any time. The world price of oil is the basic factor. Because the shares are relatively closely held we think the fluctuations of the stock as having fluctuated from \$40 to \$145 is just not sound and that this company in substance could not have got an investment house to have marketed shares of the stock of this company at \$140. We do not think an investment house would advise this company to market their shares at \$140 because there had been an extraneous world situation which forced the price of the stock away up. Now, I am sure there are many different views on it, but one of the reasons for our desire to have this bill is by levelling out and enlarging the number of investors, and the price, that to some extent the assessment of people who follow the market will not force this stock into the price fluctuations which it has had. It will always be a speculative stock, but I do not think any investment advisers would advise this company to put out their stock at the height of the world situation which produces \$140 price on the stock market because we do not think we could have marketed that number of shares.

Mr. HORNER (*Jasper-Edson*): What about originally when the shares were issued? Why were 1,500,000 issued instead of 2 million or 3 million?

Mr. RENWICK: That was again simply a question of placing the shares. I think in that connection you should bear in mind that the bonds with these guarantees and with the specific mortgage on the pipe line were authorized investments for institutional houses. The shares of this company were not at that time and are not now investments in which the incident namely as you see the facts against the prospectus whether they are or are not qualified

investments for Canadian insurance companies. The shares of this company are not possible incidental investments. So that the available market for them is among the non-institutional investments and it is our desire to widen that particular available market for the shares by splitting the stock.

Mr. SMITH (*Calgary South*): May I apologize for not being here this morning, but I was occupied elsewhere. This question may have been asked. In your recent brief before the commission you submitted evidence indicating what the 20-year expansion program would be for the line. You estimated the volume you might take on flow in the British Columbia area together with the Washington and possibly the Oregon and California area. Based on the reply you gave that naturally the factors would change in the event the voluntary import oil quotas were lifted, have you made any more engineering studies beyond the present facilities you have so planned, in other words, the first stages of your looping. Do you anticipate you will require additional financing and in what period of time?

Mr. MORRISON: That came up this morning in answer to some of the questions.

Mr. SMITH (*Calgary South*): Can you tell me in a word.

Mr. RENWICK: If I may introduce this particular point because it was a matter of concern here this morning. The distinction which we found we had difficulty getting across to the members of the committee was that we stated that the directors of this company have no present intention of financing; we did not state that the company did not have a projected program for the engineering development and construction of their plant facilities to increase their capacities. I think on the question of the time, when we take these various steps we have all sorts of possible degrees within various extremes. Presumably if tomorrow Kuwait disappeared as a source of oil for the western world, presumably the same day the directors of this company would be under an obligation to consider what increase in investment should be made. At the other extreme, if world conditions were normal the demand for increasing the capacities of this plant might be over a much longer period of time. In regard to the question of time and what the construction program is and what the cost is, I would like to ask Mr. Hurd to answer that.

Mr. HURD: To emphasize again this program or this series of programs that are fairly definitely laid out in an engineering way, they are not tied in to any particular year and cannot be until the demands are apparent to us. But we have specific plans in some engineering detail for expansion from our present situation, a capacity of 250,000 barrels per day up to 600,000 barrels per day; in three stages. The first stage is from 250,000 barrels to 300,000 barrels per day which involves the laying of a length of 175 miles of pipe with a certain amount of pumping capacity along with it.

Under a normal construction program, without any great time compulsion, that would take six months at a cost of just under \$42 million. If we were up against it for time and had to have the plant as quickly as humanly possible that time could be compressed to four months, but the cost would go up to nearly \$44 million.

The next stage from 300,000 barrels to 400,000 barrels involves the laying of almost 247 miles of pipe line and would take seven months, under normal conditions, at a cost of just over \$68 million and under pressure of time could be done in about five months at a cost of approximately \$70 million.

The next stage, from 400,000 barrels to 600,000 barrels a day, which is as far as we have projected our plans so far, would involve laying 146 miles of pipe with a substantial amount of pumping capacity installation and it would take about six months and something in the amount of \$66½ million.

The aggregate of all those numbers, under normal construction conditions, is almost \$177 million. If, for instance, we felt that the practical thing would be to go from 250,000 barrels a day to 400,000 barrels a day in the one step instead of two steps, it could be done in about 18 months under normal conditions. Under a crash program that could be compressed to 12 months at an additional cost. If the whole expansion from 250,000 barrels a day to 600,000 barrels a day, were to be done in one step it would take two full construction seasons and cost \$177 million. This is the program as regards our Canadian system only.

Presumably if the demands are to be met on our Canadian system in amounts which would require one or more of these expansion stages, particularly if it goes up in the range of 400,000 barrels to 600,000 barrels a day, there would have to be an additional plant built in the state of Washington to tie in our system with the refineries which are now projected for that area. The cost there is estimated to be \$17 million.

Mr. SMITH (*Simcoe North*): How is the split of five to one arrived at?

Mr. TAYLOR: It was arrived at by assessment of what we might have to spend over a period of years.

Mr. SMITH: (*Simcoe North*): Which is the \$170 million?

Mr. TAYLOR: Well, yes; roughly. And also the speed at which it might have to be spent. It was felt that five for one would give us enough shares to take care of any foreseeable eventualities. I might say the decision was arrived at at a meeting of the officials of the company, the directors, and a good number of financial advisers who also sat in at the meeting.

Mr. MORRISON: I would like to go back to an earlier question. I mentioned the figures, under direct expansion, of 200 and 225 million this morning. That 225 million was the 176 plus the 16 or 17 million and plus the 30 million we were spending last year. I just wanted to rationalize those figures given from memory with the other figures.

Mr. SMITH (*Calgary South*): No one can foresee what will happen to Middle East crude oil coming into this continent; but you would like to be in a position where you would be able to step up first to 200,000 and eventually to 600,000 barrels a day and you would have no problems from a supply standpoint and no trouble from a constructional program standpoint, and the purpose of this is to put your financial structure in order so that you would be able to go ahead and meet such an emergency.

Mr. MORRISON: That is quite true.

Mr. FISHER: How much of the stock at present is held by Investors Mutual? Is there any at all?

Mr. MCQUARRIE: No.

Mr. FISHER: I would like to ask one other question and I would like to have a yes or no answer.

Mr. MCQUARRIE: I beg your pardon. Let me correct that. Investors Mutual of Canada Limited in Winnipeg have 12,075 shares.

Mr. FISHER: I would like a yes or no answer to this question: Has your company, in the last year, contributed to the campaign funds of any political party?

The CHAIRMAN: I do not think that is a fair question.
Are there any other questions?

Mr. DRYSDALE: Mr. R. A. Brown, Jr., president of Home Oil Company Limited, Calgary, stated in a speech in April this year:

In April, 1957, we were shipping 200,000 barrels per day through the Trans Mountain pipe line to British Columbia and U.S. west coast refineries. This month we are only shipping 81,000 barrels per day.

Was there a figure quoted of 250,000 barrels per day?

Mr. MORRISON: That is capacity. Mr. Hurd was giving figures by quarters. During the month of May, which I think was an all-time high, it was somewhat better than 200,000 barrels a day; and that occurred two months in a row.

Mr. HURD: Mr. Chairman, would it be helpful if I were to tell the committee, month by month this year, what we have delivered so far?

The CHAIRMAN: Yes. That is what the company has delivered so far this year in the way of oil?

Mr. HURD: Yes. These are daily averages. In January this year there were total deliveries of 111,627 barrels per day, in February 95,166 barrels per day, in March 99,069 barrels per day, in April 80,556 barrels per day, in May 72,803 barrels per day, in June 82,417 barrels per day; and in July we expect, with our schedules as they stand at the moment, to deliver 87,794 barrels per day, and the numbers for the remainder of the year are all lower than that last figure.

Mr. DRYSDALE: Did you say that you had 200,000 barrels maximum and that the present trend is more or less a decline, and is this request for the stock split more an idea that you may in the future, in a very short time, have a sort of immediate reversal of the trend necessitating expansion? I think one of the difficulties which the committee is having is this question of the future financing. They feel that you have something up the cuff of your sleeves.

Mr. HURD: In that connection I think Mr. Morrison said a little earlier that when Suez was closed and the shipping was short, we were pumping to capacity. Not only that, but if we had more capacity within any imaginable range we would have been still using our plant to full capacity. There is no doubt in my mind that, had we had 250,000 barrels capacity then, we would still have been full. We would have had even more oil offered to us than that, had we had the capacity.

Mr. SMITH (*Calgary South*): This a combination through pipe line and off shore shipments.

Mr. HURD: Yes.

Mr. SMITH (*Calgary South*): Have you any idea what the potential was?

Mr. MORRISON: Practically unlimited up to the capacity of the prairie wells to produce.

Mr. SMALLWOOD: What are the total number of shareholders?

Mr. MACQUARRIE: As at March 27, 1958, 7,091 shareholders.

Mr. HORNER (*Acadia*): I do not know if I have the right idea so far, but it appears to me that the only way the company can raise money is by putting out debentures and giving so many shares or allowing the corporation to buy so many shares with a debenture of some sort. If that is the only way they can raise money they are not going to put in more shares—all 3½ million shares, on the market. I think they can probably still raise money by giving out the shares at \$60. Is it the custom of the company to give out shares—say on their debentures—of \$10 value, or do they give them out at \$60 value?

Mr. RENWICK: The shares which were originally issued went out at \$10, except for the 450,000 shares which went to the public, which went out at a price to net the company \$9.50 per share. Now, as to the various possibilities and combinations of financing methods which might be used for the future, one of them may well be a method such as you indicated. But I do not think that any company would go out on the market to place their bonds, when accompanied by a right to purchase a share, when the share on the market was at \$60. They would not go out to issue that share at \$10. They might provide some small incentive, I do not know.

One other possibility of course is simply to issue rights to all the shareholders to subscribe, in which case the warrants or the rights to subscribe would be transferable and exchangeable. Another one would be simply to issue directly through underwriters or through investment houses, acting as agents of the company, a public offering to anybody who cared to buy the shares at some price, which would be an acceptable price to the directors of the company after consulting with the investment houses. But, there are numerous variations as to how the financing could take place.

Mr. HORNER (*Acadia*): Would not the size of the bond make a difference as to what size of share you gave out with it?

Mr. RENWICK: The usual method is to set a standard. Let us say a \$1,000 bond would be accompanied by warrants to purchase, say, ten shares at a specific price at some future date, that price being usually very close to the existing market price if that were deemed to be a proper one, but not in an extreme fluctuating period.

Mr. HORNER (*Acadia*): If that is the way it goes—say 10 shares to a \$10,000 bond—I imagine most of your bonds are up in the tens and twenty thousands and a lot larger than that. I cannot see how a \$60 share can appear too much. This morning you referred to how you could not give away one-fifth of a share. I wonder how many times you would have to give away or there would be a demand for giving that bond at one-fifth to establish value of \$10 or \$12.

Mr. RENWICK: Well, in possible methods of financing, and to tie the situation that you are illustrating or pointing up as the method of financing, and assuming the company was going to use that method, it would not be unusual if the price for the stock on the market were a low enough price, namely, if the stock in this case were split five-for-one and went to \$12 a share, that the warrants that accompanied the bonds that were issued, might very well at a given date become detachable and become traded on the exchange, and again provide a facility for a larger number of people to purchase the warrants, which in turn would give them the right to buy for a stated price in the future.

Even in the broad situation that you illustrated, it appears to me that it is still within the ambit of providing a wider participation in the shares of the company. I think that has happened with the Uranium Companies that have issued bonds. Warrants have been detached and traded on the market. Other people have bought them and held them or exercised the right to buy the shares at a later date because they were in a price range which a larger number of people were in a position to buy.

Mr. HORNER (*Acadia*): Am I right in assuming that the company has no intention of putting further shares on the market of the 3½ or 17½ million?

Mr. RENWICK: That is perfectly right, and I think that is the nub of the trouble we are having in stating our position to you. The directors now have no present financing plans of any kind.

Mr. HORNER (*Acadia*): Even in the future their plans do not call for putting more shares on the market?

Mr. RENWICK: No, and these expansions of plant which Mr. Hurd outlined as a projected engineering facility for development and increase in that capacity, is not tied to doing it this year, next year, or the year following because the need for that capacity is based on the demand for the service which this company provides, which is transporting Canadian crude. And when the demand for Canadian crude out of Vancouver is such—and that could come from the world situation or in the natural development of the markets—then these plans are available to provide the increased capacity, either on a crash basis or on a normal development and expansion program.

Mr. SMITH (*Simcoe North*): An increase in capacity of Trans Mountain Pipe Lines would have the effect of lessening the likelihood of an opposition company getting a charter to transport oil, would it not? In other words, as long as you can say that you have enough capacity to carry the product, there is not so much of a likelihood that you will have any opposition in the field.

Mr. CAMPBELL (*Stormont*): Is not that the intention of the whole business?

Mr. MORRISON: We want to stay in business, yes. We will do our best to get as much business as we can, but I believe there are already permits for two other lines that can come in and build.

Mr. SMITH (*Simcoe North*): They have permits from this government.

Mr. MORRISON: I would like to quote an authority on monopoly—

Mr. SMITH (*Calgary South*): You said that there were permits on two other lines. Perhaps you should clarify that, Mr. Morrison.

Mr. MORRISON: I believe there have been two applications before parliament for permission to build pipe lines, there may be three.

Mr. SMITH (*Calgary South*): That is not quite correct, sir, but go ahead.

Mr. MORRISON: One is provincial?

Mr. SMITH (*Calgary South*): They have yet to come before us. They are not before parliament.

Mr. CAMPBELL (*Stormont*): It is just an application, it is not even a permit.

Mr. SMITH (*Calgary South*): Which ones are you speaking specifically of?

Mr. MORRISON: West Coast and Act Oils and I think Columbia. I do not have first knowledge of these things. I read this in the newspapers.

Mr. PAYNE: I am sorry I missed this morning's discussion.

It would seem to me that the more logical approach would be to come before a committee such as this with a refinancing program involving a request for debentures or a bond issue and telling us the details.

This is all based on hypothetical suppositions. You propose to split your shares to the extent of 3,500,000 shares, to be split five for one. We are told that there is a balance remaining in the treasury which seems to serve no logical purpose. I am sure that is the point which concerns us all.

The CHAIRMAN: That was pretty well covered this morning.

Mr. CAMPBELL: We are being asked to buy a pig in a poke.

The CHAIRMAN: I do not think that is fair Mr. Campbell. You have not been here previously.

Mr. CAMPBELL: No, I have not. I must admit it.

Mr. RENWICK: First, to refer to the question you put a minute ago, the question of whether or not there will be a competing oil pipe line from the Alberta area through to the west coast of British Columbia, that is basically one falling within the jurisdiction of parliament in the first instance and in that of the Board of Transport Commissioners in the second.

This company would be less than fair if it did not indicate that it probably would like to have its line used to full capacity today, but there is nothing which this company can do which can maintain or prolong it over a period which the Board of Transport Commissioners does not consider to be for the over-all interests of the country to maintain this line or monopoly.

It happens only to have been a monopoly in the loose sense of the word in that we happened to be the first one in the field.

On the second question, again I am alluding to our basic problem in coming before you: another way in which I would like to try to explain it to this committee is this: realize that this is a company incorporated by a special act.

But in the normal case of an ordinary pipe company which may well be just as vital to Canada as any other company, they would be incorporated simply by letters patent under the first part of the Companies Act. The procedure for subdividing their shares would be simply this: the directors of the company would pass a bylaw which would be sanctioned at a special meeting of the shareholders, and then they would apply to the secretary or state for supplementary letters patent.

All of this could be accomplished, I would say, from the time that the decision was made until the supplementary letters patent were obtained or issued, in the shortest possible period of something in the nature of from 16 to 20 days. It might well take longer, but I think it would be possible to subdivide the shares for example, of T. Eaton Company, or Robert Simpson Company, or any of the large companies in this country, such as International Nickel, in a very short period of time.

That means that if these companies are planning on a financing program, they have got to finance within the existing framework of the market for securities.

And if this company were to put forward a proposition to the investment houses on which they would like to embark for the purpose of raising money, if the investment house were advised, they might say that the company could raise the money through an issue of 500,000 or 1,000,000 shares to the public, but the company might say: we cannot issue them. Then the investment house would say: we cannot underwrite it for you at \$60 per share, but if this stock were subdivided, we could do it for you at \$12 a share.

The company might say: we can do that, but in order to do it we would have to go back to parliament to get that permission now.

I think all the underwriters could say would be: well, parliament is in session now, and when you go back to them you will get a subdivision of your stock, and then you can come back to us and we will talk about the financing, because the market situation on which we can base a decision to market shares for you, either by underwriting them or by issuing bonds with warrants or any other form of financing, is one that we could undertake only within a very short period of time.

As to any of the underwritings I have knowledge of, the firm commitment of the underwriters is only for a very short time, and even with that form of commitment there are usually "out" clauses for them.

That is one reason we feel we should have in this company available today some flexibility as to the type of security, the dimension of the security, and the time of issue.

These matters come within their own particular judgement as business decisions the same as with other large companies.

That again is approaching it from a slightly different way than we have done so far. But it is the same crucial point; that we cannot say the day that the decision will be made to raise the additional money to provide these additional facilities for the company.

Mr. PAYNE: You still have additional shares, and you can keep within the basis of them; it is just the ratio we are discussing as to one or other means, and the cost of selling bonds or debentures; it is just a matter of ratio, and you are in a flexible position.

Mr. RENWICK: We are not in a flexible position now because if we were to issue shares of this company today at \$60 a share, we do not know how many shares the underwriting houses might be prepared to take.

We presume that a price of \$12 a share would indicate that in their judgment of what we should do they would be more favourably inclined to permit the company to take advantage of it at the present time, which was before we had public participation or we had a potential available market of people who would be interested in company shares.

I do not think we would have that at \$60, \$70 or \$80.

I think as the McLeod, Young, Weir, Wood and Gundy letter indicated with 17 selected issues which they put in the schedule, all of which are big companies—the prices ranged somewhere from \$4.50 a share to a high of \$40; and the second went for a price of about \$27.50, which was a successful market operation for a public financing of the wellknown companies listed in the schedule.

Mr. SMITH (*Simcoe North*): Mr. Renwick, originally we have no trial offer of a bond issue by the company, or of debentures, within the general application of the dominion Companies Act.

Mr. RENWICK: That is perfectly correct.

Mr. SMITH (*Simcoe North*): And with regard to the preferred shares, you might create preferred shares?

Mr. RENWICK: No. Our authorized capital at the moment is simply 5,000,000 shares without nominal or par value. If we wanted to create a type of preferred shares, we would have to go to parliament for an amendment of the special act.

Mr. SMITH (*Simcoe North*): Otherwise you would have to take them out of these 5,000,000 shares, would you not?

Mr. RENWICK: No. We have no authority to create or to take any portion of that 2,000,000 shares of stock or even to say that these are going to be preferred shares. We could not do that. We would have to take the same steps that we are taking today, and ask for an amendment.

Mr. CAMPBELL: In your analysis of a few minutes ago you compared Trans Mountain with completely commercial types of corporations such as the T. Eaton Company and the Robert Simpson Company. Would it not be far more analogous to compare Trans Mountain with the Canadian National Railways because there is a public element entering into the railways which makes them much more analogous to a transportation system? I mean there is a public interest entering into it more than there would be into a purely marketable company.

Mr. RENWICK: I think my choice of the T. Eaton Company and the Robert Simpson Company was not a good one because they are selling goods, while this company is simply selling a service, it is providing a service under a

situation where the rates which they charge for that service—the Canadian Board of Transport Commissioners declare the company to be a common carrier and they regulate its tariffs and tolls for the production of services at a price which is satisfactory.

Mr. CAMPBELL: So is the Canadian National Railways a public carrier and it also provides a public service.

Mr. RENWICK: Yes, and if the Board of Transport Commissioners declares it to be a common carrier, then we are put in the self same position.

Mr. SMITH (*Simcoe North*): Does not paragraph five of your act provide that you shall stay within the regulations made by parliament under the Pipe Lines Act or under any amendment made thereto?

Mr. RENWICK: That is right. We are subject to the same authority as the Canadian National Railways which is owned by the government and which has the same problems. But with respect to the Canadian Pacific Railway, I have no specific knowledge whether the Canadian Pacific Railway has to come to parliament to get permission to subdivide its stock. It may well be, or it may be able to operate under its original charter exactly as an ordinary company under part one of the Companies Act.

The CHAIRMAN: The Canadian Pacific Railway Company does not have to come before parliament for that purpose.

Mr. RENWICK: I think there are large companies in this country which are, to the extent they have public interest involved, analogous to Trans Mountain Oil Pipe Line Company.

Mr. SMITH (*Calgary South*): Because the witness has covered such a variety of subjects, I wonder if I could ask five questions and suggest that the answer, in summary, is “yes” to each one.

Stock splitting (a) is not uncommon, it is practised regularly; (b) your need for it is based on existing and future developments changing economic conditions; (c) your timing is based on the bond market as it may fluctuate up or down; (d) your vital role is to provide movement and transportation of oil from Alberta into the points which are the most economical points to sell it; (e) competition is not a factor because it comes before, first of all, the Board of Transport Commissioners who have the prior say; (f) the market of the securities, otherwise the timing of this request, is based on putting your house in order, which is relative to the first point I made, to meet situations where you may have to increase your capacity to 600,000 and, finally (g) what you are really asking for is flexibility of marketing your securities?

Mr. RENWICK: I would say the answer to all those questions in our view are “yes”.

Mr. SMITH (*Calgary South*): It is that simple.

Mr. DRYSDALE: I would like to ask, Mr. Chairman, a question arising out of Mr. Smith's questions.

Supposing the company does go into some financing in the future, what, if any, control does parliament have over this, which we are not happy about? In other words, by authorizing a stock split now do we just sort of say “good-bye”?

Mr. CAMPBELL (*Stormont*): That is the crux of the whole thing.

Mr. SMITH (*Simcoe North*): No, it is not.

Mr. RENWICK: Only to this extent: this company, when it does finance, has to issue a prospectus and file it with the Secretary of State covering the securities which are issued. It would also have to—presumably this is a

matter of constitution in regard to the sale of securities taking place with provinces—have to qualify these securities for a public offering with the securities commissions of those provinces in which the shares are to be offered.

I believe in the case of the original issue of Trans Mountain Oil Pipe Line Company shares they were qualified across the country.

Mr. MORRISON: Yes, similarly with the last two issues.

Mr. DRYSDALE: A supplementary question, Mr. Chairman.

The CHAIRMAN: Just a minute, Mr. Drysdale.

Mr. RENWICK: So far as the actual issue of treasury stock is concerned, if we were to issue today the stock that is in the treasury it would be a matter of filing a prospectus with the Secretary of State and qualifying the issue in the provinces throughout the country authorizing the shares for public offering.

In so far as we were going to extend the facilities of the company, we would have to go to the Board of Transport Commissioners for approval of the plans for the expansion and for the development, and get a permit to construct, and when the expansion is completed, a permit to operate.

To what extent the Board of Transport Commissioners would take into account the financing methods employed by the company, I do not know.

Mr. DRYSDALE: Would a declaration of the company as a common carrier give the Board of Transport Commissioners any greater degree of control over the company with reference to the financing aspect purely?

Mr. RENWICK: My understanding on the financing aspect of it is that it would not give the Board of Transport Commissioners any additional control. So far as a declaration as a common carrier is concerned, the company would have to accept from all persons who offered—which is the pattern which they are now following—any oil which was tendered to them, providing the person tendering it had some place to take it at the other end of the line.

I think the obligation of a common carrier under the Transport Act is, within a measurable period of time, to provide facilities to take all oil tendered to it so that they do not have to prorate. We may run into a prorated period, but I think at a certain point, if you are a common carrier, you have to provide facilities for anyone who wishes to use the service.

Mr. DRYSDALE: They would have an indirect control in the sense that they could, or could not, shall we say, issue a permit for the expansion that you wanted?

Mr. RENWICK: That is correct.

Mr. DRYSDALE: I think one of the things that is bothering members of this committee is in respect to the further control that can be exerted over the company, should they decide to expand.

Mr. RENWICK: Certainly this company has had a permit to improve the route, authorizing construction of it, and a further permit authorizing the operation of it, as well as intermediate permits for the construction of the loop, or spur, down to the international border.

Mr. CAMPBELL (*Stormont*): Is the crux of the question this; because of the public interest in this company, parliament has placed certain onerous restrictions upon it, and now the company is coming before parliament and asking for a blank cheque? In other words, asking that parliament abandon its discretion, and that the discretion of the company itself be substituted therefore in the interest of flexibility, or whatever you want to call it? Is that not the essential situation?

Mr. SMITH (*Simcoe North*): No.

Mr. SMITH (*Calgary South*): No.

Mr. RENWICK: No.

Mr. CAMPBELL (*Stormont*): Why is that not so?

Mr. RENWICK: I think it would put this committee of parliament in a very difficult and invidious situation if, for example, we were to have come to you today with a firm financing plan underwritten say for one million shares of this company's stock, or ten million shares or fifteen million shares, with a firm undertaking on the part of the underwriting houses to take it at "X" number of dollars per share and resell it to the public, and it was just an open and shut deal.

Mr. CAMPBELL (*Stormont*): A contingent deal, contingent on the approval of parliament.

Mr. RENWICK: Yes, contingent on the approval of parliament. If those conditions were then fulfilled we would be on a free road to obtain "X" million shares by the sale of these shares of this company. I just cannot conceive that this committee, or parliament, would want to be in the position of tacitly or otherwise, in any way, approving of a financing plan of this company in so far as an individual and specific marketing operation was concerned.

That responsibility, in my opinion, rests on the directors of the company who are the people who have to take the responsibility for it. It just does not seem to me that we should use parliament in any sense to approve of the decisions, or to try to get parliament to share the responsibility for the correctness or otherwise of our marketing operations.

Mr. SMITH (*Simcoe North*): I think there has been a general tendency—I know on the part of myself, and I think on the part of some of the other members of this committee—to blame Trans Mountain Oil Pipe Line Company for some of what we might consider the "sins" or bad policies of the oil industry generally. We are afraid of setting up too strong a monopoly.

However, in justice to the company I do not see—I have now read the original bill—how we can refuse the company the right to subdivide their stocks no matter how bad we feel the original advice was in regard to the capitalization of the company. My feeling has been a sort of sense of confusion. I really do not think, by changing the capital structure, we give any control of the company away.

I would like to see the company designated as a common carrier and I would like to see certain other features removed. Generally speaking I do not feel that we can, in justice, refuse to give the company the right to subdivide their shares because, as I say, other companies, whose interest is equally as wide, can do this, and I do not think we are losing anything by way of control.

Mr. PAYNE: Mr. Chairman, I want to draw attention to the remarks of the last spokesman of the company. I do not know his name.

The CHAIRMAN: Was it Mr. Renwick?

Mr. PAYNE: Yes. His remarks were tantamount to a statement that this committee was discussing matters out of order, and beyond their authority. If we are out of order I believe it rests with the chair to say so, and not with one of the representatives appearing before this committee.

The CHAIRMAN: I did not get that impression from what was said.

Mr. PAYNE: I certainly took it that way, and so did other members here.

Mr. RENWICK: I would certainly be the first one to apologize if I created that impression. I had absolutely no intention of doing that and I do apologize.

Mr. HOWARD: Mr. Chairman, I have been particularly silent today.

The CHAIRMAN: I have noticed that.

Mr. HOWARD: That fact I see is receiving some applause from some of the members.

Mr. DRYSDALE: A sympathetic applause.

Mr. HOWARD: There is something I still have not been able to grasp. If I did not understand the situation correctly in the first instance, perhaps someone will straighten it out for me.

One of the reasons the company is asking for this stock split arrangement—I use that term because that is what it is commonly known as—is to broaden the base of ownership of the shares of the company. Is that right?

Mr. RENWICK: Yes.

Mr. HOWARD: I am correct in that impression.

I still do not see how this will possibly broaden the base of ownership of the shares if there are no immediate plans—how far “immediate” is, I do not know.

Mr. SMITH (*Simcoe North*): That is a politician's cliché.

Mr. HOWARD: I do not see how this will possibly broaden the base of ownership of the shares of the company if there are no immediate plans to issue more shares out of the treasury. There will still be the same ownership in relation to the number of shares that are on the market.

By splitting the shares five for one it will increase the total number of shares on the market, and multiply by five the 30 per cent owned by the four or five oil companies, giving more significance to that 30 per cent in relation to the total number of shares that are on the market. This will give those oil companies a more prominent position in regard to the decisions of the company than they now have.

Mr. RENWICK: Mr. Chairman, in answer to Mr. Howard's question, according to the records of the company there are 5,396 Canadian individuals registered, as at March 27, 1958, as shareholders, holding 255,334 shares. There are 618 Canadian companies registered holding 959,000 shares, and non-resident individuals and companies numbering 1,077, holding 289,000-odd shares.

We believe that if the stock is sub-divided that the number of shareholders will increase, because a certain proportion of the persons who receive five shares for each share they hold now, we feel, will have a tendency to place their shares on the market. We feel that some portion of these individuals will not want to hold their increased shareholdings, but will want to liquidate a portion of them.

We feel, on the other side of the bargain, there will be more potential buyers who are prepared to buy stock at the reduced price. We cannot guarantee this, but we certainly believe that our experience will be the same as the experience of other companies, and that the effect of the stock split will be an increase in the number of shareholders with a reduced average yield.

Mr. HOWARD: That was 10 per cent.

Mr. RENWICK: Yes. The records indicate that within a year there will be a 10 per cent increase in the number of participating shareholders in the company.

Mr. HOWARD: And probably 15 per cent over the long run?

Mr. RENWICK: Yes.

Mr. HOWARD: As I understood from your remarks this morning there were 130,000 shares held by each of four oil companies, the Canadian Gulf, Imperial, Shell, Standard, and 50,000 by Richfield.

Mr. RENWICK: Yes.

Mr. HOWARD: It was Union Oil which disposed of the 100,000.

Mr. RENWICK: Yes.

Mr. HOWARD: Do you have reason to believe that these five companies that I have mentioned, each having a 30 per cent controlling interest in the company, will dispose of any of their shares?

Mr. RENWICK: I have no reason to believe they will dispose of that interest. Again, they may; I cannot say. But certainly my conclusion would be that so long as they are on the guarantee, on the \$100 million worth of bonds, that it is simply a matter of business judgment and wisdom that they would retain some interest, perhaps up to the point where they may have effective control—I do not know—but certainly an interest in the operations of this company over a long period of time because if they were to dispose, using an extreme example, of their holdings and someone elected all the directors to the company, they would have no control or say over the guarantee and I think they would be in default in the exercise of their own judgment.

Mr. HOWARD: Am I correct from a business point of view and the way you look at control of companies and who has so many shares and so on, if these five oil companies did not dispose of their shares or any part of them, which you say it is unlikely they will in view of the fact they are guarantors but supposing other shareholders do dispose of part of them so that there is a 10 per cent increase in numbers of shareholders, am I correct in saying this makes the 30 per cent held by the five that much more potential as being able to control the shares of the company?

Mr. RENWICK: That would be completely my view on it. If they do now in fact control, and I think it is common to say anyone who holds 20 or 25 per cent probably does control it unless there is a concerted effort among the others to get together and vote.

Mr. SMITH (*Calgary South*): It should be remembered who has the responsibility to make this work in the first instance.

Mr. RENWICK: I would not disagree with you. If they hold a present interest and it was subdivided five to one and there was a wider distribution of shares among other shareholders, it would be much more difficult for all the other shareholders to get together and exercise what they do have and obtain more than 50 per cent control of the company.

Mr. HOWARD: It would have an immediate effect of broadening the basis as is predicted by approximately 10 per cent.

Mr. RENWICK: Yes.

Mr. HOWARD: That is the broadening base part of it.

Mr. RENWICK: Yes.

Mr. HOWARD: And it would have the effect of placing the greater amount of control in ratio to that broadened based in the hands of this handful of oil companies.

Mr. DRYSDALE: I think the difficulty that Mr. Howard is having with respect, is that he is looking at the base broadening operation as an incident when the stock splitting is granted, and I believe the legislation is contemplating some future expansion by the company, for example if they have to increase their output because of the war situation to some 600,000 barrels a day they will require more money and there will be shares issued from the treasury. That is at the point of time when I feel personally that the broadening at the base would occur, rather than at the stock split. What we are doing now I would suggest would not have any appreciable affect on the public base but it is in the future, and that is what this legislation contemplates, being able

to take action rapidly. If we adjourned, it would be rather difficult for the company to come to parliament to get the authority to do this necessary financing. They are doing it now with the idea that the war situation, if it springs up, will already give them the machinery to do the expanding.

The CHAIRMAN: Mr. Howard, Mr. Renwick would like to finish answering your question.

Mr. RENWICK: When I say I agree with the remark you made about effective control and it is normal to anticipate that shares being spread out in smaller packages among a larger number of shareholders makes it more difficult for the existing control to be challenged. However, I think there is a converse side to it in that, having a larger number of shares out at a lower price, presumably it would be possible for purchasers to so buy up the shares of this company and they might in fact upset the control. There is no necessary guarantee that the oil companies control with a mere one-third interest would always control a company. If they wanted to take that position then I think they would have kept 51 per cent and said we are perfectly safe. I figure it could operate the other way to some degree.

The CHAIRMAN: Does clause 1 carry?

Mr. HOWARD: I have other thoughts on this. I was wondering whether in view of the fact that today is Tuesday and it is private members' day, whether you would wish to adjourn.

The CHAIRMAN: We want to go on; we have the witnesses here. We would like to continue today if it is the wish of the committee.

Mr. HOWARD: Some of my friend's colleagues I am sure may want to participate in some of the bills that might be coming up.

The CHAIRMAN: Shall clause 1 carry?

Mr. HOWARD: No, just a minute. The upward movement of the shares originally up to this peak of \$140, when it was around that figure or around \$100 or so, was that the time the Suez crisis occurred? Did the situation in the Suez Canal have any bearing upon the prices of the shares in the market?

Mr. RENWICK: I think the Suez Canal situation accounted for this wide fluctuation that occurred in the price of the stock on the market.

Mr. SMITH (*Simcoe North*): The earnings of the company have never justified a price of \$140 a share.

Mr. HOWARD: If some other difficulty arose in the Middle East, as it might, with respect to oil, would that have an equal affect upon the shares at the moment? Do you think they would rise suddenly if that were to happen today?

Mr. RENWICK: The price the stock hits on the market has nothing to do with the company or its management from day to day. Just as an example, it is true that the price of the Trans Mountain stock went up and I think this was attributable in a large measure to the trouble in Iraq. When we were here a short time ago I think the price of stock was around \$50 and it popped up to \$70 on the Iraq situation. I think it is now around \$59 or \$60. Apparently all these people are prepared to take a plunge on that type of situation. We have the likelihood of the plunge. No one can stop it. But we think the likelihood of the wide fluctuations will be toned down if there are a larger number of shareholders who are participating in this company as a means of investment rather than as a means of speculation.

Mr. SMITH (*Calgary*): There is one thing I would like to say although this may be absolutely unnecessary. One of my colleagues leaned over to me and asked me a question and I would like to put it on the record. I believe in this principle and it is important to our economy. I think it is a good thing, but I would like to have it said that I am not or ever have been a shareholder in this corporation. I would like to have that on the record.

The CHAIRMAN: The chairman is not a shareholder in it either.

Mr. HOWARD: If this split takes place then I assume that the price of the shares will be \$12 to \$15 probably on the market—or \$10.

Mr. CAMPBELL (*Stormont*): Or \$25 or \$30 very shortly, especially if the situation becomes acute in the Middle East.

Mr. HOWARD: I was going to ask that question also. If this company is given permission and this bill is passed and the shares are divided five for one, the price on the market being \$10 or \$12, something in that neighbourhood, with no thought of issuing more of the additional shares out of the treasury and selling them on the market and some situation does develop in the Middle East, a situation similar to the Suez arises then presumably the stocks will take another surge upwards regardless of this 10 per cent broadening and you might find yourself in the same position of trying to sell \$50 or \$60 shares out of the treasury. Would not your position be the same as it is now?

Mr. RENWICK: I think my answer to that is yes but perhaps Mr. Taylor would like to say a word here.

Mr. TAYLOR: Yes, you would be in the same position.

Mr. HOWARD: Would you come back and ask for another stock splitting to get them down again?

Mr. RENWICK: We would have to.

Mr. MORRISON: You are required to.

Mr. RENWICK: The distinction I would make if we had an emergency situation develop which put these stocks back to \$60 from \$12 as the Suez did from \$40 or \$50 up to \$140, whatever that price happened to be and if that were simply a crisis situation, then the company, before it could finance, I would believe, would have to wait until the situation had stabilized. It could stabilize either back as it did after Suez, by going back down again or, if there was a drastic change in the situation in the Middle East which indicated to the investors that this was a company which was now always going to have capacity because it was going to be shipping a lot of oil from Alberta to the California market and so on, and if they assessed it in that fashion, and as a result of that permanently changed situation the stock levelled at \$60 a share, we might well have to come back at some future time, or it might well be that in that particular situation we would have what we now desire, a wide enough participation, so that a public financing could be driven through at \$60. But, at the present time, we have no such stable type of investment market for the shares at \$60.

Mr. SMITH (*Simcoe North*): The permanent, or stable, market of the stock will be determined by the earnings of the company. Is that right?

Mr. RENWICK: Right.

Mr. SMITH (*Simcoe North*): And the earnings of the company are determined by the rate per gallon, or per unit of gallons, that you charge for the carrying of the petroleum. Is that right?

Mr. RENWICK: Right.

Mr. SMITH (*Simcoe North*): Therefore in that situation, whether or not we increase your stock, parliament still retains control of the profits of the company by reason of the fact that we can apply to have you made a common carrier and thereby set your rates on an economic basis. Is that right?

Mr. RENWICK: Yes.

Mr. MORRISON: Through the Board of Transport Commissioners.

Mr. SMITH (*Simcoe North*): And secondly, there is nothing that you—speaking of the company—or parliament can do to control these wild fluctuations caused by the speculators and the crises in Borneo, the Near East, the Far East, or wherever. And whether or not your shares are valued at \$60 or \$12, the stock will still be subject to the same type of speculation which makes it go on these wild fluctuations?

Mr. RENWICK: Yes. We had hoped they would be toned down some.

Mr. SMITH (*Simcoe North*): The real value will always be determined by the earning of your company as a carrier of oil at so much per gallon?

Mr. RENWICK: Yes.

Mr. CAMPBELL (*Stormont*): Plus the potential of the company.

The CHAIRMAN: Shall clause 1 carry?

We will have a show of hands.

The CLERK: Six in favour, eight against.

The CHAIRMAN: We are still on clause 1.

Mr. CAMPBELL (*Stormont*): Is not one of the chief motives in getting this split to maintain a tight or coherent control of this company by these oil companies; that is also a very important factor, I think, in this. If the so-called controlling interest, the 60 per cent, is disseminated through a vast number of small investors, practically speaking, it would be impossible to get any unanimity on the part of this vast number of small investors, and therefore if you had a tight coherent control of 50 per cent it might be sufficient provided that the remaining outstanding stock was held by a sufficiently diverse number of investors.

Mr. DRYSDALE: Suppose they did have control; so what?

Mr. CAMPBELL (*Stormont*): They are not a philanthropic operation.

Mr. RENWICK: The reasons for the bill are the two reasons which we have stated in the explanatory note to the bill. To my knowledge, and the knowledge of all those present here today, there is no other reason for the bill. It may well be, as in any action which is taken for two particular reasons, that there are other consequences which flow from it.

However, I hope in all sincerity that I can get across to you that our two reasons are the two reasons which are contained in the explanatory note to the bill. We have no other reason. We are not here for any particular hidden purpose at all. If—as might appear from the questions asked by Mr. Howard and the answers which I gave—one of the consequences which results is that the control will continue the way it is now, that may be a consequence of it, but on the other side I would ask you to consider that these oil companies are on the guarantees for \$100 million worth of bonds. Whether they will or will not reduce their holdings, I do not know. My own guess would be that if they are on the guarantee they will want to continue to have some say in the affairs of the company as a matter of business judgment.

Mr. BRUNSDEN: For the record, I want to say that I abstained from voting because I was not here this morning and was not in a position where I felt I had heard enough to make an observation.

Mr. CHOWN: Does the vote on clause 1 settle the matter or is it to go on indefinitely?

The CHAIRMAN: I asked our clerk if we could go on and he said yes.

Mr. HOWE: We should now adjourn.

The CHAIRMAN: No. I asked if it would carry and the answer was no because there were others who wanted to speak.

Mr. DRYSDALE: Mr. Chairman, I think we have gone on the merry-go-round pretty well most of the day and the situation still seems to come down succinctly to the fact that the shareholders, all the people who were vitally interested, voted as to whether or not there should be a stock split; all those particular shareholders thought it was a good idea and therefore they are having a stock split.

Mr. Brown, in the speech to which I referred earlier, said that the Middle East alone accounts for 71 per cent of the free world's reserves. We are faced with a situation where the Middle East has 170 million barrels, the United States 30 million barrels, Venezuela 14 million barrels, and Canada 3 million barrels. The point which continuously seems to have come up in our discussion is after we have made that stock splitting and should it be necessary for the company to be refinanced, these shares may decline in value. But I do not think it matters whether these shares rise to \$1,000 or to \$25; it would be based purely on the international situation and the subsequent increase in oil and the company's ability to produce the oil.

I feel we are continuously circling around and I would like to get down to earth and vote on this matter.

Mr. CAMPBELL (*Stormont*): I still do not see why, when it becomes necessary to broaden the stock basis and when you have a plan with which the investment houses have agreed, you could not then come before parliament. I submit that parliament is substituting the discretion of the company for its own discretion in this matter and we are dealing in a hypothetical situation. As soon as it became necessary to have the stock splitting and as soon as there is a firm commitment on the part of the investment houses, then that would be the time to come before parliament with the tentative agreement, the agreement being contingent on the approval of parliament.

The CHAIRMAN: That was all explained earlier. I do not think you were present at that time.

If Mr. Morrison wishes to repeat it again he may.

Mr. MORRISON: I think that the situation which you bring up is exactly the situation which occurred when we brought up this bill, when we applied for this stock split last year. We were really in the middle of an expansion and we expected to have to do more financing for more expansion, and, this meeting has developed into a discussion on stock exchange manipulation and that sort of thing, most of which is entirely foreign to me. My whole career has been spent in operating work, the actual business of getting production and that sort of thing. I have had quite a liberal experience here, and education in the ramifications of stock market operations, and so on. Our job is to be able to get this company to deliver oil from Alberta or to wherever the oil companies want it to go, we have that business to take care of. And that is the main part—that, and this business of getting wider distribution is all to the good, for the public good, and for our own public relations.

I frankly do not understand all the discussion and the objections that have taken place. I know Mr. Pearce would like to see it stopped because he probably made more money than anybody else from the fluctuations of this stock. I frankly think that this is really harming our chances of expanding, when we should expand for the good of the country.

Mr. CAMPBELL (*Stormont*): He has not answered my question at all.

The CHAIRMAN: You did not quite answer the question.

Mr. MORRISON: I said the situation did exist and the answer was that we could not get our financing plans through. The bill was talked out last year, so the time to do it is now when things are quiet.

Mr. CAMPBELL (*Stormont*): They are not quiet now. They could not be in a more precarious state than what they are now, with the Middle East turmoil and the west-coast strike.

Mr. MORRISON: That had not occurred when we applied again.

The CHAIRMAN: Mr. Morrison, I think Mr. Campbell, in asking his question, asked why, after you got the financial set-up and made all your arrangements with your financial agents, that you could not come to the company.

Mr. MORRISON: I think Mr. Renwick explained that.

Mr. CAMPBELL (*Stormont*): I was here, but he did not explain it to my satisfaction. In other words it is substituting the discretion of parliament for the discretion of the directors, and that is not a good thing.

The CHAIRMAN: I am going to ask Mr. Renwick to explain it to you.

Mr. DRYSDALE: Would it be possible for us to adjourn and have the minutes printed because as each new person comes in, we continually regurgitate the same material we have been discussing all day.

The CHAIRMAN: That would take so many days. There are so many committees sitting. It might be a week or two before you have the minutes of this meeting.

Mr. CAMPBELL (*Stormont*): Would not that be a good idea, to investigate the matter and discuss it intelligently?

Mr. NIXON: We have the witnesses here from British Columbia.

Mr. DRYSDALE: A great province, Mr. Chairman.

Mr. NIXON: This is rather an important problem or it would not have been brought before the committee. I think that in fairness to yourself, Mr. Chairman, and in fairness to the gentlemen who are here as witnesses, that the members of the committee should be rather familiar with this before they can properly decide as to which way they should vote.

The CHAIRMAN: Mr. Nixon, I am entirely in the committee's hands. If they say they want to adjourn and wait until the minutes are printed, I have nothing to do with it.

Mr. HOWARD: I so move.

The CHAIRMAN: Mr. Howard moves that the meeting now adjourns.

Mr. CAMPBELL (*Stormont*): I will second that.

The CHAIRMAN: Seconded by Mr. Campbell, that the meeting be convened after the minutes are printed.

Mr. SMITH (*Simcoe North*): May I interject there. Do we want them printed or do we meet after a certain number of typescript minutes are provided, because we can get typescript minutes much more quickly.

Mr. CAMPBELL (*Stormont*): Is there any great urgency in time other than the convenience of the witnesses? We seem to be bulldozed into this.

Mr. DRYSDALE: You come to the meeting in the afternoon and we have been discussing this matter already for two or three hours in the morning.

Mr. CAMPBELL (*Stormont*): I was detained because of people of my constituency visiting me in the morning and afternoon. I should be given some time to give it the attention it deserves. There are a number of people here who have indicated that they are in a similar position. This should be given due care and attention and should be looked into thoroughly.

The CHAIRMAN: It has been moved by Mr. Howard and seconded by Mr. Campbell that we adjourn.

Mr. SMITH (*Simcoe North*): May we have this matter cleared up concerning typescript or printed minutes? Printed minutes will mean a delay of a week or more.

The CHAIRMAN: The clerk tells me that we might be able to have typescript copies available within 72 hours.

Mr. DRYSDALE: I suggest we reconvene on Thursday morning.

The CHAIRMAN: The clerk tells me that they will be available on Tuesday.

Mr. NIXON: I suggest that we meet at the call of the chair.

The CHAIRMAN: The next meeting would likely be next Tuesday because those are the arrangements, I believe, that have been made for our committee—Thursdays and Tuesdays.

Mr. DRYSDALE: Perhaps a longer adjournment or shorter adjournment would be better for the gentlemen who are here.

Mr. SMITH (*Simcoe North*): We need them again as witnesses.

The CHAIRMAN: You have certainly quizzed them today in good order.

Mr. SMITH (*Simcoe North*): If any member of the committee who is present here today reads the minutes then they could get all the answers. I do not think we need all the witnesses here.

Mr. FISHER: I would suggest that the agent at least be here.

Mr. RENWICK: I am speaking on behalf of all of us. We will meet your convenience.

Mr. DRYSDALE: If there is anything outstanding perhaps we could draft written questions to allow the witnesses to answer them, that is if Mr. Renwick is unable to answer them.

Mr. RENWICK: I can be here. We would all like to be here so that we could answer the questions that are raised.

Some Hon. MEMBERS: Question.

The CHAIRMAN: The motion has been put that we adjourn at the call of the chair and I expect that it will be Tuesday morning of next week at 10.00 o'clock—unless you would rather sit earlier than 10.00 o'clock. Is it all right, gentlemen, that we meet Tuesday morning of next week?

Mr. NIXON: Perhaps we can see if other committees are sitting at that time.

The CHAIRMAN: If we make arrangements now, I think it will be all right.

Mr. NIXON: I am willing to leave that in your hands.

The CHAIRMAN: Before you go, gentlemen, as you know we are getting on towards the end of the session and there is a possibility that the house might be sitting at that time. Perhaps we can sit at 10.00 o'clock and if the house is sitting, adjourn until the orders of the day are completed. Thank you.

The committee adjourned.

APPENDIX "A"

No Supplement to this Tariff will be issued except for the purpose of cancelling the Tariff.

B. T. C. No. 5 Cancels B. T. C. No. 4

TRANS MOUNTAIN OIL PIPE LINE COMPANY TARIFF

The Rates and Charges Named in this Tariff are for the Transportation and Delivery of

PETROLEUM

Subject to the rules and regulations and as defined herein:

From points in	To points in	Trunk Line Rate in cents per bbl. of 34.9726 Imperial Gallons Delivered
Edmonton	Kamloops	* 38
Edmonton	Burnaby	* 40
Edson	Kamloops	* 38
Edson	Burnaby	* 40

No gathering service will be furnished under this tariff.

A loading charge of 2½c per barrel will be made for all petroleum loaded out of Burnaby over the Westridge marine loading dock.

All rates and charges are payable in Canadian currency.

† Denotes changes in wording which result in neither increases nor reductions in rates.

* To denote reduction in rate.

Issued: December 1, 1957

Effective: January 1, 1958

Issued By:

D. M. MORRISON, President of

TRANS MOUNTAIN OIL PIPE LINE COMPANY

400 East Broadway

Vancouver 10, B.C.

RULES AND REGULATIONS

5. Definitions

(a) "Petroleum" as herein used means: (i) Any crude petroleum adapted for refining or fuel purposes which by A.S.T.M. (American Society for Testing Materials) methods distills to the extent of at least fifty percent (50%) below seven hundred degrees (700°) Fahrenheit; or (ii) Any petroleum product which

by A.S.T.M. methods distills to the extent of at least ninety percent (90%) below four hundred degrees (400°) Fahrenheit and which when mixed in or for transit with other crude petroleum has a resultant vapor pressure not exceeding thirteen (13) pounds Reid at one hundred degrees (100°) Fahrenheit.

(b) "Barrel" means forty-two (42) United States gallons, or 34.9726 Imperial gallons, at a temperature of sixty degrees (60°) Fahrenheit.

(c) "The carrier" means Trans Mountain Oil Pipe Line Company.

(d) "B.T.C." means Board of Transport Commissioners for Canada.

(e) "Month" means calendar month.

(f) "Tender" means an offer by a shipper to the carrier of a stated quantity of petroleum for transportation from a specified reception point or points to a specified delivery point or points in accordance with these rules and regulations, such quantity to be made available for transportation within a period of not more than five calendar weeks.

10. *Duty of Carrier*

The carrier will accept tenders for trunk line transportation of petroleum if evidence has been furnished by shipper or consignee that arrangements have been made with local gathering or feeder line operators to deliver such petroleum into the carrier's receiving facilities in accordance with the terms of this tariff. The carrier will transport petroleum with reasonable diligence, considering the quantity of petroleum being transported by the carrier, the distance of transportation, the safety of operation and other material factors. The carrier may refuse to accept petroleum for transportation unless satisfactory evidence is furnished that the shipper or consignee has provided the necessary facilities for the prompt receiving of said petroleum at its destination. If such petroleum is scheduled for loading out of Burnaby over the carrier's Westridge marine loading dock, prior evidence may be required of shipper or consignee that arrangements have been made with marine transporters to receive such petroleum from the dock facilities in accordance with the terms of this tariff. The carrier's facilities include working tankage only and the carrier does not furnish storage facilities.

15. *Specifications as to quality received*

No petroleum will be accepted for transportation except good merchantable petroleum of the gravity of twenty degrees (20°) A.P.I. (American Petroleum Institute) or higher which is readily susceptible of transportation by the carrier's facilities, and no petroleum will be accepted the quality of which has been seriously impaired through the character of storage in which it has been held, nor will petroleum be accepted if it contains more than one half of one percent ($\frac{1}{2}\%$) of basic sediment, water and other impurities as determined by test on representative samples taken either from the carrier's tanks or from the delivery line entering same. No petroleum will be accepted unless its viscosity and other characteristics are such that it will be readily susceptible of transportation through the carrier's existing facilities as a separate batch or in a commingled batch, and it will not materially affect the quality of other shipments or cause disadvantage to other shippers and/or the carrier.

20. *Responsibility for quality delivered*

Petroleum will be accepted for transportation only on condition that it shall be subject to such changes in gravity, quality or characteristics while in transit as may result from its mixture with other petroleum in the pipe lines or tanks of the carrier or those of any connecting company. The carrier will use its best efforts to deliver petroleum of a grade and gravity equivalent to that

accepted from the shipper; however, the carrier shall be under no obligation to make delivery of the identical petroleum but may make delivery out of its common stock. Any revaluations deemed appropriate by reason of difference in grade and quality that may occur between receipt and delivery of petroleum by the carrier shall be between and for the account of the shippers and consignees. The carrier shall have no responsibility in or for such revaluations or settlements other than to furnish data on quantities and gravities of the petroleum so received and delivered.

25. *Tenders and notices of shipment*

Tenders for the trunk line transportation of any kind or mixture of petroleum for which the carrier has facilities for handling will be accepted under this tariff in total quantities of not less than one hundred thousand (100,000) barrels from one shipper consigned to one consignee and destination. Advice as to specific quantities of such tendered petroleum to be shipped is required on the carrier's "Notice of Shipment" form on or before the twenty-fifth day of the month preceding the month during which such petroleum is to be delivered into the carrier's receiving facilities. Such petroleum will be accepted in lots of less than fifteen thousand (15,000) barrels only if the carrier's facilities and line operating conditions permit. The carrier will not be obligated to forward such petroleum until it has received from one or more shippers—to be transported in a common batch—a quantity aggregating not less than one hundred thousand (100,000) barrels of the same quality or of different qualities to be commingled provided that the shippers agree to such commingling. Tenders for occasional shipments of less than one hundred thousand (100,000) barrels—but in any event not less than fifty thousand (50,000) barrels—will be accepted under this tariff provided that the entire quantity will be delivered into the carrier's facilities in a single lot. When more petroleum is offered by shippers to the carrier under its tariffs than can be transported currently, the transportation furnished by the carrier shall be apportioned among all shippers equitably.

30. *Deliveries*

At destinations where the carrier has no terminal tankage the carrier will not be obligated to make deliveries in lots of less than one hundred thousand (100,000) barrels, such to be delivered at the carrier's full trunk-line pumping rate. From its Burnaby tankage the carrier will not be obligated to make single continuous deliveries of petroleum in lots of less than fifteen thousand (15,000) barrels; nor will the carrier be obligated to deliver occasional shipments of less than one hundred thousand (100,000) barrels other than in single continuous lots.

35. *Title*

No petroleum will be accepted for transportation the title to which is in litigation or as to which a dispute of title exists or the title to which is encumbered by lien or charge of any kind provided, however, that the carrier may waive this requirement if satisfactory bond or other surety has been furnished by shipper or consignee.

40. *Gauging, Testing and Volume Corrections*

Prior to its acceptance, petroleum will be gauged and tested by representatives of the carrier. Quantities will be determined from regularly complied one hundred per cent (100%) tank tables and corrected to the temperature of sixty degrees (60°) Fahrenheit in accordance with A.S.T.M.-I.P. Petroleum Measurement Tables Nos. 5 and 7. Deductions will be made for the amount of basic sediment, water and other impurities as ascertained by centrifuge or

other tests agreed upon. From the net quantities so determined for acceptance, a further deduction of one per cent (1%) will be made to cover evaporation and loss during transportation, and the balance will be the net quantities deliverable.

45. *Evidence of Receipts and Deliveries*

All receipts and deliveries, except at destinations where the carrier has no terminal tankage, shall be gauged in the carrier's tanks. Petroleum received and delivered shall, in each instance, be evidenced by "Run Ticket" forms, showing opening and closing tank gauges, temperature, basic sediment and water, and any other data essential to the determination of quantity. All necessary gauging and testing may be witnessed, and such run tickets shall be jointly signed, by representatives of the carrier and the shipper or consignee or agent, as appropriate, and shall constitute full receipt for the petroleum received or delivered.

50. *Destination Receiving Facilities*

Upon twenty-four (24) hours' notice by the carrier, the shipper or consignee shall accept and remove its shipment from delivery facilities of the carrier. If shipment is not being removed in a reasonable manner after expiration of the twenty-four hours' notice from the carrier, a demurrage charge of four tenths of one cent (0.4c) per barrel per day or part thereof shall accrue on all petroleum not removed.

55. *Payment of Tariff Charges and Lien for Unpaid Charges*

The shipper or consignee shall pay all applicable transportation charges, cargo rates, harbour dues and other lawful charges accruing on petroleum delivered to and accepted by the carrier for shipment, and, if required, shall pay the same before delivery at destination. The carrier shall have a lien on all petroleum in its possession belonging to the shipper or consignee to secure the payment of any and unpaid transportation or other lawful charges that are due to the carrier, that are unpaid by shipper or consignee, and may withhold such petroleum from delivery until all unpaid charges shall have been paid. If such charges remain unpaid fourteen (14) days after notice and demand therefor, or even in the absence of unpaid charges when there shall be a failure to take petroleum within fourteen (14) days after the expiration of notice of arrival at destination as provided in Item 50, the carrier shall have the right, through an agent, to sell such petroleum at public auction, at the office of Trans Mountain Oil Pipe Line Company in Vancouver, British Columbia, Canada on any day not a legal holiday, after three (3) consecutive days publication of notice of such sale in a daily newspaper of general circulation published in that city, stating the time, place of sale, and the quantity and location of petroleum to be sold. At such sale the carrier shall have the right to bid and, if the highest bidder, to become the purchaser. From the proceeds of such sale the carrier will pay itself the transportation and all other lawful charges, including reasonable storage charges pending sale and expendent to said sale, and the balance remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

60. *Liability of Carrier*

The carrier while in possession of any of the petroleum herein described shall not be liable for any loss thereof, damage thereto or delay caused by fire, storm, flood, epidemics, acts of God, riots, insurrection, rebellion, sabotage, strikes, labour disturbances, shortage of labour or breakdown of transportation or storage facilities, war, or the acts of the Queen's enemies, or from quarantine,

or authority of law or from any order, requisition, interest or necessity of the Government of Canada or any Province thereof, default of the owner, shipper or consignee, or from any cause whatsoever, whether enumerated herein or not, except by its own direct negligence. In case of the loss of petroleum from any cause other than the direct negligence of the carrier, after it has been received for transportation and before the same has been delivered to consignee, the shipper shall bear a loss in such proportion as the amount of his shipment, already delivered to the carrier, bears to all the petroleum then in the custody of the carrier, for delivery via the lines or other facilities in which the loss or damage occurs, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after deduction of his due proportion of such loss.

65. *Claims, Suits and Time for Filing*

As a condition precedent to recovery, claims for loss, damage, or delay in connection with the shipment of petroleum tendered for shipment under the terms of this tariff must be filed in writing with the carrier within one month after delivery of the petroleum, or, in the case of failure to make delivery, then within three months after a reasonable time for delivery has elapsed; and suits arising out of such claims must be instituted against the carrier within six months from the day when notice in writing is given by the carrier to the claimant that the carrier has disallowed the claim or any part or parts thereof specified in the notice. In causing petroleum to be transported under this tariff, the shipper and consignee agree to be bound by provisions of this clause and waive any rights which they or either of them might otherwise have, at common law or otherwise, to make a claim after the expiration of the said period of one month or the said period of three months as the case may be or to bring an action after the expiration of the said period of six months.

†70. *Application of Rates and Charges*

Petroleum accepted for transportation shall be subject to the rates and charges in effect on the date of receipt of such petroleum by the carrier, irrespective of the date of the tender. Such rates and charges will be assessed only on the net quantities of such petroleum delivered.

75. *Diversion and Reconsignment*

Diversion or reconsignment may be without charge if requested in writing by the shipper sufficiently in advance of scheduled delivery at original destination, subject to the rates and charges, rules and regulations applicable from original reception point to final delivery point, upon condition that no backhaul movement will be made.

80. *Export of Petroleum*

The shipper or consignee of petroleum destined for export shipment in marine vessels via the carrier's Westridge marine loading dock shall make all necessary arrangements with concerned Government authorities to accommodate such export. If requested, the carrier will permit and assist Government representatives to witness the gauging of deliveries into said marine vessels from the carrier's Burnaby tanks in compliance with item 45 of this tariff.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

Bill S-6—An Act respecting Trans Mountain Oil Pipe
Line Company

TUESDAY, AUGUST 5, 1958
THURSDAY, AUGUST 7, 1958

WITNESSES:

Mr. E. J. Broome, M.P., Sponsor of the Bill; Mr. J. A. Renwick, Parliamentary Agent; Mr. D. M. Morrison, President, Trans Mountain Oil Pipe Line Company and Mr. E. C. Hurd, Administrative Manager; Mr. J. H. McQuarrie, Secretary; Mr. R. F. B. Taylor, Treasurer; Mr. I. G. Wahn, Director and General Counsel; and Mr. J. E. Langdon, Vice-President, McLeod, Young, Weir and Company.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Gordon K. Fraser, Esq.,
and Messrs.

Allmark,	*Fisher,	McPhillips,
Asselin,	Garland,	Michaud,
Badanai,	Grills,	Monteith (<i>Verdun</i>),
Baldwin,	Hales,	Nielsen,
Baskin,	Hardie,	Nixon,
Batten,	Horner (<i>Acadia</i>),	Pascoe,
Bigg,	Horner (<i>Jasper-Edson</i>),	Payne,
Bourbonnais,	Howard,	Phillips,
Brassard (<i>Chicoutimi</i>),	Howe,	Racine,
Brassard (<i>Lapointe</i>),	Johnson,	Rouleau,
Bruchési,	Keays,	Rynard,
Brunsdan,	Kennedy,	Smallwood ,
Campbell (<i>Stormont</i>),	LaRue,	Smith (<i>Calgary South</i>),
Chevrier,	MacEwan,	Smith (<i>Simcoe North</i>),
Chown,	MacInnis,	Tassé,
Creaghan,	Martini,	Taylor,
Crouse,	McBain,	Thompson,
Drysdale,	McDonald (<i>Hamilton</i>	Tucker,
Dupuis,	South),	Webster,
English,	McMillan,	Wratten—60.

J. E. O'Connor,
Clerk of the Committee.

*Replaced on Wednesday, July 30, 1958 by Mr. Regier.

ORDERS OF REFERENCE

TUESDAY, July 22, 1958.

Ordered,—That the Bill No. S-6, An Act respecting Trans Mountain Oil Pipe Line Company, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, July 30, 1958.

Ordered,—That the name of Mr. Regier be substituted for that of Mr. Fisher on the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, August 6, 1958.

Ordered,—That Bill No. S-6, An Act respecting Trans Mountain Oil Pipe Line Company, be re-committed to the Standing Committee on Railways, Canals and Telegraph Lines.

LEON J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE

TUESDAY, August 7, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

SEVENTH REPORT

Your Committee has considered the following Bill and has agreed to report it without amendment:

Bill No. S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

Respectfully submitted.

G. K. FRASER,
Chairman.

THURSDAY, August 7, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

EIGHTH REPORT

Pursuant to an Order of the House dated August 6, 1958, your Committee has reconsidered the following Bill and has agreed to report it without amendment:

Bill No. S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

A copy of the Minutes of Proceedings and Evidence is appended.

Respectfully submitted.

G. K. FRASER
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, August 5, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:05 a.m. this day. The Chairman, Mr. G. K. Fraser, presided.

Members present: Messrs. Allmark, Badanai, Bigg, Bourbonnais, Brassard (*Chicoutimi*), Drysdale, Fraser, Hales, Horner (*Jasper-Edson*), Horner (*Acadia*), Howard, Keays, Martini, McBain, McDonald (*Hamilton South*), Nixon, Payne, Regier, Rynard, Smith (*Calgary South*), Tasse and Tucker.—(22)

In attendance: Messrs. E. J. Broome, M. P., Sponsor of the Bill; J. A. Renwick, Parliamentary Agent for the Bill; from Trans Mountain Oil Pipe Line Company: I. G. Wahn, Director and General Counsel; D. M. Morrison, President; E. C. Hurd, Administration Manager; J. H. McQuarrie, Secretary; R. F. B. Taylor, Treasurer; J. E. Langdon, Vice-President of McLeod, Young, Weir & Company Limited (Underwriters).

Mr. Howard raised a point of order to the effect that the Committee, during its proceedings of Tuesday, July 29th, indicated by a vote that Clause 1 of Bill S-6, An act respecting Trans Mountain Oil Pipe Line Company should not carry, and that without unanimous consent the Committee had no right to proceed further.

Following discussion the Chairman ruled against the point of order.

Mr. Howard then indicated that he wished to appeal the Chairman's ruling to the House. However, the Chairman stated that this was an improper procedure.

Rising on a question of privilege Mr. Regier mentioned that there appeared to be some conflict between the Minutes of Proceedings and the evidence taken at the meeting of Tuesday July 29th. The Chairman stated that the Minutes of Proceedings are the official record.

Subsequently Messrs. Howard and Regier withdrew on the grounds that they could not participate in further consideration of the bill.

The Chairman then called Clause 1 and introduced Mr. Broome, the Bill's sponsor.

Following a statement by Mr. Broome, Mr. Renwick, Parliamentary Agent for the Bill, introduced Messrs. Wahn and Langdon.

Messrs. Wahn, Langdon and McQuarrie were called upon to explain certain aspects of the Company's activities and were questioned.

Following further discussion, Clause 1, the Title and the Bill were adopted and the Chairman instructed to report the Bill to the House without amendment.

At 11.55 a.m. the Committee adjourned to the call of the chair.

THURSDAY, August 7, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:00 a.m. this day. The Chairman, Mr. G. K. Fraser, presided.

Members present: Messrs. Badanai, Batten, Bourbonnais, Brassard (*Chicoutimi*), Creaghan, Crouse, Drysdale, English, Fraser, Hales, Howard, McDonald (*Hamilton South*), McPhillips, Nixon, Pascoe, Payne, Rynard, Smith (*Calgary South*), Thompson, Tucker, and Wratten.—(21)

In attendance: Messrs. E. J. Broome, M. P., Sponsor of the Bill; I. G. Wahn, Director and General Counsel, Trans Mountain Oil Pipe Line Company; J. E. Langdon, Vice-President, McLeod, Young, Weir and Company (Underwriters); J. H. McQuarrie, Secretary, Trans Mountain Oil Pipe Line Company.

The Chairman observed the presence of quorum and called for reconsideration of Bill S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

On motion of Mr. Creaghan, seconded by Mr. Tucker,

Resolved,—That the Preamble of the Bill stand and that the Committee proceed with the consideration of Clause 1.

Following discussion, Clause 1 was adopted on the following recorded division: *Yeas:* Messrs. Badanai, Bourbonnais, Brassard (*Chicoutimi*), Creaghan, Crouse, Drysdale, Fraser, Hales, Howe, McDonald (*Hamilton South*), McPhillips, Nixon, Pascoe, Payne, Smith (*Calgary South*), Thompson, Tucker and Wratten (18). *Nays:* Mr. Howard (1).

The Preamble, Title and Bill were called and adopted on a similiar division.

The Chairman was instructed to report the Bill to the House without amendment.

At 10.55 a.m. the Committee adjourned to the call of the Chair.

J. E. O'Connor,
Clerk of the Committee.

EVIDENCE

TUESDAY, August 5, 1958
10:00 a.m.

The CHAIRMAN: Gentlemen, I see a quorum. We have before us again this morning Bill S-6, an act respecting Trans Mountain Oil Pipe Line Company.

Mr. HOWARD: On a point of order—

The CHAIRMAN: During the course of our last meeting I asked for a show of hands on whether clause 1 should carry—

Mr. HOWARD: Mr. Chairman, I should like to deal with a point of order.

The CHAIRMAN: Let me make my introduction on this and then we will have the point of order.

I asked for a show of hands on whether clause 1 should carry or whether we should have further discussion on the clause. Unfortunately I did not make this as clear as I might have and some members interpreted the negative vote as one which had the effect of killing the clause. I discussed this matter thoroughly with Mr. Raymond, Clerk of the House; Doctor Ollivier, the law clerk; and Mr. Arsenaull, chief of the committees branch; all of whom have had a great deal of experience in these matters. I am advised that as the committee has already adopted the preamble of the bill which reads:

Whereas Trans Mountain Oil Pipe Line Company has by its petition prayed that it be enacted as hereafter set forth, and it is expedient to grant the prayer of the petition: therefore Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

it has already approved the principle of the bill, and it would be negating this action by killing the only operating clause of the bill.

It is, of course, possible to amend the clause or by unanimous consent to reopen the preamble and decide that it has not been proven.

Now, if the committee is agreeable, we will continue with the consideration of clause 1.

Mr. HOWARD: Mr. Chairman, you may have guessed what the point of order was all about. I appreciate your introductory remarks, but I still do not think they overcome that which happened the other day. I do not think we have any right to proceed with the consideration of the bill at the present time, in view of the fact that the vote as indicated on page 231 shows there were six in favour and eight against, which was a vote on the question which you posed, namely,

“Shall clause 1 carry?”

and not as you just indicated,

“Shall clause 1 carry or shall there be further discussions?”

There is no reference to “or shall there be further discussions” in the question which you quote.

You asked for a show of hands and the clerk has indicated as having said “six in favour, eight against” which, as you recall, was the vote that was taken. It is my position that eight members of the committee voted against clause 1 and six voted for it, thus defeating it and that is the end of the matter.

Your question of having dealt with the preamble first and thus in effect endorsing the principle itself, giving no alternative but to carry on and further deal with clause 1, has no validity either because, as you know, the preamble of a private bill in committee is considered in effect the same as a bill being dealt with on second reading in the house, even though it may not be proved in committee. Having dealt with the preamble, it does not override the right of the committee at a later stage in dealing with the clause to defeat it. My point of order inasmuch as it has been defeated eight to six, is that we have no right further to proceed, unless by unanimous consent of the committee, to deal further with clause 1.

The CHAIRMAN: As I mentioned, I have consulted with the highest authority on committee procedures in the house and they agreed that everything was in order. And another thing I might say is that if there were any objections to the proceedings of the last meeting they should have been taken up at that time and not at this meeting.

I believe it was last week in the House of Commons someone objected to a certain—I have not got the article here—but you will remember yourself that they brought the matter up and the speaker himself said that if there were any objections they should have been brought up immediately after.

Mr. HOWARD: And they were.

The CHAIRMAN: Well evidently they were not because that is what he said.

Mr. DRYSDALE: Mr. Chairman, speaking on the point of order, in Beauchesne's Parliamentary Rules and Forms at page 354 he states,

All questions before committees in private bills are decided by a majority of voices, including the voice of the chairman; and whenever the voices are equal, the chairman has a second or casting vote.

Section 491, on the same page states:

The names of the members attending each committee are entered by the committee clerk in the minutes; and when a division takes place, the clerk takes down the names of the members, distinguishing on which side of the question they respectively vote; and such lists are to be given in, with the report, to the house.

Well, Mr. Chairman, I would suggest that the vote as referred to at page 331 was a nullity because there was no provision and no recording of the names.

Mr. REGIER: Mr. Chairman, I would like to speak on the point of order raised.

First of all, the member for Burnaby-Richmond claims the vote was a nullity. May I say that precedence establishes our rules and it has long been accepted, despite what has appeared in the rules—and it has always been in the rules—that the chairman decides on the voice vote. If there is anyone calling for a show of hands, the show of hands has been the deciding factor. This has been the practice over many years in committee meetings of this house. Further than that, when the decision of the chairman and the show of hands was in doubt then there was a recorded vote taken.

Now on the other point you raised, that there was no questioning of the validity of carrying on the other day, I would point out at page 231 where Mr. Chown asked:

“Does the vote on clause 1 settle the matter or is it to go on indefinitely?”

I do not know, of course, what was in the back of his mind but it indicates to me that he had some doubt as to whether the committee was entitled to proceed with a further discussion of the bill, and I think he puts it very neatly when he says:

“or is it to go on indefinitely?”

The committee cannot proceed. And it is one of my contentions they cannot reverse this decision in the same consideration of the same bill. That would make Mr. Chown's comment so much more important, because the only alternative would be that discussions go on indefinitely—because that would be the only solution. And Mr. Howe follows this up with the comment,

“We should now adjourn.”

Mr. SMITH (*Calgary South*): May I point out, Mr. Chairman—

The CHAIRMAN: Mr. Arthur Smith, Calgary.

Mr. SMITH (*Calgary South*): You are quite right, but obviously you have left out the chairman's comment in between, where he says:

“I asked our clerk if we could go on and he said yes.”

And then Mr. Howe said:

“We should now adjourn.”

That should be pointed out.

Mr. REGIER: Then, Mr. Chairman, the remark has been made that the preamble has already been proven, and that therefore the principle of the bill has been endorsed.

I contend that when the preamble has been proven the principle of the bill has not been endorsed. From my reading of May, thirteenth edition, when we endorse the preamble all we are saying is that we are satisfied that all the requirements of the bill appearing before us have been complied with, and that it is now fit and proper for us to proceed with consideration of the operative parts of the bill.

So far as my inquiry serves me, it is usually taken that clause 1 is the endorsement or otherwise of the principle of the bill.

I fail to see how, other than by the house taking action to recommit the bill—and there are many, many references to the house recommitting a bill to a committee—I feel that that is the only course open to us. We have in May, thirteenth edition, at page 478, the following sentence:

Every question is determined in a select committee in the same manner as in the house to which it belongs.

And further, at page 768 of May, thirteenth edition:

All questions before committees on private bills are decided by a majority of voices, including the voice of the chairman; and whenever the voices are equal, the chairman has a second or casting vote.

And at page 792 in May, thirteenth edition:

It has been ruled that when a committee have resolved that the preamble of a private bill has not been proved, and ordered the chairman to report, it is not competent for them to reconsider and reverse their decision, but that the bill should be recommitted for that purpose.

I maintain that if this applies to the preamble, and if the committee is not competent to reconsider and reverse its decision, they are no more competent to reconsider and to reverse their decision after having passed a vote on clause 1.

It is for these reasons I maintain that this committee has no authority to proceed, and that it must report to the house. Then, if the house so desires, it has it within its power to recommit the bill to this committee.

Mr. DRYSDALE: Speaking to what Mr. Regier has to say with regard to precedent; there may have previously been a certain laxity in committees as to the way of votes being carried by a show of hands. Nevertheless the true method of voting on division and recording the vote, as to how the vote has gone, is shown in Beauchesne, to which reference has already been made.

In addition, Mr. Chairman, I feel that it was not the intention of the committee at the time to vote as to how it would consider the bill over-all. I support the proposition referred to in Beauchesne at page 357, where in paragraph 501 we find this:

When counsel are addressing the committee, or while witnesses are under examination, the committee room is an open court; but when the committee are about to deliberate, all the counsel, agents, witnesses and strangers are ordered to withdraw, and the committee sit with closed doors. When they have decided any question, the doors are again opened, and the chairman acquaints the parties with the determination of the committee, if it concerns them.

I suggest that if we had been taking the type of vote that Mr. Howard and Mr. Regier are suggesting that we were taking, we would have asked the members of Trans Mountain Pipe Line to have left the room, and we would have had our deliberations, and then have had the vote. I suggest, with respect, as I pointed out earlier, that the original vote was a nullity, so far as Mr. Regier's and Mr. Howard's contention is concerned.

The CHAIRMAN: Are there any others who wish to speak to the point of order?

Mr. HOWARD: Following what Mr. Drysdale has said, that everything in this committee with respect to private bills is a nullity—because that is precisely the manner in which proceedings have been held—unless the committee decided that for some particular reason it wished to meet in camera, I suggest that what he has said is not correct. We dealt with two or three bills the other day in the committee, one having to do with the Ogdensburg bridge, and another one with respect to the Algoma and Hudsons Bay Railway, and these were voted on, in respect of their various clauses, as this one was. So, then, in effect, in principle, the vote was inconsequential and did not count on them.

I submit that, regardless of any attempt made to misinterpret what the committee did, the record is clear that there were six who voted in favour of clause 1 and eight who voted against it. I do not know, Mr. Chairman, if you were one of the six or one of the eight, or whether you voted—

The CHAIRMAN: I never mentioned my vote; and, Mr. Howard, I never mentioned the count that was taken. I never mentioned that, at all.

Mr. HOWARD: I did not say you did.

The CHAIRMAN: I know that.

Mr. HOWARD: That should be the end of the matter. Eight to six is quite obviously a vote negating clause 1, and I say this committee has no right to proceed further. I submit that in my further remarks I probably was in error in suggesting that the chairman could only do it by unanimous consent. After listening to what Mr. Regier has said, in quoting from May, that is the only way we can deal with the question again—that is, to have the house recommit, and we should report accordingly to the house and let the house deal with the matter there.

Then, once they recommit the bill we are then in a position to deal with it. Until then we are not. We have no right to go further in the matter, in view of the vote as shown.

Mr. DRYSDALE: Replying to Mr. Howard, the only bill that we are looking at at the present time is the Trans Mountain Pipe Line Bill; and there is no possibility—

Mr. HOWARD: We are not looking at that bill, either. We are dealing with a point of order.

Mr. DRYSDALE: In connection with your contention, so far as precedent is concerned, I would not care if this practice has been applying for the last fifty years. If this is the first time it has been challenged, then I am at this particular point challenging it. It could have been wrong in the previous fifty years. But that does not affect the rules—simply because it was not ever challenged. I say at this time that I am challenging the correctness and the validity of the vote.

Mr. Regier's reference to May only substantiates the statement in Beauchesne, without any further explanation.

The chairman, at the bottom of page 231, in discussing the question of the vote says:

“I asked our clerk if we could go on and he said yes”.

Then Mr. Howe said:

“We should now adjourn”.

And then the chairman said:

“No. I asked if it would carry and the answer was no because there were others who wanted to speak”.

On the basis of the chairman's statement, and the fact that there was not a proper vote, according to the rules, I suggest that we continue on with this meeting.

The CHAIRMAN: Gentlemen,—I see that Mr. Regier wants to speak.

Mr. REGIER: I may add this further word, that I fail to see the logic, completely, of Mr. Drysdale's contention in challenging one vote, without challenging all the other bills that have been passed over the years in a similar manner.

Mr. DRYSDALE: Oh no, no.

Mr. REGIER: However, be that as it may, if he wishes to challenge that vote, then that challenge should have come on the day the vote was taken; because it is obvious that there are members here today who were not here on the earlier occasion when the vote was taken. Then there are many members who were here at that time who are not here today. Therefore it would be completely illogical to attempt to challenge a vote at a subsequent meeting.

Mr. DRYSDALE: Then you cannot challenge it now.

Mr. REGIER: I am not challenging; I am mentioning the fact that the vote was recorded. I can appreciate the comments of the chairman at the time. The chairman has to be guided in the emergency of the situation by the advice of the members or the Clerk of the committee. However that advice is not necessarily binding upon the committee.

The members of the committee—or at least some of them—expressed doubt. They did sit for a little while afterwards, but that does not necessarily mean that the advice of the Clerk was in accordance with the rules.

The CHAIRMAN: Mr. Regier, in regard to that point, I might point out that three of the members who voted No on the last occasion spoke to me afterwards, and indicated that they thought the No vote meant that they wanted to continue with the discussion.

After looking at this matter thoroughly, and discussing this question with the procedural experts in the house, I can only rule against the point of order.

Mr. HOWARD: I cannot hear you.

The CHAIRMAN: After looking into the matter thoroughly and discussing this question with the procedural experts of the House of Commons, I can only rule against the point of order.

Mr. HOWARD: Then, I would like to indicate my disagreement with your ruling, in asking that it be appealed.

The CHAIRMAN: That is all right, Mr. Howard. Then, gentlemen, shall my ruling be sustained?

Mr. HOWARD: No, no. I suggest that the only proper place to appeal this is to appeal it to the House of Commons.

The CHAIRMAN: We cannot appeal it to the House of Commons. It has to be appealed right here, in this committee. That is the ruling of Mr. Speaker Beaudoin.

Mr. HOWARD: Well, I submit that there is ample room for disagreement with that, in the reference that has been made to Beauchesne.

An hon. MEMBER: Where?

Mr. DRYSDALE: What is your authority?

Mr. HOWARD: That it should be appealed to the House of Commons. There are two paragraphs to which I should like to draw your attention particularly. One is citation 288, which has reference to committees.

I do not think it is necessary to deal with the entire citation of it here because some of it deals with quorums of the committees, and several members persisting in not attending, and so on.

The relevant part is, and I thank my learned friend from Calgary South for his suggesting that I refer to the relevant part:

Committees are regarded as portions of the house and are governed for the most part in their proceedings by the same rules which prevail in the house.

Every question is determined in a committee in the same manner as in the house to which it belongs.

Mr. DRYSDALE: It says, "in a committee," though.

Mr. HOWARD: Just a minute.

Paragraph No. 295 casts some doubt as to whether an appeal should be made to this committee, or to the House of Commons.

The point I wish to make in regard to paragraph 295 is, there are no standing orders respecting this matter as far as committees are concerned, and accordingly we are supposed to look for guidance to the rules in effect in the House of Commons of the United Kingdom.

The relevant part here, that seems to cast some doubt on what we are doing is the last sentence, which says:

"It seems therefore that a reversal by the committee, of the chairman's ruling, would be ineffective."

Mr. DRYSDALE: That refers to the committee of the whole.

Mr. HOWARD: It seems, therefore, that the chairman's ruling in a standing committee would be ineffective.

Mr. DRYSDALE: The beginning of the paragraph does not say that.

Mr. HOWARD: The entire citation deals with committees.

"No standing order provides for an appeal from the chairman of a standing committee or select committee—"

There are no standing orders which provide as to what should happen. It says that we have to look at the practice in the United Kingdom.

It seems, therefore, that a reversal by a committee of the chairman's ruling would be ineffective. It makes no reference to what kind of committee it is, whether it is a committee of the whole, a standing committee, or a special committee, it just says a committee.

If a reversal of your ruling is ineffective then what is the point of our even considering it if we cannot reverse it? If the committee cannot reverse your ruling, or if such a reversal is ineffective, what is the point of even considering it? That is the argument which I am submitting. If a committee cannot reverse your decision then there is no point for the committee to consider whether they should or should not reverse it, and the whole matter should go to the House of Commons for determination there. It is on that basis that I appeal your ruling.

Mr. DRYSDALE: Mr. Chairman, I do not think, according to Beauchesne's, we have to go back to the House of Commons.

Paragraph 295, which Mr. Howard has read very selectively, states:

Under Standing order 12, the Speaker's decisions on points of order are subject to an appeal to the house and, under Standing order 59, sec. (4), the decisions of the chairman of a committee of the whole in questions of order are subject to an appeal, not to the committee itself, but to the house. No standing order provides for an appeal from the chairman of a standing or select committee; but it has sometimes happened in standing and select committees that appeals were taken from the chairman's decisions to the committee and even to the house itself.

I would suggest that although at some times it has happened, it is not necessary to go to the House of Commons.

Mr. Howard then referred to what was said about the committee of the whole.

I would suggest, Mr. Chairman, that we have the authority within this group itself to judge an appeal.

Mr. REGIER: On a point of order, Mr. Chairman. Let us imagine for one moment—

The CHAIRMAN: We have already ruled on the point of order, Mr. Regier.

Mr. REGIER: I am speaking on the question of whether or not this should be referred to the house, or a vote taken here.

If a vote were taken here and the ruling were sustained, what would our position then be? The committee would then agree to continue discussions, yet the committee is prevented from again taking a vote on clause 1 because that vote has clearly been taken. There are all kinds of references to show that a committee cannot reverse its own decision. A committee has no authority to reverse its own decision.

If we have made a decision on clause 1, the effect of sustaining the chairman's decision would be completely lost.

The CHAIRMAN: My ruling at that time was that the vote did not kill the bill. My ruling was that it was to continue discussions.

Mr. HOWARD: You made no ruling then.

The CHAIRMAN: I said at that time that we would continue a discussion of the bill.

Mr. REGIER: Are you denying the minutes?

Mr. CHAIRMAN: I am not denying the minutes, Mr. Regier, but I said myself that the bill would continue.

Mr. DRYSDALE: I might point out that Mr. Regier was not present at the time this matter was discussed, Mr. Chairman.

Mr. REGIER: Would you say that a bit louder?

The CHAIRMAN: Gentlemen, you have heard my ruling and you have heard the appeal.

Mr. HOWARD: My appeal of your ruling was that it should be appealed to the house.

The CHAIRMAN: Mr. Howard has said the appeal should be taken to the House of Commons.

Mr. HOWARD: Yes, and not to the committee.

The CHAIRMAN: Despite the fact that on July 24 of 1956 an appeal was taken to the House of Commons from the Standing Committee on Banking and Commerce and the Speaker of the House of Commons ruled that the chairman's ruling should be settled in the committee and not reported to the House of Commons. Therefore, I rule we cannot take it to the House of Commons.

Mr. HOWARD: I am not appealing your decision to this committee because I do not think this is the proper place to do so. I also consider we have no right to proceed with the bill except, as pointed out, if the House of Commons recommits the bill.

The CHAIRMAN: Mr. Howard is not appealing my ruling then. In that case we should carry on with our discussions of the bill.

Mr. HOWARD: I am appealing your ruling to the House of Commons, not to this committee.

The CHAIRMAN: It is impossible to do that, Mr. Howard.

Mr. HOWARD: Then do not put words into my mouth.

The CHAIRMAN: I am not putting words into your mouth.

Is it your pleasure, gentlemen, that we continue our discussion of this bill?

Mr. REGIER: Mr. Chairman, I must rise now on a question of privilege. I notice in the evidence at page 231 it says:

The CHAIRMAN: Shall clause 1 carry? We will have a show of hands.

The CLERK: Six in favour, eight against.

Yet in the minutes—this is my question of privilege—at page 180 it says:

At one stage asked whether clause 1 carried. On a show of hands, the committee decided to continue the discussion.

These minutes, in my opinion, Mr. Chairman, are not in accord with the evidence. I feel that either the minutes or the evidence obviously is mistaken.

Mr. DRYSDALE: The minutes are based on the evidence so the evidence would stand.

The CHAIRMAN: The minutes are the official record of the committee. Shall we continue our consideration of the bill?

Mr. REGIER: Mr. Chairman, the evidence clearly says that the evidence is: "Shall clause 1 carry?" Yet the minutes say that the committee decided to continue the discussion. There is no report in the minutes as to whether or not clause 1 did carry.

I maintain that if the minutes are to be accurate they must carry a report as to whether or not clause 1 carried, because that obviously is the way you put it, "Shall clause 1 carry?"

Mr. DRYSDALE: Obviously clause 1 did not carry. We decided to continue our discussion.

The CHAIRMAN: The minutes are the official record and they show that we decided to continue with the discussion.

Shall we continue with the discussion now, gentlemen?

Mr. HOWARD: No.

Mr. REGIER: No.

The CHAIRMAN: We have two objections.

Mr. DRYSDALE: I think we should have a division.

The CHAIRMAN: Do you wish a division at this point?

Mr. HOWARD: On what?

The CHAIRMAN: As to whether we should proceed or not.

Mr. HOWARD: That has already been decided.

The CHAIRMAN: Then we will proceed.

Mr. HOWARD: It has been decided by the evidence here that we shall not proceed.

“Clause 1,—

The CHAIRMAN: Gentlemen, would you like the witnesses to come to the platform?

Mr. DRYSDALE: Yes, Mr. Chairman.

Mr. HOWARD: Although you have indicated that the committee is now ready to deal with this question, because of your ruling, because it was decided in the negative before, I for one, while I have had a number of questions in the back of my mind, feel I have no right to consider this clause. I will sit here and listen to the considerations but I refuse to participate in any consideration of the clause.

I want to make that clear to you, sir.

The CHAIRMAN: That will be noted in the minutes, Mr. Howard.

Mr. SMITH (*Calgary South*): Mr. Chairman, I assume that we have now disposed of the question of the appeal and the point of order. I think we should proceed with our consideration of clause 1 and find out if there are any other points that did not come out of the evidence. I would suggest, sir, that we have had a rather complete examination of the witnesses during the initial visit here, and I suggest that we now proceed to clause 1.

The CHAIRMAN: Mr. Smith, before we move to that I would like Mr. Broome, who sponsored this bill, but who was unable to be here because he was in Rio de Janeiro last week, to say something regarding this bill.

Mr. DRYSDALE: You better mention that he was there on business.

The CHAIRMAN: Yes, Mr. Broome was in Rio de Janeiro on parliamentary business.

Mr. HOWARD: I cannot hear back here.

The CHAIRMAN: Could you come up here, Mr. Howard? I would like to see you up here. There are two nice seats up here.

Mr. REGIER: Mr. Chairman, I find that I cannot participate in a meeting which is not in accordance with our practices and our rules of order.

The CHAIRMAN: It is just too bad, Mr. Regier, that you were not here at the meeting at which this was decided.

Mr. HOWARD: I was here, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. HOWARD: I do feel that I cannot participate in any considerations by this committee of this bill.

Mr. BROOME: I wish Mr. Howard would remain for two minutes.

Mr. SMITH (*Calgary South*): He is somewhat undecided.

Mr. HOWARD: I would like to, Mr. Broome, as I would do almost anything for you, but I cannot consider something which has already been decided in the negative.

Mr. BROOME: Mr. Chairman, I would like to point out before Mr. Howard leaves that Mr. Howard participated in a sitting which he believes to be illegal. Mr. Howard moved, seconded by Mr. Campbell that the committee adjourn and meet at the call of the chair. This to my mind indicates that in all of these proceedings Mr. Howard has taken the same stand that other members of the committee took here.

I read these minutes over very, very carefully, and the question was simply one as to whether a further discussion was required, or whether the committee was ready to vote.

Mr. SMITH (*Calgary South*): I suggest we proceed, sir.

The CHAIRMAN: Yes.

Mr. BROOME: I do feel that it might be best to have the unanimous decision of this committee, as present, that they support you in this regard.

I believe the witnesses for the company would like to make a short statement in regard to a couple of points, Mr. Chairman, on which there seemed to be little bit of ambiguity at the last meeting.

As far as I myself am concerned, my association with the company has been an indirect one. I have no shares of the company whatsoever, and as Mr. Smith has pointed out in the minutes of the meeting, I have no axe to grind. I believe Trans Mountain Oil Pipe Line Company has done a tremendous job for western Canada by operating as a Canadian company in the interest of Canada.

In regard to the splitting of shares, I read the statements made by Mr. Pearce and I suggest that if I had been a member of the committee I would have taken a lot of those statements with a grain of salt because, the stock being so closely held, a person who is in the stock business can make a lot of money because of the leverage a block of stock can exert on the price of the stock, having in mind the manner in which stock fluctuates.

At the time of the Suez crisis I was intimately connected with the company as a result of working for an engineering contract firm. The company at that time was faced with the problem of immediately increasing its capacity to a marked extent. The commitments in regard to increasing the capacity would run into millions of dollars. The company at that time had the money in order to do it.

As I read the statement made by the company officials, they are asking parliament for the flexibility in regard to their capital structure which will allow them to raise money on the open market very quickly if it is needed. There will be no diminishing of the equity of any shareholder. Each shareholder will hold the same equity after the split has been made as they held before the split.

This split simply enables the company to run its own affairs and, on the advice of the financial people, they will be able to offer stock to the market in such a form that it can be taken up quite rapidly right across the country.

The history of previous stock splits of this nature prove that a stock split broadens the base of ownership in regard to the number of participating stockholders.

The point raised in regard to the company being associated with these major oil companies; that they would have no reason to go to the open market for funds, is something which I cannot agree with, because the financial commitments of these oil companies at that time would not be known.

All this company wants is to be able to stand on its own feet and operate without having to ask three or four oil companies for their support in regard

to an expansion. If the company feels that it needs an expansion in order to serve the people—those people they serve include not only the major oil companies, but independent companies as well by carrying crude from the producing fields to the markets—and the company requires extra capital in order to increase the capacity for carrying this crude then the company should be able to operate as an independent company rather than as an adjunct of some of the major oil companies.

In fact, in the United States, the whole trend has been to try and keep pipe line companies away from the control of major oil companies.

This company I believe has, through plan, followed a course which will allow them to be independent of these major oil companies. These major oil companies will be connected for the length of time that they have guaranteed the bonds. The building of the pipe line was only made possible as a result of these major oil companies guaranteeing these bonds. This was a highly risky enterprise.

I can assure the members of this committee that this is a measure which will be of value to the stockholders. This was proven by the fact that at the special meeting which was called there was only one stockholder who had anything adverse to say in regard to this stock split. On reading through the minutes later on it appeared that that stockholder was under a certain misapprehension.

The stockholders have approved this measure. If this company had not been incorporated under dominion charter it would be able to split its stock at any time at all. You can see how long it has taken to try to get the stock split through here.

The company just wants to be prepared so that they have the flexibility of operation when and if they need it.

The CHAIRMAN: Thank you Mr. Broome.

Do you wish to ask any questions of these gentlemen?

Mr. DRYSDALE: One of the officials of this company was going to make a short statement in order to clarify something.

The CHAIRMAN: Is it the general wish of the members of the committee that we hear this short statement?

Some hon. MEMBERS: Agreed.

Mr. J. A. RENWICK (*Solicitor for the Trans Mountain Oil Pipe Line Company*): Mr. Chairman and members of the committee, appearing with me this morning in addition to the gentlemen who were with me a week ago, are Mr. I. G. Wahn, who is director and general counsel for Trans Mountain Oil Pipe Line Company, and Mr. J. Langdon, who is from McLeod, Young, Weir and Company Limited. With your permission, Mr. Chairman, I would like to ask Mr. Wahn to make a short statement.

The CHAIRMAN: Mr. Wahn, would you like to come up here, please?

Mr. I. G. WAHN (*Director and General Counsel for the Trans Mountain Oil Pipe Line Company*): Mr. Chairman and committee members I realize, as has been mentioned, that this statement should be short. It will be short.

I welcome the opportunity of being here. However, I regret that I missed the very interesting discussion which took place last Tuesday. However, I have read the transcript.

I particularly welcome the opportunity of saying just a few words because of the adverse publicity appearing in the press in recent months with regard to pipe lines.

I would like to emphasize that of all that adverse publicity none of it has related to oil pipe lines, and it specifically did not relate to Trans Mountain Oil Pipe Line.

Fortunately a study has been made recently sponsored by the Merrill foundation for the advancement of financial knowledge in regard to pipe lines on this continent. That study indicates that Canadian oil pipe lines represent the best that could be expected in the way of financing and construction. Specifically, Trans Mountain Oil Pipe Line is almost an ideal example of this type of oil pipe line company.

Extracts from that study appear in the submission made by the Trans Mountain Oil Pipe Line Company to the royal commission on energy, copies of which have been given to you.

When the company was first formed, according to policy, it was decided that it should be a Canadian enterprise and that there should be Canadian participation. It has been pointed out that the major oil companies now own approximately 30-odd per cent of the outstanding shares only.

At the very beginning it was also decided that the employees of this company should be Canadians. It would have been easy to import technicians from the United States and other countries. A training policy was established at great expense, and at the present time its employees are Canadians. Our relations with our employees are good.

At various times, various motives have been suggested for this stock split. Responsible officers of the company have given you the reasons. I can merely repeat those reasons: that we have been advised by reputable financial advisers that a stock split would make for wider participation. We are in favour of wider participation in the company. It would also facilitate future financing, when future financing becomes desirable. We are confident that this pipe line, although now operating at a fraction of its capacity, is a vital link between the oil fields of Alberta and the markets for oil on the west coast, and in the future we may again have to increase our capacity. We cannot tell when this will happen, but we have confidence that it will happen. We may then need to be in a position to do future financing. We would like to have the stock split so as to give us the greatest possible flexibility in making these financial arrangements when the time comes.

Mr. Langdon of McLeod, Young and Weir Company is here. His firm along with that of Wood, Gundy, these firms being our financial advisers, have indicated that a stock split would be in accordance with sound business practice and in the interests of the company and of the shareholders.

Thank you.

The CHAIRMAN: Thank you very much, Mr. Wahn.

Mr. DRYSDALE: I notice that you are a director of the company, Mr. Wahn. How many shares do you have?

Mr. WAHN: I have 102 shares.

Mr. DRYSDALE: Do you know the shareholdings of the other directors?

Mr. WAHN: Mr. McQuarrie, the secretary, has that record.

Mr. DRYSDALE: You made mention of a wider participation by means of the splitting of the stock, in your explanatory notes, and you said that you hoped it would bring wider participation of the company's shares among investors in Canada.

I suggest that neither you nor the investment houses know whether or not it would.

Mr. WAHN: The investment houses have expressed the belief that it will do so, based on the experience of previous stock splits—that it will increase the number of shareholders.

Mr. DRYSDALE: The number of Canadian shareholders?

Mr. WAHN: I do not know if they dealt with it from that standpoint, but that it would increase the number. I presume it would include both Canadian as well as non-Canadian shareholders.

Mr. DRYSDALE: You said that you required the stock split. Why not have it two or three years from now?

Mr. WAHN: I cannot tell you as of this moment when we shall have to do additional financing.

As you will all realize, conditions change very quickly in the oil industry. We realized that very painfully a year ago when Trans Mountain was in the position of operating at capacity. But had we had greater capacity at the time of the Suez crisis, we could have used it.

It is only a year since that time, yet we are operating at only about one third of our capacity. But that situation could change just as rapidly the other way.

We consider it would be most important for Trans Mountain always to be in a position so that it is in advance of requirements in the way of capacity rather than behind them.

It would put us in a very awkward position if we could not transport the oil offered to us. Therefore, even at great expense, we must try to enlarge our capacity in advance of the demand and we must be prepared to move quickly when we see the demand building up. The situation could change quickly if the Middle Eastern crisis developed further within the next six months.

Mr. DRYSDALE: There are approximately $3\frac{1}{2}$ million shares, and they sold from approximately \$58 up to about \$140.

You are producing today at only one third of your capacity. You produce 250,000 barrels a day. But if you increased today up to, let us say, 600,000 barrels, the increase would cost approximately \$200 million.

Very simply put, if there was an urgency, I assume the stock of Trans Mountain would go up in price. Your investment houses recognize that the treasury should not be completely denuded. I would suggest, taking the value of 100 for your shares, even if the expansion were necessary, you would get 200 million through the issue of about—you have about $1\frac{1}{2}$ million shares in Trans Mountain issued at the present time?

Mr. WAHN: Yes.

Mr. DRYSDALE: Without the necessity for a stock split; so why should there be a problem about future financing?

In addition, your supply of oil comes from about five or six sources, very large companies which would be giving you the business and which I assume would be quite anxious to sell their products, and which could assist you with any interim problems.

Therefore, why can you not come to parliament and say: this is what we propose to do?

Mr. WAHN: I think the answer to your question is that it is difficult to judge the length of time it takes to get a stock split bill through parliament. In the case of a pipe line company, it might take a considerable time.

On the other hand, I cannot say to you that it would be impossible for us to raise the money in the required amount if a stock split does not go through. I cannot say it would be impossible. What I do say is that we feel it would be advantageous in the interests of the company and the shareholders and to the country if the company were put in a position where it could offer its shares at a lower unit price. That would facilitate future financing.

We cannot say, for example, whether any future financing would be done entirely by means of issuing stock, or issuing stock warrants or rights, or whether it would take the form of issuing part debentures and part stock.

I think you have made a very good point. If future financing becomes desirable, it will very probably be because we are utilizing our capacity to its limits and therefore our stock would be highly priced.

Our financial advisers have told us that it is sound practice to do financing with smaller units rather than with units which might be as large as \$145, as our shares were a year ago.

Mr. DRYSDALE: According to Mr. Morrison, at page 190 of his statement, he suggests with a capacity of 600,000 barrels a day—he says that you have intimation of the use which is going to be made of your pipe line by 1962, 1963, or 1964. That seems to be a considerable time away. I cannot see why if you have a more definite idea of what you are going to do, why you need a split at this time aside from the very evanescent statement, that you are out to make quite a bit of profit, on behalf of Canadians. But I think the time when it would have been of more assistance to Canadians would have been when you originally issued the stock at \$10 per share, when a lot of people would have been quite anxious to participate in it, but had great difficulty in doing so.

Mr. WAHN: At the time of the original stock issue, every effort was made to get as wide a distribution of the shares as possible that were issued.

Mr. SMITH (*Calgary South*): There are other factors which are relevant to Mr. Drysdale's question. First of all, these are the effective costs which have spiralled in construction of the right of way. Admittedly in many instances, the loop would be laid in the same ditch.

But the estimated cost of construction today may not be too closely related to the cost which you anticipate and it would, to a degree, be reflected eventually in the overall cost, and the eventual movement of 600,000 barrels.

I think there are other aspects too, and I would ask the witness if he would concur in some of the bitter experience we learned, and that is that the time you wish to go into the bond market in order to market securities is unfortunately not something that you can pick or choose, because of the fluctuations within the financial markets themselves.

I think a third point is that regardless of the timing, the undertaking that you are going to have to make to your shareholders is that you remain in sound financial position, keeping in mind what you have yet ahead of you to do, and the possibility of increasing your costs and at the same time the difficulty which any bond man knows, in trying to market 100 at a unit which will, in itself, divide your purchasing position.

That is the combination of factors which I suggest you are concerned in meeting in your application.

Mr. WAHN: I agree.

Mr. DRYSDALE: May I read an excerpt from the Harvard Business Review entitled "Stock splits in a bull market" by C. Austin Barker.

On page 73 they take up two situations: first, where there is a stock split with dividends, and secondly, when there is a stock split without dividends.

Under these circumstances, from what I can gather, there is no dividend contemplated.

They refer to an exhibit which is contained in the report which is not necessarily for us to refer to. But they say this:

Exhibit II, on the other hand, shows what happens when a stock split alone is offered, without any dividend increase. As was true in 1951-53, this situation brought about a slight initial gain in stock price. For 1954-55 it averaged 5 per cent as opposed to 6 per cent in the earlier period. A significant difference occurs, however, in the six month period after the split. Instead of merely sinking to the general market level, as before, prices dropped 8 per cent below this level.

The point which worries me is that he contends there is going to be a drop when the shares are split. But there has been no indication to my mind as to the necessity for a split at this particular point.

Perhaps I might mention one further quotation at page 76 *ibid*, which says:

Perhaps the most puzzling aspect involved in appraising the impact of stock splits on market price is that presented by the so-called 'broadened base of ownership' theory. It has been argued that a wider market exists for stocks after a split-up, that this implies greater demand, and that greater demand in turn drives up market price in relation to cash dividends per share. Whether this is true may be hard to determine with any certainty; my own opinion is that it is false.

So long as professional investors furnish the 'marginal demand' which determines the stock price, that price will depend on the present value of estimated future earnings and dividends in relation to inherent risk. To professional investors the question of whether or not there has been a stock split is more or less a matter of indifference. A high dollar value per share does not deter them from making purchases; cutting the stock into two or more parts does not make it more attractive. In so far as prices reflect professional investor opinions, they are not responsive to stock splits.

And one more quotation at page 77 *ibid*:

Before leaving the topic of broadening the ownership base, it seems well to raise a question as to whether some companies do not exaggerate the importance of this. Many seem to fear that a narrow base thins the demand and thus causes stock to become more vulnerable in price if large quantities are offered for sale. To what extent is this actually true? The answer has not been established conclusively. Perhaps of more significance to management is the fact that the purchase of large amounts of stocks by mutual funds and other institutional investors has helped supply, through indirect ownership, the vast amounts of new equity capital needed for postwar expansion.

The difficulty I have on the basis of the statements that are made to the professional investor is that the stock split does not make any difference.

There is no indication of when you are going to finance, or if you are going to finance in 1962, 1963 or 1964. And the difficulty I still feel throughout all these proceedings is that it would be possible for you to enter into an agreement with the underwriters setting out a basis upon which you propose to finance, with the one contingency that it receive the approval of parliament.

At the present time you talk about the past which does not seem too strong according to certain authorities, and you say you want flexibility for future financing, although you have some 3½ million shares which apparently could be disposed of quite easily to the professional investors, because you would be wanting to dispose of sizeable chunks. The amount per share is not a large factor at all, but the future earning power would be.

The only time they would require that increase would be in the case perhaps of a sudden emergency. If all supplies were cut off from the Middle East, then the shares of this company could be sold at a profit. I do not think there would be any doubt about that.

Mr. WAHN: Of course the treasurer of the company or Mr. Langdon, could speak with more authority than I can in regard to the effect of a stock split.

There has been read into the record a letter which we received from McLeod, Young, Weir and Company and from Wood Gundy, to the effect

that a stock split—or suggesting that the effect of a stock split—would be advantageous under the circumstances, and that it would probably increase the number of our shareholders.

Mr. Langdon of McLeod, Young, Weir and Company might speak to that point.

Mr. DRYSDALE: I would be interested to hear from Mr. Langdon.

Mr. HORNER (*Jasper-Edson*): I would like to make two comments. First of all I would like to correct the evidence at page 216 where I asked about the shares of the company. It should read: "Could not buy them", instead of "Should not buy them", because I am sure they were not available to the general public.

Secondly, I think that the idea that the splitting of shares is going to broaden the base is a fallacy. I think its effect would be only to increase the equity which people are able to buy. You are not increasing the base at all. All you are doing is to split the equity, but you are not increasing it.

I agree with Mr. Drysdale. Why is the stock split required at this time?

If you are going to split stock and put your bonds and shares on the market, then all very well, I could see where some Canadians would have a chance to share in this company. But if you are going to split the stock and not put any shares on the market, how are you going to do it?

To my way of thinking you are going to create a market for a substantial number of shares. They are going to be of a lower price, but there is only going to be a certain amount of shares, and for this reason those shares will go up in price, especially if the Middle East situation should become more critical. They would go away up.

Who will make a great deal of money?

It would appear to me that the major oil companies will stand to make more than the \$25 million which they have already made from the shares they have received.

For these reasons I would make one more comment for the record. I voted against clause one originally on the basis of the chairman's argument that we required further explanation and further witnesses. I want to put that on the record.

I do not agree with the argument that a share splitting is going to broaden the base. I think it is a fallacy. I am not convinced that it will increase the base.

Mr. SMITH (*Calgary South*): I question this. I do not believe that any bond dealer would agree to a contract to underwrite this company on terms which include as a condition the granting of authority by parliament under this bill. It is simply that!

The CHAIRMAN: Let us hear from Mr. Langdon of McLeod, Young, Weir and Company.

Mr. J. E. LANGDON (*Vice-President, McLeod, Young, Weir and Company Limited*): May I have that question again?

Mr. SMITH (*Calgary South*): Mr. Drysdale suggested that one way of meeting the difficulty would be to have the company negotiate a deal with the underwriters but conditional upon parliament eventually granting the request which is contained in this bill. Is that not really a condition in the underwriting?

Mr. LANGDON: I think that is putting it a little mildly. There are two or three things to consider. One is that the company would undertake financing because it needs the money for expansion. It would not go to the underwriters and say: we want to issue some stock, but subject to our act being passed by parliament which might take around six months to a year.

You could not sell stock on that basis. Furthermore, we would not underwrite on that basis.

Secondly, the company will not get the money for expansion if it tries to finance on the basis that they would get approval from parliament to a stock splitting.

Mr. DRYSDALE: I refer to the "Canada Corporation Manual" in which they have some precedents gathered from underwriting agreements with respect to the issue of the shares of a company—I do not know the nature of the clauses or the types of agreement involved; but on page 12 they have this to say:

- (12) If there should occur on or prior to
- (a) any catastrophe of international or national effect which in our opinion is adverse; or
 - (b) any strike, labour unrest, accident, government regulation or other occurrence of any nature whatsoever which, in our opinion, seriously affects or may seriously affect your business or this transaction; or
 - (c) any conditions or situations in the financial markets in Canada or elsewhere, including those occurring or subsequently occurring or arising which, in our opinion, would or might prejudicially affect the profitable marketing of the class 'A' and class 'B' shares or make it inadvisable or inexpedient to offer or continue to offer such class "A" and class "B" shares for sale

we shall be entitled at our option to terminate all our obligations hereunder by giving you on or before said date notice to that effect.

These contingencies seem to be a little general and I fail to see the difficulty, that it would be impossible to include the contingency of approval of parliament; because I am sure you would have this type of clause in your underwriting agreement. I cannot see the difficulty suggested by Mr. Smith.

Mr. LANGDON: That is a very familiar paragraph to me. That goes into every underwriting letter. It is a set clause.

Mr. DRYSDALE: As far as your company would be concerned, they would have absolute protection; that is, if Trans Mountain came to you and you arranged the proposed agreement saying "contingent on approval of parliament".

Mr. LANGDON: I would not go as far as that in agreeing with you. I should give you a case history. Supposing Trans Mountain want to go ahead and enlarge the line, and to do as require \$30 million or \$40 million, I doubt if they would place firm contracts with the supply offices for pipes without knowing they had the money. Now we have an out-clause in our underwriting agreement, because we must have a legal piece of paper. If we go to sell these bonds to an institution they are not going to wait months for these securities without penalizing the company.

Mr. DRYSDALE: You do not know how many months they would take because the company has never come to parliament with a firm reason why they would require the split or the money as yet.

Mr. LANGDON: It is only an anticipation. I was going to add that with the out-clause, we also have another clause, which fixes our closing date. The clause you mentioned is one merely for protection in the event we have war or something like that, and we are unable to do any more financing. The other clause says on or before such a date we will close. And then there is a third clause which has reference to when we clear the securities and we are on the hook, so to speak. On that point the company issuing the securities

does not have to worry because the underwriter has agreed to buy them, and has to raise the money somehow and pay for them on the closing date. But we do not allow any longer period than we can, because we want to limit our liability. Normally there is a short period, two or three weeks, between the time we sign and our closing date.

Mr. DRYSDALE: There would be nothing to prevent you then if you knew this bill was going before parliament to enter into an underwriting agreement with the company and set a time limit of two or three months.

Mr. SMITH (*Calgary South*): This is not the experience we have had with the bill.

Mr. DRYSDALE: Because nothing has been proposed by the company which we could examine.

Mr. LANGDON: I do not know of any cases where any financing has been done on that basis.

Mr. PAYNE: My question has to do with exhibit 4—Trans Mountain Oil Pipe Line Company.

The CHAIRMAN: In the brief?

Mr. PAYNE: Exhibit 4 sets forth a certain number of share holdings as of March 27, 1958 and inasmuch as it indicates effective control of the company is held by American subsidiaries, I would like to refer to the explanatory note where it states this issue should encourage a wider distribution of the company's shares to Canadian investors. It is this matter of Canadian investors and equity stocks in Canadian companies that is of prime interest to me, because in reading clause 1 in the preamble certainly there is nothing indicated there which in any way protects the Canadian investor and assures that he has adequate opportunity to participate in one of the basic oil carriers of this country. I would like to have that subject enlarged upon. What undertakings, if any, are made on behalf of Trans Mountain to see that Canadian investors and equity holdings of this company remain to the limit possible in Canada. I do not see that assurance.

Mr. WAHN: Our answer to that is that the best assurance is what has in fact happened. At the inception of this undertaking the major oil companies guaranteed the bonds which provided most of the money, but as a matter of policy limited their own participation in equity and made equity available to independent oil companies in Alberta and to the general public; as shown in the exhibit, the participation in the equity by the major oil companies at the present time amounts to something like 30 per cent odd, I believe. That is a matter of deliberate policy in large measure, and I think that is the best answer I can give to the question.

Mr. PAYNE: But there is no assurance given in any way that this equity holding, if offered again for sale, would be in fact given as a preference to Canadian investors? There is nothing in the world to preclude your giving warrants against bonds and debentures in the future and going to the American market, as has been the case in so many corporate movements in the past.

Mr. RENWICK: Perhaps Mr. Langdon could outline this matter for you. The exact steps taken to ensure Canadian participation was to make available the original 450,000 shares which went to the public during the course of the marketing. The best steps taken were taken to ensure Canadian participation.

Mr. LANGDON: When we underwrote the common stock there were 450,000 shares and we were asked by the company to get as wide a distribution as possible. We made an offering to all members of the Investment Dealers Association right across the country and to all members of the recognized stock exchanges. At the same time we suggested to them—we did more

than that—and told them they had to limit the number of shares to each customer. Following the primary distribution we got reports from all the dealers showing the number of sales and the number of shares per customer. I believe that Mr. Taylor has that on file somewhere. I know we did return those forms to the company in regard to the distribution.

The CHAIRMAN: Gentlemen, are there any other questions?

Mr. PAYNE: This is still a matter of concern because in exhibit 3, Canadian shareholders are holding somewhat less than non-resident individuals and companies, and the greater amount is still held by what is listed as Canadian companies. In many cases they are, yes, but they are American controlled subsidiaries.

Mr. SMITH (*Calgary South*): Now just let us take that statement. I wonder if you have your list there so that we can clarify what is and what is not. It may not be important to the evidence. We are talking about exhibit 4. Is it not correct that a good number of these companies are Canadian companies as such, and as a matter of record? I would like also to say one thing which we have on many occasions inferred, Mr. Chairman, and that is that there is a substantial gain to be obtained by the guarantors, the deficiency payment holders, and that is essentially true. But I think we should look back at the history of this thing when there was no assurance that this would be a success some years ago, at the time when we had not too many people enthusiastic about entering into an agreement regarding an oil line. It is another thing to look back after we have had a success and say, "look at the money the people are going to make". One should remember the intestinal fortitude which it took to put money up in the first place to make this function. There is no suggestion that these people did recognize that a risk was involved when they put up money, but I think that is a factor which should be taken into consideration. My friend asked how many of these are Canadian. There is Canadian Oil and Edmonton—

Mr. DRYSDALE: One at a time please.

Mr. SMITH (*Calgary South*): The first four are American corporations.

The CHAIRMAN: Mr. Langdon, would you care to answer that question?

Mr. LANGDON: I may not know the answer in every case.

Mr. DRYSDALE: Would you please read the company and designate whether it is Canadian or American.

Mr. LANGDON: British American Oil Company—United States interests have a substantial holding; Imperial Oil—controlled in the United States; Richfield—controlled in the United States; Shell—probably controlled by the Royal Dutch Shell; Standard Oil of British Columbia—United States; Union—United States; Canadian Oil—Canadian; Bailey Selburn—Canadian; Calgary and Edmonton—probably Canadian; Calvin—at the time it was Canadian but now it is Belgium controlled; Central Leduc—Canadian; Del Rio—Canadian; Home Oil—Canadian; Hudson Bay—jointly controlled by Continental in the United States and Hudson Bay Company; National Petroleum—not certain; Pacific Petroleum—Canadian; Royalite—Canadian; Security Free Hold—not certain; Trans Empire—not certain; Triad—substantial English holdings.

Mr. DRYSDALE: The American companies have the majority of the shares?

Mr. LANGDON: In this group.

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. DRYSDALE: I would like to ask Mr. Langdon what effect would the stock split have on the shares?

Mr. LANGDON: I think the new stock, that is the split stock, would probably sell higher.

Mr. DRYSDALE: Would you agree with the statement of this American, Mr. Barker, who stated that it would sell high but in six months there would be a probable levelling to a figure some 8 per cent lower?

Mr. LANGDON: That is a \$64 question. On the basis of earnings Trans Mountain stock is not worth \$58 because the earnings of the first half are 25 cents a share. The stock is selling high because of the general feeling that there was a terrific potential in this company, but the oil will eventually move from Alberta into British Columbia and down to district No. 5. At the moment, for various international reasons, the through-put into Washington is not as high as we would like to see it, but in the long run that actually is going to move through to the full capacity of that pipe line; and that is why they are buying it. They are buying it for the future.

Mr. SMITH (*Calgary South*): I wonder if there is not also another reason. Is it not also because of the reaction, mostly psychological, by Canadian investors toward pipe line shares as a whole? Can you think of one pipe line starting with Alberta and going through trans Canada, through Quebec, that has not reacted accordingly?

Mr. LANGDON: They have all followed the same pattern.

Mr. DRYSDALE: You say the stock has tremendous potential. In that case there would not be any difficulty in selling the treasury shares, then.

Mr. LANGDON: It depends on the market to which you are going to sell at the time.

Mr. DRYSDALE: That is the same for any stock; but if you are going to expand, then presumably you are going to expand for some reason. If it was a situation somewhat similar to the Suez crisis, or where the oil was cut off in the east, then I think the average investor would see it had great potentialities. Would you agree that you would not have any difficulty in selling the treasury stock, whether you sold it at \$100 or \$140?

Mr. LANGDON: No, it would not be as easy as that. It would be easier to sell at a lower price because you would have a larger number of people to sell the stock to.

Mr. DRYSDALE: But selling it at the higher price, you would have the investors with the larger amount of money who could produce a larger number of shares.

Mr. LANGDON: You are speaking of treasury stock now?

Mr. DRYSDALE: Yes. You have 3½ million treasury shares. Would you say under these circumstances there is no present intention of any financial expansion in order to reach an output? They are going up to perhaps 1962 or 1964 and according to the graphs which they had in their own exhibit as to the steps in the production which are projected up to 1976, do you generally under these situations recommend a stock split? The company has said throughout that they do not need any money now, but they do not know when they will need it. Their expansion is extended up to 1976, with a maximum expenditure by 1963 or 1964 of some \$200 million which to my mind can be raised quite easily. Does your company usually recommend stock splits under these situations?

Mr. LANGDON: Let us say the stock is selling at \$75 or \$90 when we want to raise additional money. At that time we would recommend a stock split; today the company says we do not need any money, but we do not know when we are going to need it.

Mr. DRYSDALE: Today the company says we do not need any money at present but we do not know when we are going to need it; yet on their own evidence the peak period would be perhaps 1962 to 1964 and on the basis of the graphical projection it would be in 1976. Do you give a stock split for no reason other than allowing more Canadians to participate?

Mr. LANGDON: That is a theoretical question you are proposing and it is difficult to answer. Our recommendation would have to be based on conditions at the time the company wanted to finance.

Mr. DRYSDALE: Why are you recommending it now?

Mr. LANGDON: Because the Company would be in a better position if they would want to move quickly. If the market is right, it is desirable we move in within two or three weeks; otherwise the company may lose its opportunity.

Mr. DRYSDALE: Would not the sale of treasury stock in the interval, if the situation was that good, take care of the situation?

Mr. LANGDON: Let me answer it this way; if the company were to issue treasury stock tomorrow—

Mr. DRYSDALE: No.

Mr. LANGDON: You are asking me to look to the future.

Mr. DRYSDALE: You said they would want to move fast during favourable market conditions. If they move tomorrow at \$58 a share and they are operating at one-third of their capacity, I would not say that is a favourable market condition. But if the oil supplies were cut off from the east and they started pumping their maximum barrels—250,000 a day—and wanted to go up to 600,000—at Suez they said they could go up to 450,000, which would mean a \$100 million expansion. Under this set of circumstances where there is a favourable market, that looks like a good demand, could you not finance it from treasury stock?

Mr. LANGDON: Under those circumstances we could sell the treasury stock, but it would be rather costly.

Mr. DRYSDALE: Why?

Mr. LANGDON: We would have to sell it under the market. It would be in addition to our underwriting fee. It would also have the effect that the potential buyers for that stock would be professional buyers, people who can afford to carry that stock for years without any dividends or for a small dividend. We would not attract the small investor.

Mr. DRYSDALE: In connection with this attracting the small investor, the explanatory note—and I am sorry to be going around in circles—they encourage a wider distribution of the company's shares among investors in Canada. How do you propose to do that? It is estimated in your letter that there will be an increase in the shareholdings by some 10 per cent or 15 per cent. In your experience, could you give any estimate as to what proportion is likely to be Canadian and what proportion American?

Mr. LANGDON: I am afraid I could not give any estimate; you do not know. It depends on the individual investor, whether he wants to buy the stock or not. But the Trans Mountain stock at say \$10, \$11 or \$12, would undoubtedly attract a large number of small buyers who would put the stock away.

Mr. DRYSDALE: Either Canadian or American.

Mr. LANGDON: I think more Canadian buyers rather than American buyers.

Mr. KEAYS: Before asking a question, I would like to make an observation. In listening to all these arguments in favour and against the stock split of Trans Mountain, it does not seem logical to me that a company, because it is formed by enactment of a law of the federal parliament, should be subject to troubles which other corporations do not have to undergo. The directors of the company are supposedly intelligent people. They are counselled by good financiers, and if they see fit to split the stock, I do not see why, other corporations which also protect the Canadian individual having been allowed to do so, that they should not be allowed to do so. It seems quite proper. We are living in a democracy and these people after all are Canadians and if they want a stock split I do not see why, or under what hidden reason, it should not be allowed.

My question is this: is there any intention whatsoever amongst the directors of Trans Mountain Oil Pipe Line Company to get the guarantors off the hook by the stock split?

Mr. WAHN: Mr. Chairman and gentlemen, I have attended, I think, practically all of the directors meetings of Trans Mountain since incorporation. I was one of the original incorporators, and I am now a director and general counsel. I have never heard any suggestion that the purpose of the stock split is to get the guarantors off the hook or off the guarantees. I do not believe that that is any part of the reason for the stock split.

Mr. HORNER (*Jasper-Edson*): I agree, if this was an ordinary corporation dealing with something else it would be quite fair; but this is a corporation dealing with a monopoly market, to all intents and purposes. It is actually classified as a public utility. All other utility companies in the various provinces have to make representation to the public utility commission and they have to present quite a lot more information than has been presented to us. I would like to ask Mr. Langdon one question. In respect of a desire on the part of the company to get a broadened base why were not an additional 1 million shares made available to the public of Canada at the original time?

Mr. LANGDON: I think that the answer is we did not need to issue more than that. The six or seven companies which backed this line incidentally did not guarantee the bonds. They put up a deficiency agreement that they would make good any losses in connection with the bonds. They did not want to put any more money into the line than they had to, because they had use for their own capital in their own ventures.

As a result of a round table discussion, if you like, we felt that with this deficiency guarantee we would be able to raise 80 per cent of the money by way of a debt and the other 20 per cent would come through common stock. The companies concerned said that at any time they would provide so much of the equity money at the same price that the public was paying for it. There is a distribution there of the shares. Even from the block offered to the independent oil companies, there were 450,000 shares left which we offered to the public at \$10 a share, which was the same price that the sponsoring companies paid. You say, why did we not issue another 1 million shares. Simply because they had use of their own money elsewhere.

Mr. HORNER (*Jasper-Edson*): I mean issue the shares through the public, if they wanted a broadened base.

Mr. LANGDON: It was a better marketing operation, from the underwriter's point of view, to have the sponsorship of those companies which enabled us to market the 65 million of bonds at the time, and when we came to offer the stock it was put out as a speculative security at that time because there is no assurance that the company would complete the line. We kept it down to 20 per cent. That was all we needed at that time.

Mr. HORNER (*Jasper-Edson*): Why did you not have a larger capitalization at that time? I mean this bill says that you are going to do this to broaden your base. I do not think that is a true statement, because as you said before you are not going to issue any additional equity. It is the same equity spread out in smaller chunks, and if you wanted a broader base you could have done that originally.

Mr. LANGDON: I think that is the point which was made earlier in the discussion. It is a question of Canadian participation. If the company decided that they need additional capital and if it is possible to do it under the terms of the existing trust deed then they have to go through the capital stock route. Say that you issue stock to the shareholders by means of the rights, which would be the customary way, that would automatically bring about an increase in Canadian participation because the company would have to come

into consultation with the S.E.C., which is a long and expensive undertaking, and American shareholders cannot participate in those rights and they would have to sell them here. Also the United Kingdom shareholders could not buy stock in the form of rights because the Bank of England would not allow them to send the money out of the country. You would have those rights coming back to Canada and we would have to find a market for them here and we would have to see that they were sold.

Mr. DRYSDALE: Have any shares been sold or listed on any United States exchanges?

Mr. LANGDON: I would say no.

Mr. DRYSDALE: Since I have been carrying a fair amount of the questioning, I feel perhaps, as Mr. Keays alleged, that the company knew what it was doing and I do not doubt that we were in effect just a rubber stamp.

The CHAIRMAN: I do not think the words "rubber stamp" should be used.

Mr. DRYSDALE: I said "In effect a rubber stamp". He said that the company knew what it was doing with the stock split and here it comes to us and we should merely O.K. it.

I feel that the business of this committee is to investigate and look into the company policy. In other words, we should, as representatives of the citizens of Canada look into it. I am not trying to be altruistic but I think we should examine it in an effort to ascertain what is going on.

The difficulty which I have had during all the hours of this discussion is that I always come back to the point that I cannot understand why on earth they are doing this stock splitting, and what explanation was given to the shareholders as to what the purpose of the stock split is; or are we just going back for wider distribution among Canadian citizens and providing for the future financing of the company. If that is it, I suppose we might as well terminate it.

Mr. RENWICK: I would like to try to answer those questions which I know have been of concern to the committee, and also, I would like to attempt to answer Mr. Payne's question about Canadian participation.

The purposes of the bill are as stated in the explanatory note, one of them being to provide wider participation. In the initial financing of the company 450,000 shares went to the Canadian public and every effort was made at that time to ensure that the shares would be bought by the Canadian public, and when I say the Canadian public we have to exclude institutional buyers to a large measure. The insurance buyers are limited in taking up the shares of this company.

What the company wants to do is to interest the ordinary citizen throughout the country and to give him an opportunity to buy into the company at a price which he is in position to pay.

Mr. DRYSDALE: Why?

Mr. RENWICK: One of the ways which we think will assist that development is by a subdivision of the shares of the company. We cannot guarantee that there will be a wide participation from this, nor can we guarantee there will be a wider participation by Canadians, but we think there will be; it is our earnest hope that there will be. Certainly the experience indicates that as a result of a stock split a wider participation will result. We also think a wider participation by Canadians will result when they understand the position of this company; that it is a risk investment, but that on the other hand it is engaged in an effort to transport Alberta crude oil through to the available markets.

Now, on this question as to why we come now and why we do not wait, I think the only answers that we can make to that are that we want to be able

to issue shares if and when they are required to raise money. We want to be able to issue those shares at a price which will provide opportunity for individual Canadians to buy those shares. It does not seem to me to be appropriate to say, well we could issue the shares in a situation when the stock is around \$100 a share or \$140 a share, because I do not think so many people, whether they are anxious to or not, could participate as individuals in an investment in a company at that price. There is a further point which I would like to make which is involved from the company's point of view as distinct from its relationship with investment advisers, and that is that a company going to the market for funds is in the position of a person selling a commodity. The company has to get the best possible deal it can get in order to raise the largest amount of money from the available securities. If this company continues to be restricted in the sense that it can only issue shares at a high price, its ability is limited to bargain with investment dealers and those who will ultimately be the underwriters of the shares, or responsible for the placement of the shares. It limits the orbit within which the company, for Canadian purposes, can raise funds, and will provide only a stiffer bargaining position for those buying than in the initial instance.

If I may refer to the question of the company being a special act company and not a company incorporated in the regular way by letters patent, it seems to me that this company is subject to regulations to the extent that parliament has so far decreed it should be regulated. It is engaged only in performing a service. The tariffs which it charges are filed with the Board of Transport Commissioners. The permits for the construction and operation of the line came from the Board of Transport Commissioners, and they may declare it a common carrier any time that the Board of Transport Commissioners so decides. There is no suggestion on our part that the subdividing of the shares of the company is in any way attempt to withdraw from the control which the board has over the company. To revert to the prime reasons for the bill, they are only as stated. We think that this company will be in a better position to finance in that way and that it will be in a better position to provide individual Canadians with an opportunity to participate in the investment. There are no other reasons. We cannot give any other reasons. It does not seem to me that it is logical for us to be asked to state some other reason, because there is no other reason. What we are trying to do is to provide such wider participation, and I think that ties in with the whole course of the company's affairs. It is directly in order to provide a means whereby an ordinary Canadian individual can buy shares in this company.

The planning of financing is a matter which will depend to a large degree on the international situation and on the demand for the facilities of the company. It is just not practical for this company to have an underwriting arrangement conditional on the approval of parliament. The reason why I say it is not practical is that the time limit involved in such a condition might be anywhere from two months upwards, and presumably it might be as much as a year if parliament were not in session at the time that the underwriting agreement was entered into. We would like to be able to go to the market at the proper time.

Mr. PAYNE: In view of the remarks of Mr. Keays, I think, certainly in Ontario and the west and in every province there is either a superintendent of brokers or public utilities commissioner and when companies appear before those for recapitalization—and certainly a splitting of the capital stock of a

company represents an application for recapitalization—then the company must go before the superintendent of brokers or public utilities commissioner first. In other words, they must say what they wish to do. They outline the brokerage arrangements.

Certainly a number of western members in this committee feel that we have a duty to discharge. In my own particular case, I feel, from the evidence, that we are being asked to adjust the capital base of Trans Mountain Pipe Lines but that there is nothing firm given to us. They make statements to the effect that they wish to broaden the base to Canadian investors. I am not in any critical of the Trans Mountain Pipe Lines. I think it has been a commendable operation; but we have, in effect, been asked to sign a blank cheque to increase the over-all capitalization of the company without fulfillment whatsoever, nor are we given any assurance for the statement outlined in the explanatory note, that it is done to widen the distribution among Canadians, and I feel that there is no assurance which can in effect, take place. I feel very deeply a responsibility to the people to see that Canadians are given at least a prior opportunity to take part in the development of our country. The 450,000 shares of Trans Mountain were ridiculously oversubscribed, and in effect a great many of the American controlled subsidiaries wound up in control of this company. I think that a prime point before this committee is a need to protect Canadians and to protect the future of their investment in the equity stock of this company. In saying so, I do not level any criticism against Trans-Mountain Pipe Lines. I think we have an obligation to see that the public are cared for properly.

Mr. DRYSDALE: Mr. Chairman, I would like to reiterate Mr. Payne's views and emphasize the fact that there is absolutely no criticism of the Trans-Mountain Oil Pipe Line Company or the directors or managers as individuals.

The thing which we have been critical of is the stock split and the explanatory note which is supposed to substantiate that stock split.

I feel now, after going over the many pages of transcript, that this is all the information we can obtain. This fact leaves a certain unsatisfactory feeling with me. I do not see any point in unnecessarily prolonging this, although I would like an answer to one specific question which I asked.

How many shares do each of the directors hold?

The CHAIRMAN: I believe Mr. McQuarrie can answer that question.

Mr. MCQUARRIE: I have a list here.

The CHAIRMAN: Could you come up here, Mr. McQuarrie, please?

Mr. J. H. MCQUARRIE (*Secretary, Trans Mountain Oil Pipe Line Company*): This list is taken from the last shareholders' registry as at March 27, 1958.

There are nine directors in the company; four of those directors own two shares each.

Mr. DRYSDALE: Could you just give us the names?

Mr. MCQUARRIE: Mr. R. B. Baker; D. E. Day; I. G. Wahn and D. B. Vale.

Mr. DRYSDALE: Does Mr. Wahn only own two shares?

Mr. MCQUARRIE: Yes.

Mr. DRYSDALE: I thought he said 102.

Mr. MCQUARRIE: He may have more now. These figures are as at March 27, 1958.

Mr. E. D. Loughney has five shares; J. W. Hamilton has 102 shares; D. M. Morrison has 150 shares; Mr. J. K. Jameison has 502 shares, and Mr. R. L. Bridges has 5,002 shares, making a total of 5,769 shares.

Mr. DRYSDALE: Thank you.

The CHAIRMAN: Gentlemen, if there is no further discussion which you feel is required with regard to this clause, I will put the question.

Shall the clause carry?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Shall the title carry?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Shall the bill carry?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Shall I report the bill without amendments?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Thank you gentlemen.

EVIDENCE

THURSDAY, August 7, 1958

The CHAIRMAN: Gentlemen, I see a quorum. This Bill S-6, an act respecting Trans Mountain Oil Pipe Line Company has been referred back to this committee. Therefore, we must start right at the beginning of the bill. We are now on the preamble. Will the preamble carry?

Mr. HOWARD: I just wondered, Mr. Chairman, in the light of comments which were made the other day with regard to which should have priority of consideration, the preamble or the clause, whether the point has been cleared up so we do not get into any hassle about what we are doing.

There was some indication that having dealt with the preamble we had endorsed the whole thing, and whether we should not have taken the clause first. It does not matter to me but I thought we should be clear.

The CHAIRMAN: It would have to be by motion from the floor that it be reversed, and that clause 1 be taken first. It has been the general rule all through the years that the preamble is always taken first and carried.

Mr. CREAGHAN: Well, Mr. Chairman, to bring the matter to a head I move, in dealing with this bill that we deal with the clause, then the preamble and then the bill.

The CHAIRMAN: You have heard the motion by Mr. Creaghan, seconded by Mr. Tucker that clause 1 be taken before the preamble. Are you all agreed on that, gentlemen? Agreed—yes or no?

Mr. MCPHILLIPS: I do not agree with it, Mr. Chairman.

Mr. NIXON: Mr. Chairman, I do not see any particular reason, but I will not vote against it. I do not see any particular reason why we should vote on it.

The CHAIRMAN: As I said the other day, I am absolutely in the hands of the committee, and, remember, I will have to put this up to the committee. Those in favour of the motion please put up their hands. How many against? There are two against. Are you all agreeable that this preamble will now stand and we are at clause 1 of the bill.

Any questions on clause 1 of the bill? Shall clause 1 of the bill carry?

Mr. HOWARD: I just wish to indicate that I do not think it should carry, that is all; and following what my friend Mr. Drysdale said the other day, in order to enter it in the record, if you want to name the members for and against, that would appear in the record on a division, as he suggested, and I think that is the way it should be done.

The CHAIRMAN: Gentlemen, it has been suggested by Mr. Howard that we take a count of the members and I think in a case of this kind, where there might be some doubt, I would suggest that the clerk take the names.

Mr. HOWARD: Mr. Chairman, before you do this I gather from reading the evidence of a week last Tuesday that one of the members of the committee—and I do not know whether he is here at this meeting or not, I have not looked—indicated that he had an interest in the company. I take it from that—I wonder whether that should not be made clear because a member who votes on a bill having an interest—

Mr. CHAIRMAN: Mr. Howard, let me speak on that. That was Mr. Gordon Chown, who said he had an interest in the company.

Mr. Gordon Chown phoned me this morning and said:

As I have an interest in the company I will not be at the meeting this morning because I do not think it would be right for me to take part in the proceedings.

Mr. HOWARD: Well, I think that was more or less drawn to his attention. I wondered whether there were any other members in the same position.

The CHAIRMAN: If you wish that question put—

Mr. HOWARD: No, I just raise it, as it would have some effect.

The CHAIRMAN: I understood the other day, Mr. Howard, that no member of the committee, including the chairman, had any shares in the company. I have absolutely no interest in the company whatever and I do not think any of the members here today have any interest in the company.

Now, Mr. Howard, do you still want this division on clause 1?

Mr. HOWARD: If you please.

The CHAIRMAN: Shall clause 1 carry? All those in favour of clause 1 carrying please indicate, and I will name them all:

Mr. Drysdale; Mr. Crouse; Mr. Creaghan; Mr. Brassard (*Chicoutimi*); Mr. Bourbonnais; Mr. Pascoe; Mr. Hales; Mr. Howe; Mr. Brunsdon; Mr. Payne; Mr. McDonald (*Hamilton South*); Mr. Wratten; Mr. McPhillips; Mr. Smith (*Calgary South*); Mr. Badanai; Mr. Nixon and Mr. Tucker.

Those against this clause carrying kindly indicate. Mr. Howard.

Clause 1 agreed to.

We are now on the preamble. Shall the preamble carry?

Agreed.

The CHAIRMAN: Any objection?

Mr. HOWARD: Yes, mine.

The CHAIRMAN: Do you want a recorded vote, Mr. Howard?

Mr. HOWARD: The same division taken.

The CHAIRMAN: You are satisfied with the same division?

Mr. HOWARD: I am satisfied that my vote will be the same.

The CHAIRMAN: Your vote is negative and all the others on the committee are for the preamble carrying?

Agreed.

Shall the title carry?

Agreed.

Shall the bill carry?

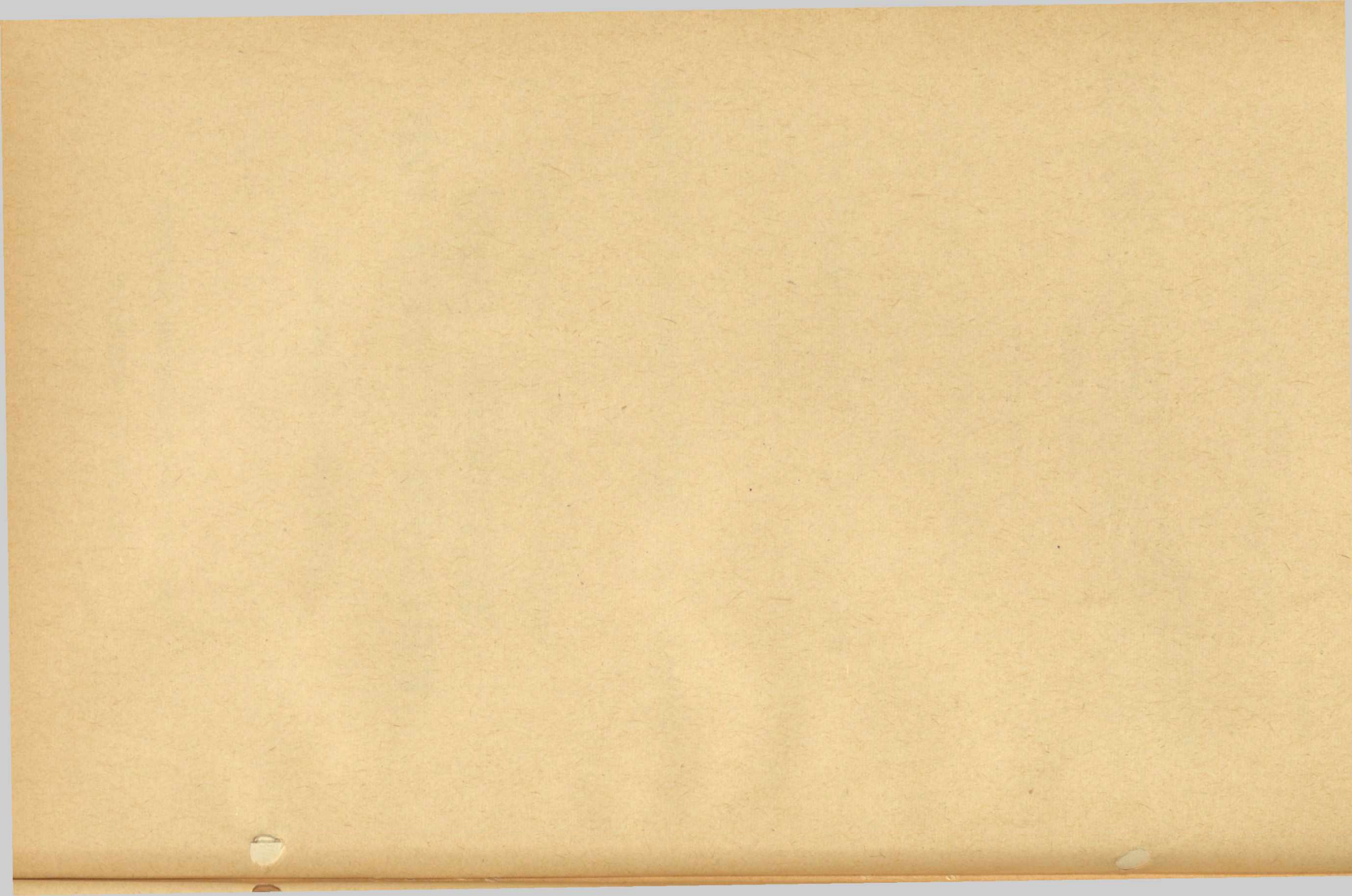
Agreed.

Mr. HOWARD: I think I will just say no as a matter of course.

The CHAIRMAN: Shall I report the bill?

Agreed.

The CHAIRMAN: Thank you, gentlemen.



HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

Bill C-52, An Act to amend the Railway Act

TUESDAY, AUGUST 19, 1958

WITNESSES:

The Honourable George Hees, Minister of Transport; *From the Board of Transport Commissioners for Canada:* Mr. C. D. Shepard, Chief Commissioner; Mr. R. Kerr, General Counsel; and J. E. Dumontier, Director, Engineering Branch.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Gordon K. Fraser, Esq.,
and Messrs.

Allmark,	Fisher,	McPhillips,
Asselin,	Garland,	Monteith (<i>Verdun</i>),
Badanai,	Grills,	Nielsen,
Baldwin,	Hales,	Nixon,
Baskin,	Hardie,	Pascoe,
Batten,	Horner (<i>Acadia</i>),	Payne,
Bigg,	Horner (<i>Jasper-Edson</i>),	Phillips,
Bourbonnais,	Howard,	Racine,
Brassard (<i>Chicoutimi</i>),	Howe,	Rouleau,
Brassard (<i>Lapointe</i>),	Johnson,	Rynard,
Bruchési,	Keays,	Smallwood,
Brunsdén,	Kennedy,	Small,
Campbell (<i>Stormont</i>),	LaRue,	Smith (<i>Calgary South</i>),
Chevrier,	MacInnis,	Smith (<i>Simcoe North</i>),
Chown,	Martini,	Tassé,
Creaghan,	McBain,	Taylor,
Crouse,	McDonald (<i>Hamilton</i>	Thompson,
Drysdale,	South),	Tucker,
Dupuis,	McIlraith,	Webster,
English,	McMillan,	Wratten—60.

J. E. O'Connor,
Clerk of the Committee.

ORDERS OF REFERENCE

SATURDAY, August 9, 1958.

Ordered,—That the name of Mr. McIlraith be substituted for that of Mr. Michaud on the Standing Committee on Railways, Canals and Telegraph Lines.

MONDAY, August 18, 1958.

Ordered,—That the following Bill be referred to the Standing Committee on Railways, Canals and Telegraph Lines:

Bill No. C-52, An Act to amend the Railway Act.

TUESDAY, August 19, 1958.

Ordered,—That the name of Mr. Small be substituted for that of Mr. MacEwan on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LEON J. RAYMOND,
Clerk of the House.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

TENTH REPORT

Your Committee has considered the following Bill and has agreed to report it without amendments:

Bill C-52, An Act to amend the Railway Act.

A copy of the Minutes of Proceedings and Evidence relating to this Bill is appended.

Respectfully submitted.

G. K. FRASER,
Chairman.

REPORT OF THE BOARD OF DIRECTORS

January 1, 1923

Resolved—That the name of the Corporation be changed to that of Mr. [Name] and the Board of Directors be authorized to execute all necessary papers in connection with the same.

February 1, 1923

Resolved—That the Board of Directors be authorized to execute all necessary papers in connection with the same.

March 1, 1923

Resolved—That the Board of Directors be authorized to execute all necessary papers in connection with the same.

April 1, 1923

May 1, 1923

Resolved—That the Board of Directors be authorized to execute all necessary papers in connection with the same.

June 1, 1923

Resolved—That the Board of Directors be authorized to execute all necessary papers in connection with the same.

July 1, 1923

Resolved—That the Board of Directors be authorized to execute all necessary papers in connection with the same.

August 1, 1923

September 1, 1923

October 1, 1923

MINUTES OF PROCEEDINGS

TUESDAY, August 19, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 2:05 p.m. this day. The Chairman, Mr. G. K. Fraser, presided.

Members present: Messrs. Badanai, Brunsdon, Drysdale, English, Fraser, Garland, Grills, Howe, Keays, Martini, McIlraith, Pascoe, Rynard, Small, Smith (*Simcoe North*), Tassé and Webster—(17).

In attendance: The Honourable George Hees, Minister of Transport; *From the Board of Transport Commissioners for Canada:* Mr. C. D. Shepard, Q.C., Chief Commissioner; R. Kerr, Q.C., General Counsel; and Mr. J. E. Dumontier, Director, Engineering Branch.

The Chairman observed the presence of quorum and called for consideration Clause I of Bill C-52, An Act to amend The Railways Act.

The Minister was introduced to Members of the Committee and he, in turn, introduced officers of the Board of Transport Commissioners.

Following the questioning of Mr. Shepard, Clauses I to III inclusive, the Enacting Clause, the Title and the Bill were adopted and the Chairman instructed to report the Bill without amendment.

At 2:45 p.m. the Committee adjourned to the call of the Chair.

J. E. O'CONNOR,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

February 14, 1932

The meeting was held at the home of Mrs. J. W. ...

Present: Mrs. J. W. ...

Minutes of the previous meeting were read and approved.

There was a report from the ...

The ...

The ...

The ...

The ...

RESOLUTIONS

That ...

It is the wish of the ...

EVIDENCE

TUESDAY, August 19, 1958.
2 p.m.

The CHAIRMAN: Gentlemen, I see a quorum. Today we are on Bill C-52, an Act to amend the Railway Act. We have the Minister of Transport with us, and I am going to ask the minister to say a word.

Hon. GEORGE HEES (*Minister of Transport*): Well, if you wish me to, Mr. Chairman, thank you very much. As you know, this bill was put through the resolution stage in the house last night for the first and second readings, and then went up for examination here in this committee.

If there are any questions you would like to ask on the various sections, technical questions, or anything else to do with this whole matter of railway crossings, Mr. Shepard, the Chief Commissioner of the Board of Transport Commissioners and members of the board are here, and if you would like to ask any questions as we go along, Mr. Shepard will be very glad to supply the information. I am sure.

The CHAIRMAN: On clause 1, gentlemen.

Mr. SMITH (*Simcoe North*): When Mr. Gordon was giving evidence before the committee on the government owned railways, aircraft lines and ships, the question of reflective markings on the sides of railway cars came up, and if I remember correctly what Mr. Gordon said was that he did not want to have any part of it, or words to that effect, because of the number of railway cars that came in here from American lines; and that, in fact, a train would then have possibly part of the train marked with reflective markings on the sides of the cars, and the other part not, which might lure people into thinking it was a break.

The CHAIRMAN: Gentlemen, Mr. Shepard, Chairman of the Board of Transport Commissioners for Canada is here, and I will ask him to answer that question.

CLARENCE D. SHEPARD, Q.C., (*Chief Commissioner, Board of Transport Commissioners for Canada*): Yes, Mr. Chairman, I think the short answer to the question is that partial protection is better than none, of course. On the point that the questioner just made—

Mr. SMITH (*Simcoe North*): That was not my comment, that was Mr. Gordon's.

Mr. SHEPARD: This is a matter, I might explain to the committee, that has been under active consideration by the Transport Board in our operating department for several years. We have had representations from many groups in Canada to do something about this. We have discussed it with the railways in an endeavour to persuade them to do it, but the difficulty we ran into there was that it was a costly procedure for the railways to embark upon, although in principle they accepted it.

I do know particularly the Great Northern Railway in the United States, based on St. Paul, has not only done an extensive amount of studying on the reflectorizing of the sides of cars, but they have actually taken on the job of painting the sides of their cars with reflectorizing paint. They feel this is having a good effect in reducing accidents. It is for this reason that the transport board is very much behind this suggestion in the bill.

The CHAIRMAN: Mr. Howe, and then Mr. Webster.

Mr. HOWE: Mr. Chairman, I wonder if—I probably should know this—but who institutes the request for grade level crossing separations to be instituted? Who starts the ball rolling in this case,—the board of transport commissioners, or the municipality, or the province, or who starts it off?

Mr. SHEPARD: Would you like me to answer that?

The CHAIRMAN: Yes.

Mr. SHEPARD: The answer to that is that it could be the Board of Transport Commissioners—under the law it could be; but the board does not and has not as a practice initiated cases which impose an unwanted financial burden on the municipalities involved. The way it works in practice is that we receive applications from a municipality, or the highway authority concerned, for a grade separation and we process it from there in collaboration with the railways. The engineering details are worked out by our engineers with the railway engineers, together with the safety aspect of the problem.

Mr. HOWE: It could be instituted by yourselves or by the municipality or even the railway companies, I suppose?

Mr. SHEPARD: That is correct sir, yes.

Mr. SMALL: The provinces could also enter into an arrangement, I think?

Mr. SHEPARD: Yes, when I referred to the highway authority this was the provincial highway authority I had in mind.

Mr. SMALL: The point—following up Mr. Howe here—the point here is, it does not happen very often that the railways inaugurate the request to have a grade separation instituted or applied?

Mr. SHEPARD: To have a grade crossing eliminated?

Mr. SMALL: Yes.

Mr. SHEPARD: No, that is correct.

Mr. SMALL: It is very seldom the railways apply for it, because they claim they have not the money for it.

Mr. SHEPARD: That is correct. In fairness to the railways, in the majority of cases where an application is made for a grade separation the railways agree to it with the applicant. The only dispute then to be settled by our board is who shall pay how much of the balance, after the contribution from the railway grade crossing fund.

Mr. HOWE: How is the balance—after the railway crossing fund, how is the balance paid off? There is so much paid out of this fund we are talking about today and how is it divided up between the railway and the municipality, after that?

Mr. SHEPARD: That depends on whether it is a case of crossing protection, which is the wig-wag type of system, or flashing lights and bell, or whether it is an underpass. If it is crossing protection the balance after the contribution under the present act of 60 per cent or \$80,000 is usually divided, 25 per cent against the municipality and 15 per cent against the railway. The maintenance costs are normally apportioned on a 50-50 basis.

The maintenance costs on highway crossing protection, the flashing lights, are relatively substantial.

Mr. HOWE: What is the cost of those again, those wig-wags?

Mr. SHEPARD: \$6,000—for a single one, depending on the size of crossing—to as much as \$60,000. Sometimes when you get a divided highway you have to have a series of them. Multiple tracks are the same way.

Mr. HOWE: There is one other question I want to ask. Has any body or person, something similar to your own board of transport commissioners, ever

made a survey of the number of separations that are going to be required in the future, and the importance of such?

Mr. SHEPARD: I think the only answer I can give to that—and it is not too direct an answer—is, that in 1954 the Board of Transport Commissioners was directed by Order in Council to conduct a study on the over-all problem of railway-highway crossings. That is available in printed form.

I think it has to be planned basically on a local basis. Each provincial highway authority—take the province of Ontario, as an example—certainly is looking ahead. The construction of this new highway between Toronto and Montreal is an example of it, where they are providing for grade separations although at the moment the highway is not even in use and perhaps will not be completed for another two or three years.

Our board, through our engineering staff, have been keeping a close liaison with all the provincial highway authorities. To that extent there is a concentration on the over-all problem, but it is of necessity geographically divided up.

Mr. DRYSDALE: Mr. Chairman, I was wondering what is the average length of time for a grade crossing application to be processed. Is it from the time of application by the municipality or the railway to the time the crossing is actually approved?

Mr. SHEPARD: I am told by our director of engineering that it takes as much as a year, which I presume means it takes less than a year on some occasions. But I think it should be made clear that a good deal of work has to be done. Before the application is filed with our board, all the engineering work has to be done.

Mr. DRYSDALE: Would there be any way of speeding this up, because in a lot of cases it is a case where public safety is involved? Bluntly, why does it take a year?

Mr. SHEPARD: Well, I think it takes a year—it is not a year in our hands; it takes a year because of the nature of the beast. When you are talking of protection, of grade separation, you have to do initial planning, you have to do engineering tests, tests of the soil to see whether it is going to hold the structure and you have to go through all the preliminary engineering work. All this must go on before the application comes before our board and the railways must agree to the form of the plan itself.

Mr. DRYSDALE: Well, who does the preliminary work, the railway or the board?

Mr. SHEPARD: The applicant does all the preliminary work.

Mr. DRYSDALE: How long does it take from the time it reaches the board after the preliminary work has been done?

Mr. SHEPARD: Well, I think it is a much shorter time. I am advised by our director of engineering that it depends on who the application originates with. If it comes from a provincial highway authority they know exactly what our requirements are and it comes in a form that can be very quickly approved. Mr. Dumontier advises me, that there is less than a month from the time received until the order is issued for the work to proceed.

Mr. DRYSDALE: Well, what else has to be done when it reaches the board?

Mr. SHEPARD: What do we do?

Mr. DRYSDALE: After the preliminary work, all the soil testing and engineering work on the crossing has already been done, what takes the board a month?

Mr. SHEPARD: Well, the board has engineering responsibilities. Our engineering staff—we have a staff of about twelve engineers—must approve

all the plans and profiles in connection with this grade separation project. In addition to that there is the question of the allocation of costs of the balance that is not paid for out of the railway grade crossing fund.

Mr. DRYSDALE: Roughly how many applications would you have in a year?

Mr. SHEPARD: For a grade separation?

Mr. DRYSDALE: Yes.

Mr. SHEPARD: There are 61 pending at the moment. There were 41 approved last year and 225 crossing protection applications.

Mr. DRYSDALE: There are twelve engineers just devoted exclusively to that work?

Mr. SHEPARD: Oh no, we have pipe line jurisdiction, all crossings of railways, railway bridges, and signals.

I might say, Mr. Chairman, if the remark is not out of order, that I would be delighted to have any member of the committee come over and just see what our board does.

Mr. DRYSDALE: I would be interested, Mr. Chairman. My problem has arisen before, that there is a considerable amount of time from the initial application to the time the final direction is issued. I presume the board is doing what it can then to speed that up?

Mr. SHEPARD: We do, but we do not claim to be perfect.

Mr. WEBSTER: What type of marking do you use outside the railway cars—the same type as along the highways, the Minnesota Mining type, or would it be a paint?

The CHAIRMAN: It could be either. I have an illustration of it here. This is the Scotchlite reflector marking.

Mr. WEBSTER: That is not very expensive, is it, sir?

Mr. SHEPARD: No, it is not. I cannot quote you a more exact figure, but when you have 80,000 odd boxcars—or rather 200,000 for all railways—I was thinking of the Canadian Pacific Railway—when you apply it to that number of units it adds up.

The CHAIRMAN: It does not matter what it is, so long as it can be seen.

Mr. SHEPARD: Yes.

Mr. SMALL: It is expensive because I expect the globes are glass and the molecules—it would be difficult to put it on in a certain way so that it would withstand the weather and it comes more expensive than the reflective paint.

Mr. PASCOE: I was just wondering in regard to a crossing where there is a fatal accident, is there any regulation which will enforce an automatic signal there as soon as there is an accident?

Mr. SHEPARD: Involving injury, not just a fatal accident—in the case of any injury we have an automatic reduction in the speed by standing order of the board to 25 miles an hour, pending an investigation by our operating inspector. He goes out and makes an investigation which he files with us and the board then considers whether or not the accident was entirely the fault of the automobile, let us say, or whether the crossing is such that it should have protection; and if it should decide that it is, it proceeds accordingly.

Mr. SMALL: Following up in regard to reflective paint or reflective Scotchlite or any of those particular methods, about three years ago there was set up an organization of which Mr. Plaxton was the then head, and Mr. Ash after that, for the sole purpose of co-ordinating all this safety work throughout Canada from coast-to-coast, to try to get the provinces to come into uniformity with their signs and different devices.

They were to do the same thing with this reflective paint, and all things applicable to prevent an accident came up. Have they had a report on this, or how far have they progressed?

Mr. SHEPARD: I am advised that they expect to have a manual completed and up for approval at their meeting this coming fall.

Mr. SMALL: And what of all the provinces; have they joined in and consented as well as the municipalities?

Mr. SHEPARD: That is what I understand, yes.

Mr. SMALL: Because the problem there of putting in the advanced signals at a crossing came up, that they had to put them 1,000 feet ahead to be of any value, and you ran into trouble with the municipalities as to the upkeep, the maintenance. Also the cost of enforcement—has that been taken care of in this?

Mr. SHEPARD: That is my understanding, but I must state that this is not a matter that is directly under the jurisdiction of the transport board, although our director of operations does sit in on these meetings you speak of.

Mr. SMALL: It will not be of much value unless they have some liaison or some cooperation with your department. You will be working at cross purposes. Of course, once it is installed it is removed from you people; but you will still have something to do with the maintenance of the service on the crossing. Grade separation is not so much a problem as grade protection.

Mr. SHEPARD: We are being consulted and our jurisdiction over the actual crossing protection is well known to all the parties taking part.

Mr. SMALL: The other question I am trying to get at is, do you remember the Royal York road on the Dundas highway where there are two overpasses and the cost was pretty stiff? How was that provided for?

Mr. SHEPARD: We have not got the actual figures on that with us. I can get that and file it.

Mr. SMALL: It was a \$4 million proposition I remember.

Mr. SHEPARD: That is right, it was a double unit as far as contribution from the railway grade crossing fund was concerned. The board awarded there a \$600,000 contribution from the fund, and the bulk of the balance—although I cannot give you the figure—was paid by the city of Toronto or Metropolitan Toronto.

Mr. SMALL: Did not the province assume any of that cost; it was on number 5 highway?

Mr. SHEPARD: They might have, sir, but I have not got the figures here with me.

Mr. SMALL: And the railways would assume 15 per cent of that, would they?

Mr. SHEPARD: What very often happens—and I think this was so on the Royal York-Dundas project, if I recall it correctly—we do not come face to face in our hearings with the province. Metropolitan Toronto appears as the applicant. We make our allocation of costs, and metropolitan Toronto may or may not (it is none of our business) recoup themselves by an arrangement with the province direct, between the city and the province.

Mr. SMALL: There are a couple more questions. There was an order made to put a grade separation in Scarborough, at Midland and St. Clair, where they have had two serious accidents, one particularly one Christmas, and the next following Christmas there was another fatality happened there. There was an order made. It is nearly two years since that was approved, and there has been

no work commenced. Can you give a reason for that? Was it because the municipality would not afford the cost to go ahead with it?

Mr. SHEPARD: What was the location again.

Mr. SMALL: St. Clair and Midland Avenues in Toronto, in Scarborough township. If I understand rightly the order went through in 1956 for that grade separation, unless it has been countermanded by the municipality of the railway.

Mr. SHEPARD: It is one I am not personally familiar with, by name.

The CHAIRMAN: Mr. Small, would it be alright if Mr. Shepard checks that and lets you know?

Mr. SMALL: Yes, I just wanted to find out because it is a very bad corner. They have started the one also on Greenwood avenue. It has been two years since that was ordered, and they have started that on Greenwood avenue. What I am trying to arrive at is how much of the fund—we passed \$5 million two years ago as our contribution to the board of transport commissioners to build these crossings—how much of that is used up every year?

Mr. SHEPARD: Practically all of it. I think we have the figures here. At the end of 1957 we had practically no money, so in the three years prior to that we used the \$15 million that was in the fund.

Mr. BRUNSDEN: Mr. Chairman, has consideration ever been given to the placing of reflectors on the railway crossing signs themselves?

Mr. SHEPARD: It is provided for in this bill, sir.

Mr. BRUNSDEN: Is there any enforcement behind that? I am speaking for the prairies, I cannot recall ever seeing any with a reflector on them.

Mr. SHEPARD: You have not because up to the time this bill becomes law it is illegal. The Railway Act now requires it to be painted.

Mr. BRUNSDEN: Painted with paint?

Mr. SHEPARD: Yes.

Mr. BRUNSDEN: But it is not luminous paint?

Mr. SHEPARD: No sir, it is not.

Mr. BRUNSDEN: And at night, particularly a foggy night, you come down there and you cannot see it until you are on the track.

Mr. SHEPARD: No; quite right.

Mr. BRUNSDEN: It seems to me these reflectors could be installed at considerably less cost of the crossing signs themselves were adequately reflective.

Mr. SHEPARD: I agree with you, sir. And this is one of the things we hope will flow from the enactment of this amendment.

Mr. HOWE: One other thing I was wondering about in placing these reflective markings on the sides of railway cars; it does not say anything about maintaining them. It is just placing them on. In a year or two a lot of those will fade out or be torn off and the railway companies will say: "We put them on at the time, you can see the markings", but with regards to these railway crossing signs it says "Erect and maintain".

After these are put on once are they not to be maintained as they deteriorate?

Mr. SHEPARD: We have general powers in the Railway Act to require the railways to maintain their property generally. As a matter of fact, our operating inspectors are constantly turning in reports of defective rolling stock which the railway take; they know it is the equivalent of an order from our board and they act accordingly.

Mr. SMITH (*Simcoe North*): Following what Mr. Howe said, will this give you—I mean you can require the railways to maintain at their own expense

their equipment in proper running order, but will the proposed amendment have that affect? Do you have the powers to make them repair these reflective markings, which are put on originally partly at our expense?

Mr. SHEPARD: That would be our view.

Mr. HOWE: Well, we are contributing 60 per cent towards the maintenance.

Mr. SHEPARD: Not towards the maintenance, sir.

Mr. HOWE: Not towards the repainting?

Mr. SHEPARD: No sir. Not the way this bill is presently worded.

Mr. SMALL: I would like to find some more information out about the allotment of the costs and how it is being used and being controlled, when they are going to give \$15 million over the period of the next two or three years.

Mr. SMALL: What is concerning me more is having it used up and having it used for the purpose of making work for unemployed persons. If you decide to do a crossing and it takes a year to get it started the unemployment situation is not going to be better as far as employment at grade level crossings is concerned.

Mr. SHEPARD: My understanding is most of the provincial highway authorities have projects planned ahead. We are confident, from our experience of 1955 in the board when the formula was increased from 30 per cent to 60 per cent and the total increased from \$1 million to \$5, that we will be in this instance flooded with additional applications. There was a tremendous increase in the board's applications for grade separations following the 1955 amendment and we feel, on the basis of that experience, that the increase took place because the railway grade crossing fund was allowed to contribute 60 per cent instead of 40 per cent. Now we are proposing to increase it to 80 per cent on new projects.

Mr. SMALL: What is the division going to be for the railways and the municipalities?

Mr. SHEPARD: On grade separations each of the cases is decided on its own merits. Usually we do a certain number of tests on the railways and balance it on the municipalities and on the highway authorities.

Mr. SMALL: In the larger cities they do have difficulties, but not as much as in the smaller municipalities, in financing and there would be some instances in the smaller municipalities where they could not even afford to pay the lower amount.

Mr. HOWE: There is a highway separation crossing being built on highway No. 6 between Arthur and Mount Forest. Would you have any idea what the cost is of that?

Mr. SHEPARD: We can find out.

Mr. HOWE: And the apportionment of the cost on that.

Mr. SHEPARD: Between Arthur and Mount Forest?

Mr. HOWE: Yes; on highway six.

Mr. GARLAND: I am wondering about the status of any current applications which might be before the board.

Mr. SHEPARD: You mean how many there are?

Mr. GARLAND: How many are there and how would they be affected by this legislation.

Mr. SHEPARD: There are sixty-one now pending before the board which means they are in process, either under construction or about to start construction. There is a provision in the bill which dates it back to January 31 this year. Any of the projects which our board has authorized for a contribution from the fund since January 31 will get the increased contribution.

Mr. GARLAND: It has nothing to do with the date the application was made?

Mr. SHEPARD: No sir; the date of our order. I do know there were a number of applications where they have asked us not to issue our order because they were hoping that legislation of this kind would come forward.

Mr. DRYSDALE: Mr. Chairman, I was wondering as a matter of interest, what the statistics are as to the number of collisions between engines and cars which resulted through the cars running into the side of the train. I am thinking of this provision for reflective markings, and I am wondering what the situation was which led to this provision.

Mr. SHEPARD: Why people ran into the sides of trains?

Mr. DRYSDALE: Are there people running into the sides of trains?

Mr. SHEPARD: Yes, there are. I might make a general comment. The figure intrigues me, that only one per cent of the highway accidents take place at railway crossings. I have the figure here for the year 1957 of the number of motor vehicles which were struck by a train.

Mr. DRYSDALE: I am interested in those which run into the sides of trains.

Mr. SHEPARD: There were 51 which ran into the side of trains in 1957 in daylight hours and in night hours 109; struck by trains in daylight hours 225 and at night 152. There are relatively far more accidents at night in the case of an automobile running into the side of a train than there are in the daytime.

Mr. DRYSDALE: Why does this legislation not cover the engines?

Mr. HEES: They have lights.

Mr. DRYSDALE: The Scotchlite illustration showed a diesel locomotive with the Scotchlite on the side and yet the wording in the bill is "reflective markings on railway cars".

The CHAIRMAN: While they are looking it up, I might say this goes back to the war years because I remember bringing this up in the war years regarding painting the sides of freight cars. I think it has been brought up every session since then on account of the accidents at night, especially with freight cars.

Mr. SHEPARD: I think perhaps the only answer I can give to the last question about why is it not to be included on locomotives is that locomotives have their own lights and they have their own noise makers, both bells and whistles, and they are also usually fairly clean, much cleaner than the boxcars, and relatively easily visible.

Mr. DRYSDALE: My own personal confession is that I almost ran into the side of a locomotive myself in the middle of the city of Vancouver and it was only avoided through the engineer shining a flashlight on me. If the Scotchlite is considered to be a safety factor, I am wondering why it would not be advisable to include locomotives.

Mr. SHEPARD: I am advised that many engines have lights on the sides as well as on the front.

Mr. DRYSDALE: I thought it strange that this advertisement should merely indicate a diesel engine with the Scotchlite on the side and not boxcars.

Mr. HEES: This is something of which we can take note.

Clauses 1 and 2 agreed to.

On clause 3—Failure to erect signboards at crossings.

Mr. SMITH (*Simcoe*): I have a question on clause 3 and it is probably because I do not have the complete section 270 in front of me. It refers to the repeal of section 411 which includes the words "where words are printed in the

province of Quebec they shall be in the English and in the French languages." Unless there is more in section 270 than that which appears here, it appears that provision is being removed from 270 (a).

Mr. SHEPARD: No. Subsection (2) of section 270 is the one which you have just read, I believe. In the province of Quebec such words shall be in both the English and the French languages. It is only subsection 1 of section 270 which is being changed.

Mr. SMITH (*Simcoe*): That explains it.

Mr. SMALL: There is one question which I forgot to ask. I understood there was a penalty also for automobiles running into the cars where they have been prosecuted and brought into court for the damages incurred by them. Have you got a record? I realize that you do not look after the prosecutions.

A. No sir we have not. Moreover, when they are prosecuted it is done under provincial law.

Q. Have you any record of prosecutions against those who ran into the cars?—A. We have not, and I doubt very much if such a record is available, because they are only starting now to keep highway statistics in their proper form in the provinces.

By Mr. Drysdale:

Q. Have there been any prosecutions under the old section with the \$40 fine?—A. No.

Q. What was the purpose of the \$40 fine, in keeping it so low?—A. The only purpose was to make sure that the railways would realize that there would be a penalty imposed against them if they did not carry out the order of the board.

Q. Do you not think it would be more advantageous if the penalty were higher, say \$1,000?—A. Quite frankly, it has never become necessary to use it. Whether it would be better to leave it in the state it has been in now for 50 years, at \$40, I do not know. Perhaps inflation might bring it up.

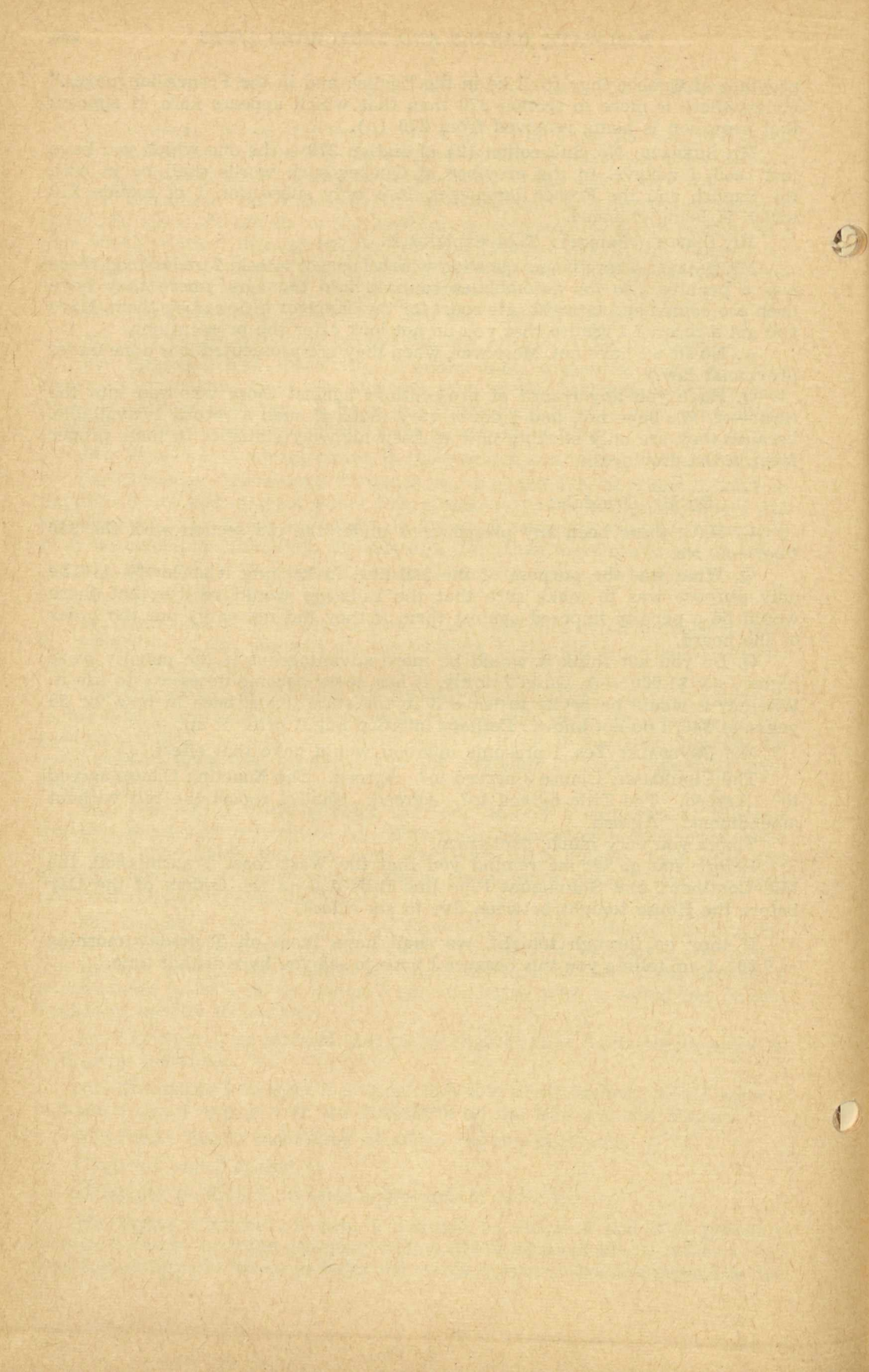
Mr. DRYSDALE: Yes. I presume inflation would have that effect.

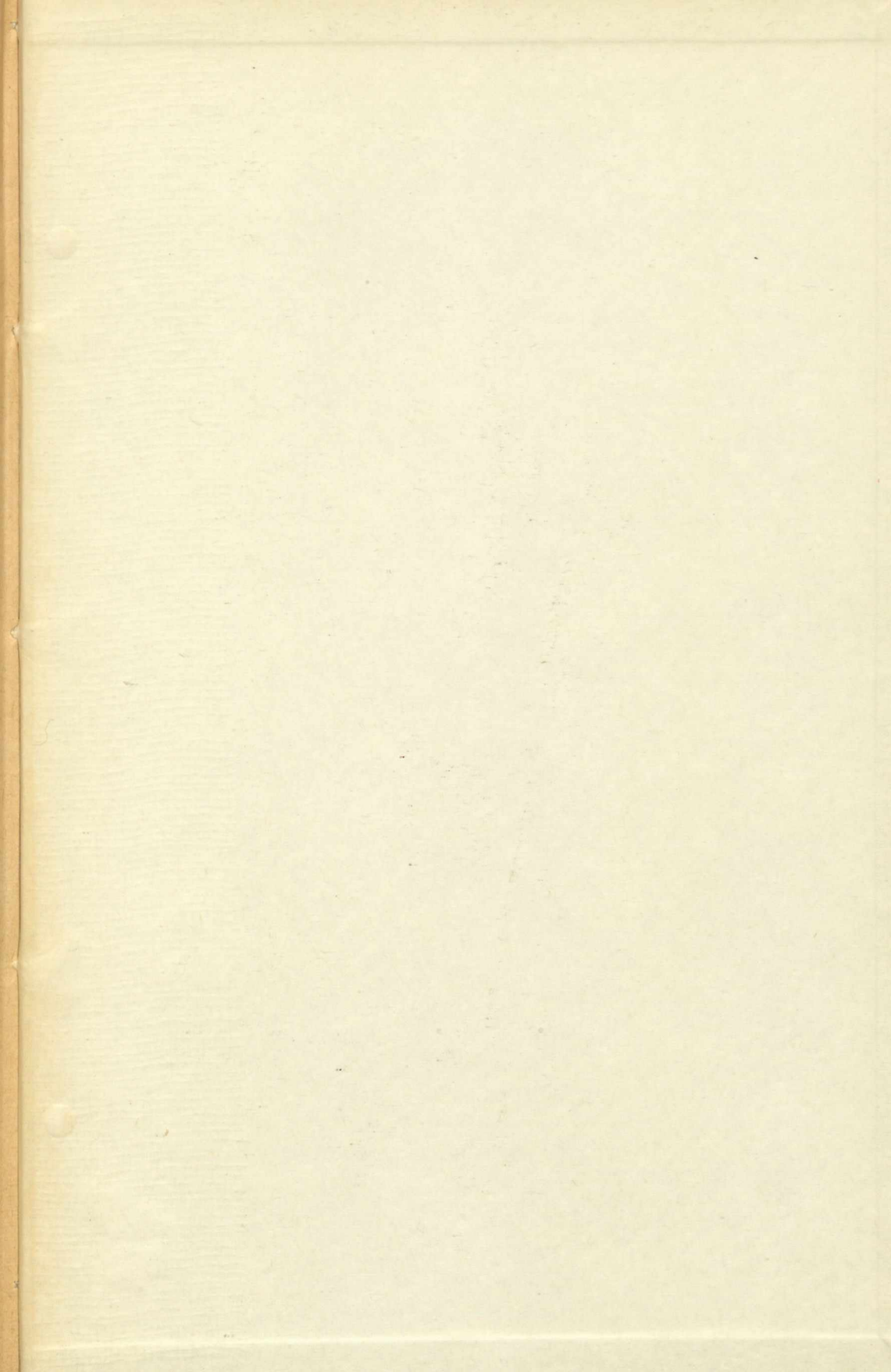
The CHAIRMAN: Clause 3 agreed to? Agreed. The Enacting Clause agreed to? Agreed. The Title agreed to? Agreed. Shall I report the bill without amendment? Agreed.

Thank you very much, gentlemen.

Before you go let me remind you that the West coast Transmission, the Mid-Continent, and Stanmount Pipe line Bills are on the Orders of the Day before the House tonight between five to six o'clock.

If they go through tonight, we shall have them on Thursday morning at 9.30. I am telling you this because I hope to see you here at that time.





BIBLIOTHEQUE DU PARLEMENT
LIBRARY OF PARLIAMENT



3 2354 00452 258 0