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HOUSE OF COMMONS  
Third Session—Twenty-sixth Parliament  
1965

STANDING COMMITTEE  
ON  
**TRANSPORT AND COMMUNICATIONS**

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*Chairman:* Mr. JEAN-T. RICHARD

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MINUTES OF PROCEEDINGS AND EVIDENCE  
No. 1

TUESDAY, JUNE 29, 1965

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Respecting

Bill S-4, An Act respecting The Algoma Central and  
Hudson Bay Railway Company.

Bill S-5, An Act respecting Great Northern Railway Company and  
Great Northern Pacific & Burlington Lines, Inc.

Bill S-7, An Act respecting Interprovincial Pipe Line Company.

WITNESSES

- On Bill S-4*, Mr. J. Edison, registered Parliamentary Agent and Messrs. D. A. Berlis, Director of The Algoma Central and Hudson Bay Railway Company and L. C. Waugh, President.
- On Bill S-5*, Mr. Peter G. Beattie, registered Parliamentary Agent and Messrs. G. D. Finlayson, Q.C., and L. E. Torinus, General Solicitor.
- On Bill S-7*, Mr. A. R. O'Brien, registered Parliamentary Agent and Messrs. John S. Fairlie, Executive Vice-President of Interprovincial Pipe Line Company; J. Blight, Secretary and Treasurer of Interprovincial Pipe Line Company and R. T. Morgan, Partner and Director of Research of Wood Gundy Co. Ltd. Investment Dealers.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965

STANDING COMMITTEE  
ON  
TRANSPORT AND COMMUNICATIONS

*Chairman:* Mr. Jean-T. Richard,  
*Vice-Chairman:* Mr. Grant Deachman  
and Messrs.

Balcer,  
Boulanger,  
Cantelon,  
Cantin,  
Cowan,  
Deachman,  
Fisher,  
Flemming (*Victoria-  
Carleton*),

Foy,  
Guay,  
Horner (*Acadia*),  
Howe (*Wellington-  
Huron*),  
Kennedy,  
Macaluso,  
Macdonald,  
Millar,

Nasserden,  
Olson,  
Pascoe,  
Prittie,  
Richard,  
Rideout (*Mrs.*),  
Rock,  
Tucker—24.



ORDERS OF REFERENCE

TUESDAY, June 1, 1965

*Ordered*,—That Bill S-4, An Act respecting The Algoma Central and Hudson Bay Railway Company be referred to the Standing Committee on Railways, Canals and Telegraph Lines or to the proposed Standing Committee on Transport and Communications, as the case may be.

TUESDAY, June 8, 1965

*Ordered*,—That Bill S-5, An Act respecting Great Northern Railway Company and Great Northern Pacific & Burlington Lines Inc. be referred to the Standing Committee on Railways, Canals and Telegraph Lines or to the proposed Standing Committee on Transport and Communications, as the case may be.

THURSDAY, June 17, 1965.

*Resolved*,—That the following Members do compose the Standing Committee on Transport and Communications:

Messrs.

Balcer,  
Boulanger,  
Cantelon,  
Cantin,  
Cowan,  
Deachman,  
Fisher,  
Flemming (Victoria-  
Carleton),

Foy,  
Guay,  
Horner (Acadia),  
Howe (Wellington-  
Huron),  
Kennedy,  
Macaluso,  
Macdonald,  
Millar,

Olson,  
Nasserden,  
Pascoe,  
Prittie,  
Richard,  
Rideout (Mrs.),  
Rock,  
Tucker—24.

TUESDAY, June 22, 1965.

*Ordered*,—That Bill S-7, An Act respecting Interprovincial Pipe Line Company be referred to the Standing Committee on Transport and Communications.

Attest.

LÉON-J. RAYMOND,  
The Clerk of the House.



## REPORTS TO THE HOUSE

TUESDAY, June 29, 1965.

The Standing Committee on Transport and Communications has the honour to present its

## FIRST REPORT

Your Committee recommends that it be authorized to sit while the House is sitting, only until such time as the House adjourns for the Summer recess.

Respectfully submitted,

JEAN T. RICHARD,  
*Chairman.*

TUESDAY, June 29, 1965.

The Standing Committee on Transport and Communications has the honour to present its

## SECOND REPORT

Your Committee has considered the following Bills and has agreed to report them without amendment:

Bill S-4, An Act respecting The Algoma Central and Hudson Bay Railway Company;

Bill S-5, An Act respecting Great Northern Railway Company and Great Northern Pacific & Burlington Lines, Inc.; and

Bill S-7, An Act respecting Interprovincial Pipe Line Company.

Respectfully submitted,

JEAN T. RICHARD,  
*Chairman.*

## MINUTES OF PROCEEDINGS

TUESDAY, June 29, 1965.

(1)

The Standing Committee on Transport and Communications met at 11:12 o'clock a.m. this day for organization purposes, and also to consider Bills S-4; S-5; S-7.

*Members present:* Messrs. Balcer, Cantelon, Cantin, Cowan, Deachman, Fisher, Foy, Howe (*Wellington-Huron*), Kennedy, Macaluso, Macdonald, Nasserden, Olson, Pascoe, Richard and Tucker (16).

*In attendance:* Messrs. G. E. Nixon, M.P. and I. Wahn, M.P.

*Witnesses:*

On Bill S-4, Messrs. J. Edison, Parliamentary Agent, D. A. Berlis, Director of the Algoma Central and Hudson Bay Railway Company and L. C. Waugh, President.

On Bill S-5, Messrs. Peter G. Beattie, Parliamentary Agent, G. D. Finlayson, Q.C. and L. E. Torimus, General Solicitor.

On Bill S-7, Messrs. A. R. O'Brien, Parliamentary Agent, John S. Fairlie, Executive Vice-President of Interprovincial Pipe Line Company, J. Blight, Secretary and Treasurer and R. T. Morgan, Partner and Director of Research of Wood Gundy Co. Ltd. Investments Dealers.

The Clerk of the Committee attended the election of the Chairman.

Mr. Fisher moved, seconded by Mr. Macaluso,

That Mr. Richard be Chairman of this Committee.

Thereupon Mr. Macdonald moved, seconded by Mr. Olson,

That the nominations be now closed.

There being no other nominations, Mr. Richard was declared duly elected Chairman of this Committee.

The Chairman took the Chair and thanked the Committee for the honour conferred upon him.

Mr. Foy moved, seconded by Mr. Macaluso,

That Mr. Deachman be Vice-Chairman of this Committee. It was agreed unanimously that the nominations do close.

Thereupon, Mr. Deachman was declared duly elected Vice-Chairman of this Committee.

On motion of Mr. Macdonald, seconded by Mr. Deachman,

*Resolved*,—That a subcommittee on Agenda and Procedure, comprised of the Chairman, the Vice-Chairman and five other members named by the Chairman, be appointed.



On motion of Mr. Olson, seconded by Mr. Macaluso,

*Resolved*,—That the Committee seek permission to sit while the House is sitting, only until such time as the House adjourns for the Summer recess.

On motion of Mr. Macaluso, seconded by Mr. Tucker,

*Resolved*,—That this Committee print 500 copies in English and 300 copies in French of its Minutes of Proceedings and Evidence.

Then the Committee began considering the three Bills that had been referred to it.

*On Bill S-4, An Act respecting the Algoma Central and Hudson Bay Railway Company,*

*On the preamble*

Mr. Nixon, M.P., Sponsor of the Bill, introduced the Parliamentary Agent, Mr. Edison, and explained that the purpose of the Bill was solely to change the name of the **Company** from The Algoma Central and Hudson Bay Railway Company to Algoma Central Railway.

The Preamble, Clauses 1, 2, 3, 4, 5, 6, 7, 8 and 9 and the Title were severally carried.

The Bill was carried without amendment.

*Ordered*,—That Bill S-4 be reported without amendment.

*On Bill S-5, An Act respecting Great Northern Railway Company, and Great Northern Pacific & Burlington Lines, Inc.*

*On the Preamble*

Mr. Wahn, M.P., Sponsor of the Bill, introduced the Parliamentary Agent, Mr. Peter G. Beattie, and explained the purpose of the Bill.

The Preamble, Clauses 1, 2, 3, 4, 5, the Schedule and the Title were carried.

The Bill was carried without amendment.

*Ordered*,—That Bill S-5, be reported without amendment.

*On Bill S-7, An Act respecting Interprovincial Pipe Line Company*

*On the Preamble*

Mr. Wahn, M.P., Sponsor of the Bill, introduced the Parliamentary Agent, Mr. A. R. O'Brien, and explained, in a few words, the purpose of the Bill.

The Preamble, Clauses 1, 2, and the Title were carried. The Bill was carried.

*Ordered*,—That Bill S-7 be reported without amendment.

At 12.38 o'clock p.m. the Committee adjourned to the call of the Chair.

Maxime Guitard,  
Clerk of the Committee.



## EVIDENCE

TUESDAY, June 29, 1965.

The CHAIRMAN: Order, gentlemen. We have for consideration this morning Bill No. S-4, an Act respecting The Algoma Central and Hudson Bay Railway Company. This is a private bill, but nevertheless it affects an important corporation engaged in transport.

I will first call the preamble and then ask Mr. Nixon, M.P., who is sponsoring the bill, to introduce the parliamentary agent.

On the preamble.

Mr. NIXON: Yes, Mr. Chairman.

Bill No. S-4, as members will realize, passed by the Senate and through the Senate Committee, has received second reading in the House of Commons. We have here today the president of Algoma Central Railway, Mr. Waugh, and a director of Algoma Central Railway, Mr. Berlis, and their solicitor, Mr. Edison, who I am sure will be glad to answer any questions and explain anything dealing with the change that is requested in this bill.

I think that is about all I need to say now, Mr. Chairman.

The CHAIRMAN: Mr. John G. Edison, special counsel.

Mr. JOHN G. EDISON (*Counsel to The Algoma Central and Hudson Bay Railway Company*): Mr. Chairman, I have observed that the copy of the bill which the clerk was kind enough to hand to me is a copy of a Bill No. S-4 which was read for the first time on Tuesday, May 4. The bill as passed by the Senate actually had two slight amendments made in committee, and I do not know whether the copy of the bill as passed by the Senate is available to members. If it is not, I can indicate where the amendments were made, Mr. Chairman. This was the one that was handed to me, sir, but I think if members have the copy of the bill which is entitled "As passed by the Senate, 19th May, 1965", it would be more convenient.

Mr. MACDONALD: That was circulated by the distribution office to the members.

Mr. EDISON: The Algoma Central and Hudson Bay Railway was incorporated in 1899 and given permission to build a railway from Sault Ste. Marie, north. Optimistically in those days, it was hoped that it might eventually extend as far as the Hudson Bay. The line was never built, of course, to Hudson Bay; it runs north from Sault Ste. Marie, crosses the Canadian Pacific Railway at Oba, and crosses the one main line of Canadian National Railways at Franz; and it terminates at Hearst on the other line of Canadian National Railways. It has a subsidiary line running from Wawa down to Lake Superior.

In the early years of the century the company experienced certain financial difficulties, and actually it was in receivership or in the hands of the bondholders, through various financial organizations which Parliament approved from time to time, until the year 1958 when, as a result of improvement in



its affairs, the financial reorganization was approved by Parliament which enabled the shareholders, for the first time in the history of the railroad, to become entitled to elect their directors.

In 1959, as a result of that reorganization, the bondholders' committee was dissolved, and the shareholders since that date have been in a position to elect directors of the railway. In that financial reorganization the company was given power to issue certain securities, bonds and debentures up to \$1 million in value and an authorized issue of \$250,000 preference shares of a par value of \$50 each, of which only 80,000 were actually issued and sold for a total par value of \$4 million.

Since that time, Mr. Chairman and members of the committee, the affairs of the railway have continued to improve financially, and those preference shares have now all either been redeemed or converted into common shares in accordance with the conditions attaching to the shares. Some part of the debt has also been reduced, and a good deal of money has been spent on additional capital expenditure on the railway and on the ships which it owns.

This company, of course, is a parliamentary company, and there are really three chief objects to be achieved if Parliament accedes to the petition of the company. The first is to shorten the name of the company to Algoma Central Railway from the present rather cumbersome name, The Algoma Central and Hudson Bay Railway Company. For many years, the company has been known in the area in which it operates as Algoma Central Railway and its corporate sign, or its corporate image as the experts sometimes describe it, is in the form of Algoma Central Railway.

The second purpose of the bill is to deal formally with the 80,000 preference shares which have actually been either redeemed or converted into common shares. It is necessary for the company to come to Parliament under the existing legislation to have approval given to the cancellation of those shares and the replacement in earned surplus of the amount of \$508,800 which was expended in the purchase for cancellation or redemption of some 10,176 of those shares. These provisions are analogous, as the lawyers on the Committee will recognize, to the procedure which takes place under the Dominion Companies Act when companies have to come to get supplementary letters patent to deal with the situation when preference shares have been redeemed. In order to avoid our having to bother Parliament in the future, Clause 4 of the bill provides that in future when any preference shares are issued and subsequently redeemed or converted, this accounting procedure will take place automatically.

I should say, Mr. Chairman, that there is no present intention of issuing any additional preference shares at this time, but it was felt this procedure would be appropriate.

The third principal matter that is dealt with is the removal of the ceiling that exists at the present time by means of the 1958 legislation on the total amount of debt which the company can issue. At that time, the company asked for and in fact had placed upon it a self-imposed limitation of \$11 million of debt which it could issue. There is no present intention of increasing the issue of bonds or debentures to the public, but in order to make it possible to provide for expansion in the future the company is asking that that limitation be removed, and that is the purpose of Clauses 5 and 6 of the bill.



Clause 7 deals with a technical matter that is required under the Railway Act, which members will realize was enacted many years ago. A railway incorporated under the statute has to ask its shareholders for approval to issue bonds, debentures, stock or other securities. In order to have a shareholders' meeting it is required to advertise for a period of four weeks in the *Canada Gazette* and to make certain other arrangements, which means it takes about 35 to 40 days to hold a shareholders' meeting. It is in accordance with the procedure of most companies incorporated under the Dominion Companies Act or provincial companies statutes, that bonds and debentures are issued on fairly short notice by arrangement with underwriters. In this connection I should point out to the Chairman and to the Committee that the shareholders of the company were given a draft copy of this bill at their annual meeting in December last year, and they approved the bill, including this provision in it.

In Clause 8, sir, the company is asking that this company should have the same ancillary and incidental powers as are conferred on dominion companies set forth in Section 14 of the Dominion Companies Act.

With that explanation, Mr. Chairman, and members of the Committee, I would be glad to answer any questions or to ask Mr. Waugh or Mr. Berliss to deal with anything the members would like to know about the bill.

The CHAIRMAN: Are there any questions?

Mr. BALCER: How many miles of line do you operate?

Mr. EDISON: Three hundred and twenty-one.

Mr. BALCER: As far as your ships are concerned, are they ore carriers?

Mr. EDISON: They are both ore carriers and grain carriers, sir.

Mr. BALCER: Do they go from the Lakehead to Montreal?

Mr. EDISON: Yes, sir, down as far as the St. Lawrence.

Mr. FISHER: Is this company effectively controlled by any other corporation?

Mr. EDISON: No, sir.

● (11.35 a.m.)

Mr. FISHER: Is this company effectively controlled by any other corporation?

Mr. EDISON: No, sir. The members may be interested to know that as a result of the financial re-organization in 1958 the ownership of this company has come back to Canada. There is no effective control by any other corporation or group. The shares are widely distributed and I think we estimate—you cannot always tell from the shareholders list—that 65 per cent of the shares are held in Canada.

Mr. FISHER: Is there any direct relationship between Algoma Steel and Algoma Central?

Mr. EDISON: There is no relation between the two companies.

Mr. FISHER: Has the situation with regard to the railway's involvement with the provincial government and with certain people who wanted access to lines in the area been settled?

Mr. EDISON: I think it has been settled. Negotiations are still going on in connection with various aspects of the lands and the tourist privileges. However,



the company has acceded to the requests made by the Ontario government in that respect and they are still negotiating in connection with other matters. I think it has been satisfactorily settled.

Mr. FISHER: Has the company a forest department?

Mr. EDISON: Yes, and a mining department.

Mr. FISHER: Is it operating these lands on a sustained basis at the present time or is it leasing them out to several companies?

Mr. EDISON: Some of the lands are leased. You will appreciate that a good part of the lands, Mr. Fisher, are in territory that is completely—I was going to say unexplored—but not serviced by roads or any other means of transportation and a large part of the lands is not being exploited at the present time. It is the hope of the company, of course, that this will be done in the near future.

Mr. MACDONALD: Why do you say exploited?

Mr. EDISON: Developed would be a better word.

Mr. MACDONALD: Are both class of shares listed stock?

Mr. EDISON: Yes. You will appreciate, Mr. Macdonald, that the 80,000 shares that have been issued have either been redeemed or are common shares and they are listed on the Toronto Stock Exchange.

Mr. MACDONALD: And the purpose of the re-capitalization in part will be to reduce the par value of the common shares?

Mr. EDISON: No, Mr. Macdonald. That was done under the authority of the previous legislation by the shareholders at a shareholders' meeting by a bylaw of the company. The statute in 1958 empowered the company, with the approval of the shareholders, to reduce the par value.

Mr. MACDONALD: Up until very recently the company has been in a position to declare dividends. It has not been in a financial position to do so, is that correct?

Mr. EDISON: That is right. However, as the result of the financial reorganization in 1958, which I have referred to, an aggressive board of directors have taken over the interests of the company and the financial position has improved and dividends, of course, are now being paid on the shares by the company.

Mr. MACDONALD: I gather that by the 1958 legislation you were required to set aside a redemption surplus in effect?

Mr. EDISON: Yes, to set it up as a capital surplus and we now ask that it be returned to earned surplus. The moneys that were used came out of earnings.

Mr. MACDONALD: That capital surplus in essence will now be available for dividends?

Mr. EDISON: Exactly.

Mr. MACDONALD: Does the company still issue equipment trust certificates? Do you include that in the bonded debt?

Mr. EDISON: No.

Mr. MACDONALD: Was that something that existed only in the previous financial difficulty?

Mr. EDISON: No, it was not included in the \$11 million which I referred to. The company at that time had another \$600 million equipment certificates out in connection with some of its ships.



Mr. PASCOE: Mr. Chairman, I just have a couple of questions for information. As a western member, I am, of course, quite interested in the Hudson Bay route. I do not know my geography too well, but how far is the end of the line from James Bay?

Mr. WALL: I would say about 160 miles as the crow flies.

Mr. PASCOE: Mr. Edison, when you were stating a while ago that the company was optimistic at one time of going north, what would be your thought at that time?

Mr. EDISON: I cannot answer that question because the optimism was displayed by gentlemen back in 1901 and I think perhaps everyone at that time was optimistic about a number of things which did not become possible in the meantime.

Mr. PASCOE: By taking out this Hudson Bay part of your route, you indicate that you are not interested at all in going north?

Mr. EDISON: I do not see any reasonable prospect of this railroad going from Hearst to Hudson Bay because there are no communities to serve; it is just virgin country and it would be a very expensive proposition to build a railway line across that terrain at the present time, sir.

The CHAIRMAN: Are there any other questions?

Mr. OLSON: Mr. Chairman, I would like to ask Mr. Edison: Have the company paid any dividends to date?

Mr. EDISON: Yes, they have been paying dividends on the common shares since December of 1960, two years after the financial re-organization.

Mr. OLSON: How much have they paid on shares?

Mr. WALL: The present rate is 25 cents a share. It was a dollar initially.

Mr. EDISON: The amount of a dollar a share would come to something of the order of \$600,000. There were slightly over 600,000 shares.

Mr. OLSON: Does the company own or hold any large tracts of land along the railway line for forestry and mining?

Mr. EDISON: Yes.

Mr. OLSON: Are they active in developing these recently?

Mr. EDISON: The company is doing everything it can to develop the lands adjoining the railway for the obvious reason that it provides freight for the railway and prospectors are encouraged to go in and a great number of claims have been staked on the lands adjacent to the company's lands. However, unfortunately, no valuable ore bodies have been discovered as yet but the company is always hoping that a number of mines may be discovered.

Mr. OLSON: What about the forest areas, are they being developed?

Mr. MACDONALD: That optimism died out in 1899.

Mr. EDISON: The company has a forest department, sir, and, of course, has an agreement with Abitibia and one or two of the other timber companies under which certain of its woods are being cut from time to time.

Mr. OLSON: Do you hold any of this land along the 160 miles north of Hearst?

Mr. EDISON: No. There are no lands held north of Hearst at the present time, north of Franz, the first intersection of the Canadian National Railways.



The CHAIRMAN: Are there any other questions?

Clauses 1 to 6, inclusive, agreed to.

On clause 7—*Approval of shareholders not required.*

The CHAIRMAN: Shall clause 7 carry?

Mr. OLSON: On clause 7, Mr. Chairman, I would like to ask a question. I notice that they are asking here that the company shall have authority to issue bonds, debenture stocks and other securities without a shareholders meeting. I have noted the comments that were made at the opening. I wondered if the company or the directors of the company now have any plans for some development of their forestry or other assets for which they may wish to issue some bonds?

Mr. EDISON: They have no immediate plans for issuing any bonds or other securities. However, it is hoped that if the affairs of the company continue to prosper, or some development, either in the forestry or the mining aspect of the company's business, justified the action of further securities, the company would be able to do so quickly. There is no immediate project in hand which would require the acquisition of additional securities, let us say in the next six months.

The CHAIRMAN: Shall clause 7 carry?

Mr. HOWE (*Wellington-Huron*): Just a moment. There was one other question. Which is the most profitable part of your business, the railways or the carriers?

Mr. EDISON: I think they are both profitable, sir.

● (11.45 a.m.)

Mr. HOWE (*Wellington-Huron*): But in a comparative way, are they profitable?

Mr. EDISON: I cannot answer that question. I might ask Mr. Waugh. It is a good question. I think it depends on how you divide the amount of capital that is invested in the two groups of facilities. It also slightly depends on how you distribute your overhead between the two branches of operations. I do not know whether the breakdown has taken place.

Mr. WAUGH: I would say generally the railway is more profitable. We have spent considerable sums of money. Fifteen million dollars was spent on steamships in the last three years. That could grow. At the present time the railway end of the business is more profitable.

Mr. HOWE (*Wellington-Huron*): We could probably use some of your experience with the C.N.R.

Mr. BALCER: Do you carry any passengers?

Mr. EDISON: A limited number only.

The CHAIRMAN: Clauses 7 to 9 inclusive agreed to.

Preamble agreed to.

Title agreed to.

Shall I report the bill?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Thank you very much, Mr. Edison.



Mr. D. A. BERLIS (*Director, Algoma Central*): Mr. Chairman, may I say to you and your colleagues, thank you very much.

The CHAIRMAN: The next item of business is Bill No. S-5, respecting the Great Northern Railway Company and the Great Northern Pacific and Burlington Lines Incorporated.

Mr. MACDONALD: May I speak on a question of privilege? One of my professional colleagues is the parliamentary agent in this matter. I would therefore declare my interest to the extent of not participating in the hearing.

The CHAIRMAN: We have with us this morning Mr. Finlayson, Q. C. Mr. Peter Beattie is the parliamentary agent. We have two witnesses today, Mr. Finlayson and Mr. Torinus of the Great Northern Railway Company. Mr. Finlayson will make a statement to the Committee.

Mr. G. D. FINLAYSON, Q.C.: Thank you, Mr. Chairman. I am appearing in support of Bill No. S-5 on behalf of the sponsors of the Great Northern Railway Company and Great Northern Pacific and Burlington Lines Incorporated. This is part of a merger which really involves the companies in the United States but to a certain extent it also affects the operations in Canada. The merged company, Great Northern Pacific and Burlington Lines Incorporated, will be made up of Great Northern Railway Company and Northern Pacific Railway Company. Great Northern operates about 130 miles of line in the Province of British Columbia which it in turn acquired from the Vancouver, Victoria and Eastern Railway and Navigation Company and from the Nelson and Fort Sheppard Railway Company. There are four lines that the Great Northern operates in British Columbia: One runs from Plain, Washington, to Vancouver, B.C., the second goes from the United States border at the Keremeos, and a third goes from the United States border to Nelson, British Columbia. The fourth is part of a line between Kettle Falls, Washington, and Republic, Washington, which serves Grand Forks, British Columbia. Great Northern also has another subsidiary which is known as the Pacific Coast Railroad Company, and it operates some 20 miles of railroad line in Seattle. What is proposed is that the Great Northern Railway Company and the Northern Pacific Railway Company merge, and then the two merged companies will merge again with the Chicago Burlington and Quincy Railroad Company. These three merged companies propose to lease the lines and properties of another company known as Spokane, Portland and Seattle Railway Company, and they will compose a unified system covering some 24,000 miles of railway lines.

There is one other company with which we are concerned, the Midland Railway Company, which operates between Emerson, Manitoba and Winnipeg, Manitoba. Fifty per cent of the Midland Railway Company is owned by Great Northern and 50 per cent by Northern Pacific. It owns a railroad line in Winnipeg and it has trackage rights over the C.N.R. lines from Emerson to Winnipeg.

Mr. Chairman, as members of the Committee can see, the principal effect of the merger, of course, will be in the United States, and I should explain that there has always been a family relationship between Great Northern and the Northern Pacific in the United States. First of all, their lines have practically paralleled each other across the western United States. Each owns approximately 50 per cent of the stock of the Chicago, Burlington



and Quincy Railroad Company, which is one that is going to come into the merger ultimately. Again, each owns approximately 50 per cent of Spokane, Portland and Seattle Railway, to which they propose to lease the lines, and each, as I have stated, owns 50 per cent of the Midland Railroad Company which is the one operating between Winnipeg and Emerson; in fact both have their head office in the same building in St. Paul, Minnesota. This community of interests has existed for some time and a practical result of the merger will not change the operation in Canada. Indeed, it is our submission that a larger, stronger railroad will result, which can more efficiently serve the traffic requirements in Canada.

The purposes of the bill are, first of all, two-fold. I emphasize that the bill is merely permissive, enabling legislation, which will permit the merger agreement, which is set out as a schedule to Bill No. S-5, to be carried out so far as it affects the operations of the merged company in Canada. Secondly, I draw to the Committee's attention the fact that this bill, if it becomes a statute cannot become effective until the Board of Transport Commissioners has recommended to the Governor in Council that the agreement be sanctioned and the Governor in Council has sanctioned it. This is all, of course, subject to the approval of the Board of Transport Commissioners.

At the present time the status of these proceedings in the United States is that there has been a report of an examiner of the Interstate Commerce Commission approving the merger subject to certain conditions, and a full hearing was held before the Interstate Commerce Commission on June 15 and 17. The Commission has reserved its decision and will report, we hope, in the fairly near future.

I think that is all I can usefully say by way of a preamble.

The CHAIRMAN: Are there any questions?

Mr. DEACHMAN: Mr. Chairman, I think the witness will know that the line of the Great Northern coming into Vancouver has long been a very popular road to Seattle. I want to know particularly how that line will be affected by this merger. Are there any changes to be made in the operation of that line, or does it in any way affect it?

Mr. L. E. TORINUS (*General Solicitor*): There will be no changes in the operation of that line. As you know, there is now a passenger service twice a day over that line and also twice a day freight service. As a result of this merger no changes in the operation are contemplated.

Mr. DEACHMAN: Are there any that you know of contemplated for the future in the long term plans of the company in respect of that operation?

Mr. TORINUS: Not that I know of.

Mr. DEACHMAN: Have you any comments to make in respect of these other lines entering Canada at the United States border, the ones that connect Keremeos with Nelson and Grand Forks, or do they remain largely the same?

● (11.55 a.m.)

Mr. TORINUS: Those operations will not be affected by this merger. So far as I know the operation will continue as at present, except that the communities on this line will be served by a stronger company.



Mr. DEACHMAN: Perhaps I should know this, but in effect you do not operate as a company in Canada, you operate running rights into Canada at those points, or is that so?

Mr. FINLAYSON: No, that is not so. From Emerson to Winnipeg it is a separate line which is known as the Midland Railway Company. Fifty per cent of the shares are owned by the Great Northern, and the other 50 per cent are owned by the Northern Pacific. That company will carry on in the same way it always has. So far as the Great Northern is concerned, it actually owns 130 miles of line in British Columbia, and it operates there.

Mr. DEACHMAN: It operates not as a Canadian company but as a United States company with ownership of lines in Canada as, for example, does the Canadian National Railways across a section of Maine. Is that not right?

Mr. TORINUS: That is substantially correct, yes.

Mr. FINLAYSON: The Great Northern, too, operates two Canadian companies, the Vancouver, Victoria and Eastern Railway and Navigation Company, and the Nelson and Fort Sheppard Railway Company; but it operates them as its own company, and its employees are employees of Great Northern.

The CHAIRMAN: Now, Mr. Balcer.

Mr. BALCER: Might I ask you if your passenger service has increased quite rapidly in the last few years, or is it holding its own very well?

Mr. TORINUS: Are you speaking of passenger service generally, or of passenger service in Canada?

Mr. BALCER: I mean the passenger service of your company.

Mr. TORINUS: It has been our experience with passenger service, in common with the experience of other railroads, that it is not increasing, and that we are doing well to hold our own. The expenses of carrying on passenger service are mounting, but we are nevertheless now maintaining those trains between Seattle and Vancouver, and we also maintain transcontinental passenger service over our line in the United States, and service on some of our other lines.

Mr. BALCER: Is it the policy of your parent company in the United States to, sort of, discourage passenger service?

Mr. TORINUS: No, on the contrary it is our policy to encourage the business. But unfortunately that policy has not been too effective. However, we are, I think, one of the few companies in the United States that still maintain a substantial amount of passenger service on its principal lines both in the United States as well as in Canada.

Mr. BALCER: I ask you this because here in Canada the impression of the public is that the Canadian National Railways is really putting up a struggle to develop its passenger service and is being quite successful, while on the other hand the Canadian Pacific Railway seems to be very cold to passenger service and is trying by many means, sort of, to get rid of it. I take it that in your own company you intend to carry on with it as much as possible.

Mr. TORINUS: I cannot say what our intentions are, should the operation become such a burden that it becomes a charge on the freight payers of the railroad. I can only tell you what our experience has been in the past.

Mr. BALCER: Thank you.



The CHAIRMAN: Now, Mr. Howe.

Mr. HOWE (*Wellington-Huron*): I wonder if the witness could tell us whether in any of these mergers which are taking place, they are taking place for the purpose of eliminating some competition among lines which are running closely together, or anything like that, so that there might be a reduction of service in some areas.

Mr. FINLAYSON: As I pointed out, the lines of the Northern Pacific and the Great Northern roughly parallel each other going across the United States; but the Northern Pacific does not own any line at all in Canada. The only line owned in Canada is the one which the Great Northern owns in British Columbia, so there is no duplication in British Columbia. However the Midland Railway Company is owned by the two American companies, the Northern Pacific and the Great Northern—so there is no duplication there.

Mr. HOWE (*Wellington-Huron*): I see in the bill whereby under the laws of the State of Delaware, one of the states of the United States of America, that the Great Northern Pacific and Burlington Lines Incorporated was incorporated for the purpose, among other things, of engaging in any and all branches of the business of transportation, whether by railroad, motor vehicle, pipe line, water, air, or any other means of conveyance. This does not hold true in Canada, of course.

Mr. FINLAYSON: No.

Mr. HOWE (*Wellington-Huron*): There are no extra-transportation responsibilities or obligations or facilities other than the railway?

Mr. FINLAYSON: That is right, we just have the two lines.

Mr. PASCOE: My question is supplementary to that of Mr. Balcer's in regard to passenger service. The witness said they were carrying on pretty well, there were mounting costs. What would be the mounting costs of passenger service?

Mr. TORINUS: I may not have understood your question, but the cost of operating a passenger train increases with the wage increases that you have to pay to the employees. And as the passenger service diminishes, the cost of operating the trains continues. In addition to carrying passengers on those trains, of course mail and express is also carried, and to the extent that mail and express volume may diminish, the cost of operating those trains becomes unprofitable.

Mr. PASCOE: Do you have any opportunity from time to time to try to popularize the passenger service?

Mr. TORINUS: We have been doing that over the years.

Mr. PASCOE: In what way?

Mr. TORINUS: We put on new streamlined equipment some years ago between Seattle and Vancouver, and we have daily train service between the twin cities to Winnipeg, I mean passenger train service. We have experimented with some fare reduction, in order to attract passenger business.

Mr. PASCOE: What about your cost of meals? Are they increasing?

Mr. TORINUS: Yes, they are.

Mr. PASCOE: I have one more question: this Midland Railway Company is operating over leased trackage. Do you run over that exclusively, or do others do so as well?



Mr. FINLAYSON: No. The line is owned by the Canadian National Railways.

Mr. PASCOE: And they operate on it also?

Mr. FINLAYSON: Yes, they operate on it, and we operate on it. Does anybody else operate on it?

Mr. TORINUS: No; it is the Midland operation of the Canadian National Railways.

Mr. PASCOE: But the line is owned by the Canadian National Railways?

Mr. TORINUS: That is right.

The CHAIRMAN: Now, Mr. Olson.

Mr. OLSON: This has been called enabling legislation with the explanation that it was going to go before the Board of Transport Commissioners, following consideration by us, and then it has to get the approval of the Cabinet. I would like to ask you this question: In view of the fact that the Interstate Commerce Commission in the United States has not approved the merger at the moment, could you tell us whether or not the Canadian Board of Transport Commissioners approval, and the approval by the Cabinet will be delayed until the Interstate Commerce Commission have approved the merger, or what would be the sequence of these, and what would be the full effect?

Mr. FINLAYSON: We anticipate that the decision of the Interstate Commerce will be handed down in a matter of three or four months. Then we shall ask the Board of Transport Commissioners to hold a hearing on this, and they will consider the merger in Canada and its effect on Canadian interests, and make whatever report they feel is proper. So it will be approved in the United States before it is approved up here.

Mr. OLSON: You are going to wait for the Interstate Commerce Commission report before asking for a hearing by the Board of Transport Commissioners?

● (12.05 p.m.)

Mr. FINLAYSON: Yes. We do not see how the Board of Transport Commissioners can consider the matter until they see what conditions are imposed on the merger by the Interstate Commerce Commission.

Mr. OLSON: You said that the Interstate Commerce Commission, by and large, had accepted the proposal for the merger with some conditions. If the conditions are not too involved, could you tell us what they are?

Mr. FINLAYSON: Well, they are very involved; they deal with several lines in the United States.

Mr. OLSON: But do they involve, in particular, any of the operations in Canada or is it pretty well confined to the United States?

Mr. FINLAYSON: No; there is one condition which does affect or could affect the operations in Canada, and it is this: there was an intervention in the proceedings in the United States by a company known as the Chicago-Milwaukee-St. Paul and Pacific Railway Company, referred to as the Milwaukee Road, and they have some lines out west. But, in particular, they wanted the right to operate under some kind of trackage rate agreement over Northern Pacific's line between Renton and Snowhomish, and over Great Northern's line between Everett and Bellingham. If they got as far as Bellingham they already have a



line which runs from Bellingham to Sumas right on the border of the State of Washington and British Columbia. And, there is a line that the C.P.R. operates from Sumas up into British Columbia. So, one of the conditions recommended by the examiner was that this Milwaukee Road be given this right with respect to Great Northern and Northern Pacific's line, and this is one of the matters which is being considered by the Interstate Commerce Commission.

The CHAIRMAN: Have you a question, Mr. Cowan.

Mr. COWAN: Mr. Chairman, in discussing the preamble of Bill No. S-5, at the top of page 2 it states:

Whereas Great Northern Railway Company has entered into an agreement (a copy of which, except for Exhibit A thereto, is set forth in the Schedule to this Act)...

Then, over on page 11, under Article X, we have the heading "stock option plans and pension plans". About half way down the middle of the second paragraph I note this sentence:

A new pension plan containing uniform provisions for the payment of benefits upon retirement to all employees of the new company eligible under the terms of existing plans, which will preserve so far as practicable without substantial impairment the provisions made in existing plans for retirement and pension of employees of the constituent corporations who are in active service on the Merger Date, will be adopted by the new company.

This is a new plan. The next sentence reads:

Such new plan will be appropriately integrated with existing funded pension plans for such employees, with or without funding of the new plan...

Is it not required in this country that private pension plans today be funded? Will this give authority to this railway company to operate a non-funded pension plan, it being a private pension plan of a private company?

Mr. FINLAYSON: In effect, I think that was a question. The reason that the words "with or without funding" in respect of the new plan are used is that some of the existing plans which are going to come into the new plan are not funded.

Mr. COWAN: We are aware of that but I understood all new plans had to be funded.

Mr. FINLAYSON: Well, I cannot answer that directly but I can say if there is a requirement that the plan which affects the employees in Canada has to be funded it will be funded.

Mr. COWAN: I just wanted to have that on the record. That is quite satisfactory to me.

The CHAIRMAN: Have you a question, Mr. Deachman.

Mr. DEACHMAN: Mr. Chairman, I have a brief question. I wanted to return to the line between Vancouver and Seattle. Could you tell us what has been the experience in the last few years in respect of passenger traffic. Is that particular line carrying more or fewer passengers?



Mr. TORINUS: Mr. Deachman, I really cannot give you an answer on that without checking the figures, but my impression is that it is carrying fewer passengers.

Mr. DEACHMAN: Is this one of the lines on which experiments have been made to increase passenger traffic?

Mr. TORINUS: I believe that it is.

Mr. DEACHMAN: Can you recall what experiments have been carried out in connection with that line?

Mr. TORINUS: Well, as I mentioned earlier, the Great Northern conducted experiments to increase passenger traffic by reducing fares, particularly for coach travel. I think that is one of the lines upon which that experiment was conducted, but I am just giving you my impression now.

Mr. HOWE (*Wellington-Huron*): Have you any rail liners on any of your lines or do you have just conventional trains or Budd cars?

Mr. TORINUS: We do use the Budd cars, yes.

Mr. HOWE (*Wellington-Huron*): Do you use them exclusively or do you use conventional express, baggage and passenger cars?

Mr. TORINUS: We also use conventional trains.

Clauses 1 to 5 inclusive agreed to.

Schedule agreed to.

Preamble agreed to.

Title agreed to.

The CHAIRMAN: Shall the bill carry?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Shall I report the bill without amendment?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Order, please. We now have for consideration Bill No. S-7, an act respecting Interprovincial Pipe Line Company, sponsored by Mr. Wahn.

Mr. IAN WAHN: Mr. Chairman, the parliamentary agent is Mr. O'Brien. There are a number of witnesses present and Mr. O'Brien will introduce them to the members of the committee.

Mr. HOWE (*Wellington-Huron*): Mr. Chairman, before we proceed with this bill is there any urgency in respect of it?

As all members know, this bill was before the House and discussed considerably at that time.

Mr. WAHN: The bill was discussed in the House during part of one hour last year.

Mr. Chairman, we have four witnesses from out of town here this morning and for that reason I would ask the indulgence of the members of the committee to hear them this morning, if it is convenient for them to do so.

Mr. HOWE (*Wellington-Huron*): Mr. Chairman, there are some members of our party who are not here this morning and who did not know that this particular bill was going to come up. I am sure if they had known they would have been here to participate.

The CHAIRMAN: My information is that the matter of this bill was included in your notice.



Mr. HOWE (*Wellington-Huron*): I did not receive this notice until this morning.

Mr. WAHN: Mr. Chairman, I know that one of the members interested was Dr. Kindt. I spoke to him last night and told him particularly of this hearing this morning and invited him because I knew he was interested. Similarly, I knew that Mr. Horner exhibited an interest on several occasions; I telephoned him but understood that he is not in the city. However, I did try to contact him.

Mr. HOWE (*Wellington-Huron*): Mr. Chairman, this notice came out last night. My opinion is that it does not give too much notice in respect of a matter in which some of our members are interested and wish to participate.

● (12.15 p.m.)

The CHAIRMAN: I suppose it is as much notice as some of us have received.

Mr. FOY: I move that we carry on.

Mr. OLSON: I think the notice which has been given is the usual notice given in these matters. This bill has been on the order paper in the House for several weeks. There could not have been any notice given that it was going to be referred to this Committee on Transport and Communications until after it had passed second reading in the house. It seems to me that the normal notice that is given was given after it passed through the House.

Mr. MACDONALD: It is not as though this was the first time this particular statutory proposition was before Parliament. We had previous hearings on it at which some of Mr. Howe's colleagues, and others, participated very fully. I would suggest, since we have the witnesses here, that we go ahead with this. I would think that if the members in question had wished to take further action with regard to it they could have been here today.

Mr. FOY: Is this a motion?

The CHAIRMAN: There is no motion. We are proceeding with the order of business.

Mr. HOWE (*Wellington-Huron*): I did not make a motion that we not go forward. I just brought forth my objection. I have another meeting at 12.30 p.m.

The CHAIRMAN: Mr. O'Brien.

Mr. A. R. O'BRIEN (*Parliamentary Agent, Interprovincial Pipe Line Company*): Mr. Chairman and members of the committee, you will recall that the present Bill No. S-7 was before the committee on Railways, Canals and Telegraph Lines during the previous session. Bill No. S-7 is the same as the previous bill except for some clarification in the explanatory notes. This bill received third reading in the Senate on May 25 and second reading in the house on June 22.

As shown in the explanatory notes, the purpose of the bill is to divide each of the 40 million authorized shares of the capital stock of the company, of the par value of \$5, into five shares of the par value of \$1.

As I am sure is well known to the members of this committee, in the case of a regular Letters Patent company organized under the Company's Act of Canada, this is accomplished by merely applying to the Secretary of State to subdivide the shares. Because this company was incorporated by a special or private act of parliament it is necessary to bring this matter before Parliament.



The form of the bill has been settled upon after consultation with the staff of Parliament. It is similar to the form previously used by this and other companies in like situations. The bill, if enacted, will not increase or alter the total authorized capital of the company presently fixed at \$200 million. As stated, it will merely subdivide the present 40 million shares of the par value of \$5 each into 200 million shares of the par value of \$1 each.

I would like to take this opportunity to outline a few very pertinent facts about the applicant company.

Mr. HOWE (*Wellington-Huron*): Do we have a quorum?

The CHAIRMAN: If you would like to stand the proceedings for a few minutes, I am quite willing to do so.

Here is Mr. Tucker now. We will resume.

Mr. O'BRIEN: In the first place this is an all Canadian company. Of the 14,813 registered shareholders 89.7% are Canadian and of the 5,087,282 shares issued, 4,475,710 are held by these Canadian shareholders. All the directors and officers are residents in and citizens of Canada.

The company operates a crude oil pipe line 2,000 miles in length carrying western Canadian oil from the oilfields of western Canada to eastern Canada and to some points along its route in the United States. The pipeline originates near Edmonton, Alberta, traverses the provinces of Alberta, Saskatchewan and Manitoba, and by its 100 per cent owned and controlled subsidiary, Lakehead Pipe Line Company, Inc., crosses the States of North Dakota, Minnesota, Wisconsin and Michigan and reenters Canada at Sarnia, Ontario. From Sarnia the line extends to the Bronte-Clarkson-Toronto area and a spur line traverses the Niagara peninsula and delivers Western Canadian crude oil into the Buffalo, New York area. It should be noted that all the Western Canada crude oil consumed in Ontario under the provisions of the current national oil policy is transported over this line. The Company operates strictly as a common carrier; it neither buys, owns nor sells any oil. In this respect it is quite similar to a railroad in that it is purely a transportation undertaking and carries all oil tendered to it under published tariffs.

The Company and its undertaking falls under the jurisdiction of the National Energy Board which has complete power to regulate the rates charged for transportation and no oil may be carried over the line except in accordance with published tariffs which prior to their use must be filed with the National Energy Board.

Starting from a comparatively small beginning in 1950 when the first construction of a single line commenced, the Company has grown over the intervening fifteen years to the point where it now carries more than 500,000 barrels per day of Western Canadian oil. We are proud of the fact that this Canadian enterprise operates the longest crude oil pipe line in the free world.

Gentlemen, with me I have Mr. John F. Fairlie, the Executive Vice-President of Interprovincial Pipe Line Company, Mr. J. Blight, The Secretary and Treasury of the Company, and Mr. R. T. Morgan, a partner and the Director of Research for Wood, Gundy and Company Limited Investment Dealers.

At this time I would like to introduce Mr. Fairlie, who will make a brief statement concerning the reasons for this proposed subdivision and subsequently will be available to the committee to answer any questions in this regard.



Mr. JOHN F. FAIRLIE (*Executive Vice President of Interprovincial Pipeline Co. Ltd.*): Mr. Chairman and members of the committee, I should like to say at the outset that Mr. Johnston, the President of Interprovincial, is in hospital and that our General Counsel, Mr. Burgess, has had a heart attack. Therefore I am acting for Mr. Johnston and Mr. O'Brien is acting for Mr. Burgess. Both Mr. Johnston and Mr. Burgess are making very good progress, but it will be some little time before they are back in business again.

I have a brief statement which will take three or four minutes to make; it outlines as succinctly as we can the purpose of the split. If the committee is in agreement, I would like to proceed on that basis.

Agreed.

Mr. FAIRLIE: It may be helpful to the purpose of the committee to outline Interprovincial's philosophy with regard to the subdivision of stock which we are seeking. At a meeting of the Board of Directors on June 10, 1964, a member of the Board questioned whether it would not be desirable to divide the stock because of its high cost which at that time was approximately \$85 and which he felt tended to exclude it from certain classes of investor.

The company philosophy is founded on a strong belief in the widest possible participation by all Canadians in those things which contribute to the economy and prosperity of the country. This feeling is not confined to Interprovincial but applies to all situations of similar importance and stature.

After discussion, it was decided to place the matter before the shareholders for their decision at a special meeting, which was held on July 15. Prior to this meeting advice was obtained from two of the leading financial houses in Canada and from our bankers. These advisers felt that this was a desirable step and expressed the opinion that the company's best interest would be met in a stock subdivision on the basis of five for one, which would place the stock in a price range accessible to all investors.

● (12.25 p.m.)

Considerable discussion ensued between the company and these authorities as to whether the stock should be split on some other basis, and after careful review of all the arguments the company decided to proceed on the basis of the advice which it had received.

At a special general meeting, at which 80 per cent of the shares were represented, the shareholders were unanimous in their endorsement of the proposal on a five for one basis.

The shareholders of Interprovincial currently are comprised of a wide range of interests. There are three large shareholders who are shippers and who participated in the original financing of the company, and they own 43 per cent of the total outstanding shares. Their shareholdings have not materially changed since the inception of Interprovincial, nor do we anticipate any change in the future.

In addition, there are large investment trusts, pension plan funds and mutual funds representing the interests of tens of thousands of small investors. However, by this route these investors do not have a feeling of direct participation in Interprovincial since it is only one of a large portfolio of similar quality stocks.

The total number of Interprovincial shareholders is in excess of 14,500. Of these, 50 per cent own less than 50 shares, and one-third own under 25 shares.



To the existing shareholders the significance of a stock split is simply that with more shares outstanding the marketability of the stock is improved. Currently, with the high price of the stock—\$85 to \$90—when stock is bought or sold an abnormal movement in price occurs unless the purchase and sale coincide in a fortuitous way. This imposes a hardship particularly on the small investor, who may be buying or selling a number of shares under ten.

For future shareholders the advantage is that access to an important Canadian company is increased because of the lower price of the stock. This is particularly important to the small investor who would rather buy five shares of a stock selling at \$20 than one share selling at \$100.

As a result there will be a substantial increase in the number of shareholders. This is well confirmed by the experience of other companies and is in fact the general basis on which all stock subdivisions are made. This access also makes possible further participation in the Canadian oil industry by the small investor.

The considerations to which I have referred for both present and future shareholders have equal application to employees of the company. They, as is indicated in the explanatory notes, are able to purchase stock in the company for which they work and in which their hopes and aspirations lie. This is achieved through a voluntary employees' savings plan to which the company contributes. Under the terms of this plan all employees have the option of investing their plan savings in the stock of the company at current market prices. Recently, employees confirmed in a sealed and unsigned ballot their identity with other shareholders in desiring to have the stock subdivided.

From a national standpoint the subdivision is consistent with the philosophy which has been expressed by the present and former governments—which, simply stated, is that it is desirable for Canadians to participate as fully as possible in the development and rewards offered by the opportunities in Canada. We believe that participation in an endeavour such as Interprovincial, which has been successful in surmounting a great many uncertainties, is encouraging to further participation in ventures of a similar type.

At this point I wish to emphasize that the company has no present plans for issuing additional treasury stock. Therefore, the company treasury will not receive any additional funds as a result of this proposed subdivision. It follows that there can be no question of the present shareholders' equity being in any way diluted as a result of the passage of the bill.

One criticism which has been expressed in the House and previously in this Committee is the feeling that by the stock subdivision the value of the stock will be enhanced to the detriment of the public at large. I think it must be obvious to all that unless a dividend change is involved, or some extraordinary direct advantage is obtained as the result of a multiplication of shareholders such as in certain retailing operations, no effect resulting from the subdivision itself can obviously occur since nothing has been added or changed.

On the other hand, stock subdivisions usually take place in rising markets after considerable growth. At times like these investors are in a more speculative frame of mind, and are intrigued by stocks which are split as a result of substantial growth.



When stocks are split in markets such as we have today, and in fact such as we had yesterday, it is doubtful whether a basis for any appreciable change exists.

In short, the purposes of this split are to improve marketability and to increase the number of shareholders by making the stock available to all classes of investor, whereas today it tends to be restricted to the large investor group. By this action we are pursuing what we believe in our business judgment is the best interest of the company—and this is the policy which our shareholders have authorized at a general meeting.

As a final matter of interest, since the meeting authorizing the split we have had close to 500 inquiries from our shareholders asking when the split would be completed, and most of these have been small investors.

At this point I have little more that I can add as to the purpose of the subdivision because every material consideration has been covered. I am, of course, happy to answer any questions.

Mr. HOWE (*Wellington-Huron*): I am sorry, Mr. Chairman, but I have to leave now. However, I am waiting to come back this afternoon after Orders of the Day for a short time if it is necessary to finish up this matter. I make this point because if I go now we will not have a quorum.

The CHAIRMAN: Before you go we should reach some agreement.

Mr. DEACHMAN: Before we reduce the committee to the extent at which it has no quorum, therefore cutting off the meeting, may I say that these gentlemen have come a long way. Everyone had notice of this meeting.

Mr. HOWE (*Wellington-Huron*): Mr. Chairman, I object to the tone of the honourable member's comment. I have another appointment at 12.30. This matter is not completed yet. If you can find someone else to take my place, I have no objection. I do have to go; I am sorry.

Mr. DEACHMAN: I have a point of order. If we have to be reduced below quorum, those present in the room should at this time be recorded in the minutes, a procedure which I believe is in accordance with the rules of the House, so that we know who remains in the meeting.

It is regrettable that members of the House of Commons—

Mr. HOWE (*Wellington-Huron*): I object, Mr. Chairman.

The CHAIRMAN: Order, Mr. Deachman. I do not think this is necessary.

Mr. FOY: Another member has now come in. We have a quorum.

The CHAIRMAN: Any member is entitled to leave at any time. I do not think we should impute any motives. Mr. Howe did state some time ago that he had an appointment.

Mr. HOWE (*Wellington-Huron*): I also said that I would be glad to come back this afternoon.

Mr. FAIRLIE: We appreciate your offer.

Mr. BALCER: If anyone else gets up, therefore breaking the quorum, will you ask if there are any questions. It may be that there are no questions.

The CHAIRMAN: Are there any questions on the bill?

Mr. FOY: I do not think there should be.

Mr. PASCOE: I would like to ask a question just for interest. You referred to the stockmarket in the last couple of days. Have your prices gone down too?



Mr. FAIRLIE: Our stock has been selling recently in the area of \$90 to \$91 and yesterday it closed at \$88½. It does not seem to have gone down as much as other stocks, but that can be entirely a question of pattern of trading. There were rather a large number of shares traded yesterday, 617 in Toronto.

Mr. PASCOE: The witness also said that this company had no interest in oil by itself. Do any oil companies have large shareholdings?

Mr. FAIRLIE: Yes, there are three major shareholders which own 42 per cent of the stock—Imperial, which owns 33 per cent; British American which owns 7 per cent; and Shell, which used to be Canadian, which owns 2 per cent. The total is 43 per cent.

Mr. PASCOE: Are they on the board of directors?

Mr. FAIRLIE: Yes, they are on the board of directors in identical proportion to their share interest. That, I think, is a very important point because we have five directors who are not affiliated with any oil company, and four that are in identical proportion with their share interest. The companies operate completely on the basis of that position.

Mr. PASCOE: May I ask as a point of interest whether your company ever thinks of transporting bulk cargo through your lines?

Mr. FAIRLIE: This is a question that is very fascinating and one in which we are very much interested. The state of technology at this time is not such that we can make any plans, but there are things obviously we would like to consider if we can find a basis for making those attractive. That movement of solids has occurred, but I doubt if it will be commercially attractive in Canada for a matter of a few years, three to five years.

Mr. COWAN: I am all for carrying this bill immediately, but I would like to ask this witness a question.

I have been sitting on this committee and its predecessor, the Railways Committee, for a long time—this is the second or third Parliament—and I recall that you first told us that you would like to split your shares in order that your employees could take advantage of such a split, and I said “horse-fathers” at the time, and I am still of the same opinion.

● (12.35 p.m.)

Do you have a long list of employees now that are waiting for the shares to be split so that they can purchase shares in the company?

Mr. FAIRLIE: No. I tried to include that in my remarks. I think that our employees are simply a class of shareholder and their interests are the same as other shareholders.

Mr. COWAN: Again I could not agree with you more.

Mr. FAIRLIE: And I do not think there is anything more complicated to it than that. They are perhaps more interested because as a group they are probably smaller shareholders, as an homogeneous group, than other shareholder groups.

Clauses 1 and 2, agreed to.

Preamble agreed to.

Title agreed to.

The CHAIRMAN: I report the bill without amendment.







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