

departments or branches of the railway system there is overstaffing. I have been along the railway many times, and in every single individual railway station from here to Port-aux-Basques. I can assure you that so far as Gander station is concerned they are not overstaffed. When a man is paid for ten hours work, and then has to come back for two or three hours overtime, with no pay at all, for six days a week for months and months on end to keep up with the work, I don't think there is any overstaffing.

**Mr. Higgins** I may be anticipating parts of the report, but I note that the only reduction in operating costs that Mr. Smallwood's Committee has suggested might be caused by increasing these companies that have special rates. What is the real trouble with the Railway that they are losing money? Has the Committee any real reasons to give?

**Mr. Smallwood** I thought that I had one. He will recall I said that every railway in North America is losing money, ... unless they increase their freight rates, which the railways in America and Canada are desiring right now to do.... If we increase the freight rates the general public will have to bear the cost of operating the railway. If we do not, the government has to pay the loss. Whether the people pay it or the government pay it, the people of Newfoundland in general have to stand the loss.... As for the other point he raised. Early this afternoon there was a memorandum laid on your desks from the management of the Railway replying to the Committee's criticisms of these special rates that are given to the paper companies, the Buchans Mining Company, Imperial Oil Ltd., and Shell Oil. We will come to that; perhaps Mr. Higgins will be willing to wait until we come to that in the report.

**Mr. Higgins** I am quite willing.... I would like Mr. Smallwood to explain whether there is any difference between the subsidy that is paid by the government now, and what used to be paid.

**Mr. Smallwood** Yes, I believe there is. Major Cashin, who, as Finance Minister, used to pay it once, will probably tell us about that.

**Mr. Cashin** In connection with that, prior to the Commission of Government the Railway received \$500,000 a year in subsidy. When the Commission of Government came in they

received \$250,000. That was \$250,000 difference as regards Commission of Government and the days prior to that. The \$250,000 was out of one pocket into another, and the Railway would have been much better off if it had got that extra quarter of a million dollars. No one brought up the fact that the government advanced \$18 million since 1920-21.... I feel the boats should continue to get subsidies, particularly since war-time, because the cost of operations have gone up. The cost of coal has gone up 100%. I understand there is a plan on now to convert the railway to oil. Coal costs \$1.5 to \$2 million a year — \$18 a ton.

**Mr. Smallwood** Coal — 70,000 tons costing \$18.50.

**Mr. Cashin** That is \$1,300,000 — an additional charge of \$600,000. Now I understand they are going to convert to fuel oil and hope to save \$500,000 a year. Under present circumstances and business conditions, it is going to cost \$750,000 a year from the treasury unless they cut expenses to the bone. Those Clarenville ships<sup>1</sup> should be segregated from the Railway. All boats not connecting with the railway system should be clear of the Railway. They will find the Auditor General condemning the whole accounting system of the Railway. You will find an \$80,000 mistake, even if it is shown over. That is caused by subsidiaries — the dock is making money, shipping losing money. The dock is kept up by the ships. If they put a ship on the dock they credit it to the dock. If they put a locomotive in the machine shop, they credit it to the machine shop. It is all one pool.

Another point, in 1939-40, shortly after the outbreak of war, the government gave the Railway \$500,000 out of the Colonial Development Fund to build a dock at Port-aux-Basques and a dock at St. John's. The balance of the Colonial Development Fund still owing was wiped out by the British government, yet I notice the Railway is being charged with interest on a debt that has been cancelled. I presume there is some explanation for it. I think the Railway situation today has to be handled with care. Let us look at it this way; they paid \$5,400,000 in wages, and 30% of that comes back in customs duties — \$1.5 million. The Railway costs \$1.75 million, therefore the

<sup>1</sup>A class of wooden motor vessels built during the war, 1939-1945, at a government shipyard at Clarenville, Trinity Bay.