

Mr. Bailey Apparently, according to this, the federal government will take over the Clarendville vessels?

Mr. Smallwood That is what it seems.

Mr. Harrington Just one question comes to mind. Clause 5, section (1), "the Newfoundland Railway, including steamship and other marine services." That is official. That is in the proposed arrangements. In Volume 2, page 69,¹ reference is made to the condition of the property of the railway and steamship services. The second paragraph should have been read in connection with the rehabilitation that is likely to have to take place in connection with the railway and steamship service. That is provisional. That is not guaranteed. They presume certain works would have to be done. There is no guarantee they will be done, once we become a province. Was this memorandum prepared by the Government of Canada?

Mr. Smallwood That is a memorandum prepared for the cabinet of Canada by the railway and steamship officials of that government, the President of the Clarke Steamship Company, and the Vice-President of the Canadian National Railways. They prepared it. If the Canadian government were to offer, in this document, to take over the railway and steamship service, they wanted to have some idea of what they would be taking over, and whether it had been making money or losing it; what condition it is in; how much money would likely have to be spent to put it in good condition, if it is not in good condition. They asked their authorities, railway experts, to prepare a memorandum; in the next ten years, \$10 million would have to be spent to put the railway system in good condition. The rails would need to be renewed, ballast renewed, embankments and cuts widened.

Mr. Chairman That is for re-railing?

Mr. Smallwood No. That is for all of them:

It would appear that the rails would need to be renewed on the whole of the railway within a period of ten years, and that at the same time ballast should be renewed, embankments and cuts widened, drainage restored or improved and that a majority of the bridges would need renewing.

Mr. Chairman There is \$7 million covering rolling stock.

Mr. Smallwood Yes. "It may be hazarded that the cost of rehabilitating rolling stock over a ten-year period would be of the order of \$7 million." That is \$17 million the railway expects it would need to spend. Commander Edwards, Deputy Minister of Transport, who was one of the Canadian government committee, met with us on this railway question. He has been in Newfoundland and knows our railway system. He is an expert railway man. This memorandum is based on the data we brought up to them; some of it we got afterwards, at their request; and also of their own knowledge. They have a fairly good knowledge of the railways of other countries.... This memorandum, as Mr. Harrington says, is not an undertaking, it is not a bond; it is not in the terms. The Canadian government has been informed by their own experts that \$17 million would have to be spent to make it shipshape over a period of years. I would draw Mr. Harrington's attention to the fact that freight rates would presumably be reduced; express rates would presumably be reduced; passenger rates would presumably be reduced. That is the opinion of the railway experts of Canada. They assume that if the Government of Canada takes over the system, and makes it part and parcel of the Canadian National Railways, naturally they will have the same freight, same passenger, same express rates as in Canada. Mr. Harrington is right, it is not guaranteed. Personally I have no doubt about it; still, it is not so stated in the terms.

Mr. Job When Mr. Smallwood was talking about the Clarendville type of vessels, I understood him to say that, undoubtedly, they would not be taken over; but he rather altered that opinion later on. Was that the case?

Mr. Smallwood That is the case.

Mr. Job I imagine that they are really part of the government set-up. They are managed by the Railway. They are paid a fee for managing them. They are on a different footing from the other boats. It is important to ascertain what the facts are.

Mr. Northcott How do our rates compare with the Canadian National Railway freight rates?

Mr. Smallwood All I know is what the Canadian government railway experts have said, and what they have said is here in this memorandum of theirs. I will read it out:

¹In the Black Books.