

lected by the government on materials imported to be used on the St. John's dry dock, in the repair of ships by the Railway. The situation is this: so far as foreign ships are concerned, any duty that has been paid by the Railway for material — paint, plates or anything else — is paid back to the Railway. There is a rebate. When a local ship is repaired the duty paid by the Railway on materials used on that local ship is not paid back; it stays with the Customs.

There was a question asked as to whether or not there had been any general increase in passenger fares. No. Fares for passengers on the Newfoundland Railway are 5 cents a mile first class and 4 cents second class. That compares with 3 cents a mile average rate charged in Canada, which seems to be of some importance in view of the possibility that we may be considering whether or not the passenger fares could be increased on our Railway. If they are increased, they will be raised above 5 cents, which is now 2 cents above the average on the mainland.

We asked Mr. Russell if he could give us any idea — making allowances for all kinds of things that can happen in the world and in Newfoundland in the next eight or ten years — when the Railway might balance its budget. Perhaps it was not a fair question, but Mr. Russell gave his opinion that perhaps in about ten years time the Railway might break even. Until then, obviously, there will be an operating deficit. He is not pessimistic about it. At the end of the last war (1914-1918) there was a great deal of pessimism over the losses on the Railway when people thought that for years to come the operating deficit would be greater and greater. It did not turn out that way. After a number of years the operating deficit of the Railway was brought down, and he thinks the same thing can happen again in the years ahead.

Another point raised was this question of shunting individual cars of newsprint paper brought in from Grand Falls to the paper shed on the dock at St. John's. The cost of that shunting is included in the rental paid on the shed and wharf. The position is this: the AND Co. pays \$20,000 a year for the use of that shed and wharf at St. John's. Bowaters pays \$20,000 for the use of the shed and wharf at Port-aux-Basques. That \$20,000 these two companies pay gives them the right to have individual cars of newsprint paper shunted for them at St. John's and Port-aux-

Basques.

Then we come to the question of what we call special rates. Mr. Russell and the General Freight Agent, Mr. Forsey, both objected to the use of the term "special rates." They produced for us CNR and CPR tariffs to show, in connection with pulpwood, paper, ore, oil and things like that, that the tariff charged is not called "special." They have "Pulpwood — Carload"; "Pulpwood — Trainload." This business of hauling ore by the trainload only happened since Buchans began. It is a new thing. The hauling of paper happened only in recent years, also the hauling of pulpwood. The Railway went after those companies to persuade them to haul pulpwood and paper by the trainload to provide traffic in the winter months. Then the Railway had to give the companies a rate for hauling that. The only thing they had to go by was the rate charged for the same kind of work in Canada and the United States.

*[Mr. Smallwood gave detailed figures showing that the freight rates on the Newfoundland Railway for pulpwood and newsprint were higher than in the Maritimes, the Gaspé coast, and Wisconsin]*

In connection with newsprint, the Railway is negotiating right now to get the paper companies to get the rate raised — to get more for hauling paper. In connection with pulpwood, they have already received increases of from 30% to 60% over the rates that were charged by the Railway to those companies last year. Up to a year or so ago the Railway was making a profit on the hauling of pulpwood, but their costs rose rapidly, so they were not making a profit, but losing money on hauling. They negotiated and got an increase which came into effect on January 1. On oil, they got an increase in 1943, and after the present deal expires, they are looking for an increase of 30% from the oil companies. On ore, they got a 30% increase from the Buchans Mining Company, taking effect from January 1, 1947.

Summing it all up, by the end of 1947, the freight collections of the Railway will rise to something between \$250,000 and \$300,000 a year. I cannot help saying that the final paragraph in our report, where we suggest that the Railway might get \$300,000 to \$400,000 a year, was not far out after all.

Before we go on to posts and telegraphs, when