

Mr. Smallwood We did and it is worse than that. In 1944-45 they had a loss of \$500,000. In 1945-46 they had a loss of \$1 million, and in this year, which will end March 31, 1947, it will be \$1.5 million. The operating loss is definitely on the increase. It applies to railways all over the world. There is an upward trend in operating rates, the cost of coal, of supplies of all kinds. For example, the cost of coal has increased to the railway by 100%. The cost of wages has increased, so the Railway informs us, by 70%. That does not mean a 70% increase in the pay of the railroaders, but the number of employees has had to be increased. The reason is that there are more trains of all kinds, more runs made, and more staff engaged to do more work and put in more time, and additional freight handlers here and along the line. More freight handlers are handling coastal boat freight, which in turn calls for more overhead staff at headquarters, accounting, auditing, etc. There was a time this year when the total number employed was 4,300. That was largely seasonal staff.

The loss jumped from \$500,000 the year before last to \$1 million last year and \$1.5 million this year, and the reason is that the cost of operating is going up faster than their income is going up. That is a situation that applies to every railway in North America today, so the Railway informed me. There is not a railway in Canada or the States, I am told, that is today even meeting its operating costs. Our railway is doing the same thing and is going to do so even more in the future than it has done up to now.

Mr. Hollett I just asked the question so that it might be brought to the attention of the public. I think some mention of that should be made in the report.

Mr. Smallwood That is not in the report proper, but the appendix contains a reference to it by the General Manager of the Railway himself, signed by his own name. He deals with that very thoroughly. He speaks of the mounting cost of supplies, coal, number of employees, etc. There was a small increase given to railway men, but it was mostly due to the increased number of men employed. It is only fair to say that on behalf of the railwaymen....

Mr. Job I don't want to be too persistent, but I

would like to draw attention to that section on page 5, "All the modifying factors having been taken into consideration....etc."¹ Now is that correct? I don't think it is, because on page 4 the report says \$702,325, that is before the modifying factors have been taken into account. The modifying factors show duties to be deducted, so surely it cannot be correct that the loss is still \$700,000. Is that section wrong?

Mr. Smallwood No, sir, but for the 26 years that the government has been operating this Railway, which ended on the 31st of March last, the government has had to pay the Railway a total amount of \$18,250,000. Now if you take that \$18 million that the government had to pay the Railway — first of all to meet their losses and then to buy new equipment, and for capital and maintenance account, and divide it by the 26 years it comes to an average of \$702,000 a year. It is true that at the bottom of the next page we put it in round figures, but when we say that all the factors have been taken into consideration, we do not mean as a matter of accountancy — the customs duties, income tax paid by railwaymen, etc. We do not take it into account as a matter of book-keeping, but into consideration. The position is not quite as bad as it sounds. We know it is not a dead loss of \$700,000. We have got the railway and the services performed, 4,000 men get their living and they pay income tax, which does help the revenue. But I fail completely to understand Mr. Job. Does he really mean that we ought to have found out exactly how much income tax is paid to the government by railroaders, or if we were to find it out, how could we deduct it?

Mr. Job I am talking about the customs duties.

Mr. Smallwood All right, take the customs duties and purchases. How are you going to find that out? Some of the goods they bought and paid duty on them, some of them they imported and they were duty free. If they got flour for their dining cars they paid no duty. Are we expected, as a Committee, to find out every detail of what the Railway spent, who got it and what it was spent on, and follow it through and see what duty was paid on all these articles, and then deduct it from that \$700,000 a year? I don't think the Committee would consider it. If it was to be done it would have to be a job for high class auditors.

¹Volume II:106.