

Mr. Smallwood No, that's not the reason. As I have said ad nauseam, the cost of material is still rising.

Mr. Bailey As a member of that Committee, as far as I can find out there will be a sharp rise during the coming year, but after that I have not the least doubt that there will be an easing of the situation. Of course, while we were with the railroad, the negotiations for the increased wages were not on, although we were informed that there were rumours that it probably would come. I could not see myself where they could keep within the bounds of what they showed us.... I know it is very difficult to arrive at it in dollars and cents, but we could not get along without it, and from facts and figures we received, I believe that if something turned up along the line of railroad that would give us another Corner Brook or Grand Falls, it would cease being a liability and balance its books.... The bulk of the earnings are from here to Corner Brook and Grand Falls, and from Port-aux-Basques to Corner Brook. The rest of the railroad is a liability to the country....

Mr. Fudge Getting back to the Railway expenditure, I see nothing in the report as to the amount of money being paid out by the government in the way of claims and losses. I think that there is quite a considerable amount paid in claims, and what are the causes of these claims? Is the property being rough-handled?....

Mr. Smallwood Does Mr. Fudge direct that question at me? In the matter of claims, this is one out of 17,598 other items. We only examined one or two items, and that was not one of them. The total expense is \$12 million, and included in that is what they paid out in claims. That is as near as I can go to answering Mr. Fudge.

Mr. Fudge The point I am getting at, is that if we knew the amount paid in claims, we could deduct that from the total and perhaps find out why that amount is being paid out.

Mr. Smallwood I would undertake to get the total figure of claims in any particular year in which they have figured....

Mr. Fudge It costs somebody something.

Mr. Smallwood It costs the Railway.

Mr. Figary As far as that is concerned, it is only a few days ago we had a conference with the management of the Railway, and they told us that

\$80,000 was paid out on one terminal only of the railway last year. Mr. Russell believes that this is due to pilfering, and he impressed on us the necessity of having this cut out. If this is the amount for one terminal, then what about the rest?

Mr. Fudge In view of that can you wonder that the Railway is in debt?

Mr. Reddy Mr. Fudge's idea there about the claims on the Railway and what it is costing is a very important question. As Mr. Figary says, it is pilfering and I think the Railway management should stop it. Not only pilfering, but careless management on the part of the Railway is causing these claims.

Mr. Hollett Mr. Chairman, on page 8 of the first appendix, which you say has been furnished you by the Railway, paragraph 3, there is reference made to the special rates paid by certain companies¹

Mr. Smallwood If Mr. Hollett will excuse me, that is in the section we are going to read now.

Mr. Hollett Certainly.

[The Secretary read from page 7, Special Observations]

Mr. Smallwood Mr. Chairman, there is very little that need be said by us about that because there is a memorandum which you will find on your desks, sent to the Committee today by the management of the Railway, which I think explains it. I would like here to pay tribute to Mr. Watton, the Secretary of the Committee, who went to enormous trouble and labour to obtain these figures from the Railway. We were informed that the Buchans Mining Co., the AND Co., Shell Oil and Imperial Oil were getting special rates for hauling their wood, paper, ore and oil, and we went to special pains to get these figures. We got the special rates, but where we did fall into an error was in this respect: they gave us the special carload rates, and what we did was compare the rates that these companies get with the carload rate. What we ought to have done was to compare their special rates not with the carload rate but with the trainload rate. If a man gets carload rate, the practice is for him to load and unload the car himself, but in the case of a trainload you have a different situation altogether. Or maybe it is the other way around, anyway the

¹Volume II:106.