

of repairs a ship will go on to Halifax for repairs instead. It seems a very wrong system, charging on that plating.

**Mr. Smallwood** They charge duty only on small things and also on ordinary maintenance materials, not on locomotives, rolling stock or steel rails.

*[The Secretary continued reading the report]*

**Mr. Higgins** What does the re-railing mean?

**Mr. Smallwood** Mr. Russell informs us that the main line of railway has got to be re-railed — not the branch lines. But the rails which are taken up from the main line could be used on the branch lines. Estimated cost replacement of rail (for six years) \$600,000.<sup>1</sup> It was suggested to me, not by the Railway, but by others, that this was on the optimistic side, and that it might cost more than that.

To convert to oil will cost \$1 million. They hope to have it done before 1947 is over.... I may say the government has not yet made any appropriation for this outlay, but it is a definite policy adopted by the Railway and approved by the government.... Similarly with the steamers. They have ordered the steamers — that's a definite commitment, but nothing has been paid on them as yet, and the total cost is to be \$2.5 million. Then they have to buy seven new locomotive engines, and that will run to \$445,000; freight equipment, another \$250,000; \$4.2 million and \$3.6 million for rail relaying is roughly \$8 million. That's capital outlay to be made on the railway in the course of the next two to six years. I think perhaps that covers the section we just read.

**Mr. Higgins** You say also that operating losses are likely to increase rather than decline. Is that a definite understanding?

**Mr. Smallwood** Yes, because costs of materials are still rising. Take, for instance, shipping. I understand all controls on shipping in Canada and the United States are abolished. During the war the shipping boards controlled all shipping, and now it has become more difficult than ever.... The costs are still going up, and other costs are climbing steadily. So long as they do, the losses in the operation of the Railway must go on increasing.

**Mr. Higgins** Have you any estimate of what the

increase is likely to be?

**Mr. Smallwood** No, it would be a pretty difficult thing to do.

**Mr. Hollett** That point raised by Mr. Higgins interests me very much too. The Committee say, "Apart from capital expenditures we are impressed by the probability that operating costs are likely to increase rather than decline".<sup>2</sup> I understood the idea of these improvements was to cut down on the operating expense. In view of that, why are they impressed that we are liable to get greater operating expense in the future? I want Mr. Smallwood to understand that I am not getting up in any critical way at all. I think your report is excellent, but there are certain things I cannot understand, and this is one of them. Why should the Committee say that we are headed for increased operating expenses?

**Mr. Smallwood** I appreciate what Mr. Hollett says, and believe he does not rise in any critical spirit, and I am grateful to him for his words about our report. I am acting merely as spokesman for a Committee of ten gentlemen, one of whom is no longer a member of the Committee, namely our Chairman, Mr. Bradley. We did work hard, there is no question of that, and there is a tremendous amount of knowledge here which we ourselves may not have digested properly.... The particular question is in paragraph 4, "Apart from Capital Expenditure, etc." I tell you one thing, for example. We have 4,000 men working on that railway. I am convinced that the standard of life of these 4,000 railroad men must go up, not down, and that will give you greater operating costs. I am not a railroad man, but ... 4,000 of our people are operating that railway for the benefit of Newfoundland, and I contend that it should not be operated at the expense of these men or their families. Their first charge should be a living wage, and a decent standard of life for everyone who is working on it, and if we agree to that, wages must go up or the cost of living must go down. The main point is that these men, as the men in the mills in Grand Falls and Corner Brook and the mines at Buchans and Bell Island, working the public utilities for the people of Newfoundland, are just as much entitled to a decent standard of life as anyone else.

**Mr. Hollett** I think that is the only reason.

<sup>1</sup>Volume II:118.

<sup>2</sup>Volume II:106.