

Newfoundland

the legal formalities will have been complied with in order to make union effective about that date. Present indications are that the over-all amount of those estimates, including the other items to which I have referred—those relating to veterans and the like—will be something of the order of \$50 million.

Mr. Fleming: For clarity's sake, may I ask this further question. That \$50 million will include the \$27 million, plus the transitional grant, plus the other three factors at the top of page 71?

Mr. Abbott: That is correct.

Mr. Fleming: It is an inclusive figure?

Mr. Abbott: That is correct.

Mr. Nicholson: Can the minister make any breakdown of this additional \$23 million? I am referring especially to item 3:

Any costs in respect of the Newfoundland railway or its auxiliary steamship services, taken over by Canada.

In the report of meetings between delegates from the national convention of Newfoundland and representatives of the government of Canada, part II, at pages 67 and those following, the section dealing with transportation makes some mention about present freight rates, express rates and passenger rates in Newfoundland. I understand that the freight rates there are about twice as high as the prevailing rates in the maritimes. I was surprised to find that it is so much more costly to travel by train in Newfoundland than it is to travel by air. The cost of travelling from St. John's to Gander is a good deal higher by train. I am told that the rates are about twice as high as the prevailing rates in Canada.

As to the condition of the property, at page 69 I read:

Such evidence as is available would indicate that the Newfoundland railway system is badly run down and would require the expenditure of substantial amounts for rehabilitation. Estimates of the probable cost of such rehabilitation can only be guesses on the basis of data at present available. 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. The cost of such rehabilitation over a ten-year period would be of the order of \$10 million.

The rolling stock of the system would also need rehabilitation. Much of the car equipment is of wooden construction and a number of the locomotives are not worth repairing. It may be hazarded that the cost of rehabilitating rolling stock over a ten-year period would be of the order of \$7 million.

I read that the rates of pay, as far as can be judged from the sample given, are on the whole somewhat lower than those in Canada. Under the heading "Results of operation", it

is reported that there was a deficit of about \$525,000 in 1944-45 and \$698,000 in 1945-46, after adjustment of a non-recurring item.

The point upon which I should like some information is this. Does it now become the problem of the Canadian National Railways to take over the Newfoundland railway? Is there an undertaking to bring the rates of pay up to Canadian levels and to bring passenger and freight rates down to Canadian levels? If so, what is the probable deficit which might be expected? What about the capital debt of the Newfoundland railway? Does it become a charge on the consolidated revenue of Canada, or is it added to the already heavy burden of the Canadian National Railways, which is about twice as high as the debt of its competitor, the Canadian Pacific Railway? Can the Minister of Finance answer some of those questions?

Mr. Abbott: The Newfoundland railway will be operated by the Canadian National Railways; that is to say, management will be provided by the Canadian National Railways, but they will operate it as agents of the Canadian government in the same way as the Canadian National Railways operate the Intercolonial railway. If there is a deficit, and I think it is fairly certain that there will be one, any deficit incurred will have to be voted by this house in the same way as deficits of the Canadian National Railways and just as we have in the estimates each year an item for statutory obligations in connection with the Intercolonial railway. At the moment I have not available any estimates of the possible or probable deficit of the Newfoundland railway. There is no doubt that it will require substantial capital expenditures, which will be classified as capital, and which presumably would increase the earning power of the railway by improving efficiency. But from an operating point of view the deficits, if any, will be a charge upon the taxpayers of Canada in the same way as are the deficits of the Canadian National Railways and of the Intercolonial railway. I have forgotten my hon. friend's other question.

Mr. Nicholson: Are the rates of pay prevailing in Canada to be made available to Newfoundland?

Mr. Abbott: I am afraid that that is a question which is not within my province. The Minister of Transport is not here at the moment. That question comes within his jurisdiction.

Mr. MacNicol: The rates would have to be applied to Newfoundland.

Mr. Bentley: In taking over various public utilities such as railways and hotels in Newfoundland, under the terms just announced