

# The Western Rate Case

(By The Guide Special Correspondent)

After dragging on for a little over one week the resumed inquiry into the western freight rates, involving the question of unfair discrimination on the part of the railways against Western Canada, was, on June 19, indefinitely adjourned. That is the adjournment was indefinite in so far as the fixing of an actual date for the resumption of the inquiry is concerned. No date was named, but the probabilities are that the case will be taken up again by the board about the middle of September. Chairman Drayton allowed the counsel for the railways twenty days in which to present to the board further exhibits of evidence which they desire to submit as well as statements asked for by counsel representing the various governments and other parties to the case. The counsel will be allowed another three weeks in which to prepare their criticisms of the data submitted by the railways. By that time it will be pretty well on in August so that the consideration of the question is not likely to be resumed much before the beginning of the following month. On the eve of the adjournment of the hearing the other day Chairman Drayton urged upon everybody connected with the case to gather together all loose ends, as it was highly desirable to bring the matter to an early conclusion. "There must be no more delays and no more excuses," he declared. Nevertheless, the opinion prevails amongst some of the counsel at least that the hearing cannot be concluded at the next sitting of the board and that still another adjournment will be necessary. Should that prove to be the case it will probably be some time after the snow commences to fly before the board will be in a position to give judgment. The extent of the information which the board has to unravel and crystalize into some kind of concrete form will be realized when it is stated that no less than 106 "exhibits" have been put in, and in many cases these consist of bound volumes of rate com-

parisons numbering more than one hundred pages.

## Significant Questions

Just what the "drift" of the case is at the present time it would be impossible for a layman to say, because the lawyers confess that they are puzzled and, apparently, the board has not as yet definitely decided upon what principle its judgment will be based. This is suggested by the fact that Chairman Drayton enumerated a number of questions, which he asked counsel to consider between now and the next hearing. They are as follows:

1.—Whether or not stations should be placed on the same rate basis in so far as general merchandise rates are concerned, irrespective of density of traffic, in a given district.

2.—Whether or not distributing points, irrespective of population or business, should be entitled to similar commodity rates (i.e., in respect of distance or rate basis irrespective of density of traffic).

3.—Whether or not all stations at common distances from distributing centres from which freight moves at commodity rates, should be on the same basis in respect of distance and rates.

4.—Whether rates should now be fixed in the Western Provinces on the assumption of a sufficient existing railway mileage to enable the grain crop to be properly carried, and affording lands settled or fit for settlement with railway facilities within a reasonable distance; or whether rates should be fixed on such a basis as will encourage future development.

5.—Whether or not the rates should be based upon the traffic and returns of the Canadian Pacific, irrespective of any density or diversity of traffic, and returns of the Canadian Northern and Grand Trunk Pacific Railway companies.

6.—Generally on what principle do you desire the freight rates to be considered?

The questions show that the board has not made up its mind yet as to the merits, or demerits, of the various theories and contentions which have been submitted and is anxious for further elucidation in regard thereto. In regard to these it is not possible within the scope of this article to go into details and only a few can be touched on in their broad details.

## Mr. Muller's Theory

As indicated previously the important development of the hearing was the presentation of the exhibits prepared by Jean P. Muller, the American railway expert, on behalf of the counsel for the Dominion government. These figures and comparisons related to the traffic on the C.P.R. They had nothing whatever to do with freight or passenger tariffs in a detailed sense. What Mr. Muller did, according to his own description, was to make a cold blooded calculation of the business done by the C.P.R. He calculated the operating cost and revenue and then suggested that fifty per cent. more should be allowed to cover other expenses, and if on this basis the company was found to be earning an unreasonable profit the assumption was that there should be a lowering of the rates. The striking feature of Mr. Muller's analysis, as already indicated, was that he arrived at the conclusion that while, generally speaking, the C.P.R. rates are not unreasonable as compared with those in force on American railways the operating cost in the three Prairie Provinces, when contrasted with the revenues produced, is low. In other words the ratio of profit in the West is larger than elsewhere on the system, except the Lake Superior Division, over which, of course, the traffic from all the western lines must pass in order to reach the markets of the world. Counsel for the railways did their best to convince Mr. Muller that his theory was all wrong, and W. A. Macdonald, counsel for the British Columbia government, also declared his disbelief in it. This, of course, can be explained by the fact that the cost of operation is very high in British Columbia and if the Muller theory were to be applied that province would not be entitled to

the same reduction in rates as the Prairie Provinces. Mr. Muller's exhibits will be subjected to a further attack when the hearing resumes. He promised to submit to the board similar comparisons relating to the traffic done by the Canadian Northern. Mr. Muller declined to take into his calculations the difference in the cost of constructing the various railways which will be affected by the finding of the board. He said that the cost would be influenced by the period of construction, different methods of financing and dissimilar systems of book-keeping. The proper thing to do, he declared was to apply to railways the same tests as would be applied to other business.

## C.P.R. Expert's Testimony

One of the most interesting developments of the week was the assertion of W. B. Lanigan, traffic manager for the C.P.R. in the West, that if the classification which applies on the American railways in the West were to be applied to all freight moving westward over the C.P.R. lines from Fort William the company would receive a larger revenue than it does under the Canadian system of classification. His contention was that the American car load lot being larger than the Canadian car load lots there is a bigger movement of freight in less than car load lots on the American side of the line and, therefore, more profit for the railways. However, when M. K. Cowan, counsel for the Saskatchewan government, asked Mr. Lanigan if he would state definitely that the C.P.R. would be willing to adopt the American classifications the former said that he would be ready "to recommend" such a course to the company. Mr. Cowan, in the course of a somewhat vigorous cross-examination of the C.P.R. witness said that in every case, in order to get the rates Mr. Lanigan had used in his calculations, a shipper would, under the American classification, be compelled to ship a much larger quantity of goods. Mr. Lanigan was also closely cross-examined by all the opposing counsel in regard to the comparison of rates between Canadian and American lines in the West. They contended that the

Continued on Page 18



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