conjecture as to what the railway revenues may be in future. I should say it would have been much fairer and much more logical if the board had waited until some time had elapsed in order to find out what changes were taking place in railway revenues, and whether the railways in fact did need an increase in freight rates. Again, I quote from page 17 of the judgment:

> Under the existing legislation, as provided in the Canadian National-Canadian Pacific Act, 1933, this board is not empowered to consider what degree of co-operation, if any, has been achieved by virtue of that act. The respondents urged that a condition precedent to the granting of increases in freight rates should be proof by the railways that all economies contemplated by that act have been achieved. While I do not subscribe to any theory which would result in placing an impossible burden on the applicants in this regard, I have however great sympathy with much that the respondents urge. At the present time it is beyond the board's jurisdiction to inquire into that question, but I find again that one of the matters referred to the royal commission on transportation in P.C. 6033 is that it "review and report on the results achieved under the Canadian National-Canadian Pacific Act, 1933, and amendments thereto, making such recommendations as the present situation warrants."

In other words, the railways have not proved and have not attempted to prove that they have co-operated as provided by that act of 1933 in order to bring about savings in operating costs. The board of transport commissioners will not know whether or not the railways have made the savings they were to make under this act until the royal commission reports. I am therefore amazed that an increase in freight rates should be granted before the royal commission has reported as to whether or not the railways are co-operating in order to provide the most efficient service possible. In the judgment the board found that the 21 per cent increase was too great and that a 15 per cent increase would have been sufficient, but the application for an additional 20 per cent increase was based on the exhibits and arguments used in the 21 per cent case. In its judgment the board says this about the exhibits:

> I have already stated the extent to which the decision in that case—

meaning the 21 per cent case—

> —must be revised. In the light of that revision this application will certainly require that the evidence and exhibits in its support be restated and if necessary be revised.

In other words, before the board of transport commissioners could ascertain whether or not the railways needed an increase in freight rates, the railways would have to provide a new set of exhibits and set out new arguments, because the arguments and exhibits used in the 21 per cent case were fallacious.

In regard to maintenance costs used by the Canadian Pacific Railway, the board says this, at page 18 of its judgment:

> On the hearing of this application the applicants restated and brought to date their evidence and exhibits with reference to maintenance costs. I think that these maintenance costs will require further study before any decision can be given, even assuming that the requirements of the Canadian Pacific Railway are to be accepted as the yardstick for a further increase in freight rates.

This means that the maintenance costs submitted by the Canadian Pacific Railway cannot be accepted and must be resubmitted.

The board has this to say about the deferred maintenance charges shown by the Canadian Pacific Railway in those exhibits:

> The Canadian Pacific Railway commenced deferred maintenance in the year 1941, and accumulated by way of deferred maintenance, $27,600,000. To date (the end of 1948) that fund has been drawn on only to the extent of $2,250,000. The evidence in support of this application indicates that the deferred maintenance fund would be drawn upon only in those years in which "normal" maintenance had been exceeded. It may very well be that a substantial balance of this deferred maintenance fund would be carried over for an indefinite period.

In other words a substantial part of the Canadian Pacific Railway's deferred maintenance fund should be used for the payment of fixed charges and dividends, and in providing for surplus. Perhaps a large part of that $27 million in the deferred maintenance fund should be considered as profit and, to that extent, the railway rates could be reduced. This proves to me that the Canadian Pacific is in an excellent financial position. It does not face imminent financial peril and, therefore, should not be given a horizontal increase in freight rates which discriminate against so many parts of Canada and against the agricultural industry in particular.

As I said at the outset, on April 7 the governor in council instructed the board of transport commissioners to review the freight rate structure in Canada with a view to the establishment of a fair and reasonable rate structure which would, under substantially similar circumstances, be fair to all persons and all regions. By order in council P.C. 4678 on October 12, the governor in council set out the various complaints of the provinces against the manner of handling the 21 per cent case. There were ten complaints in all, and the governor in council instructed the board of transport commissioners to consider those complaints as well as the initial instructions to the board to bring in equitable freight rates. I quote from the end of the order in council of that date:

> The committee therefore advise that the board be directed to consider, in the light of such changes in conditions of operations as have or will have taken place, the complaints set forth in the petition concurrently with the pending application for a further increase in freight rates, and that the disposition by the board of the matters set forth in the petition and any revision of order No. 70425 that may result from such consideration be made by the board in