

*Supply—Transport*

in the house intermittent discussion on the subject; but because of the rule of the house which states that all matters which are sub judice should not be open to debate, it has not been possible for the house to discuss the subject matter in the manner in which I am sure hon. members would have wanted to do.

I welcome this opportunity to take part in the debate. I realize that in a subject such as this, with both the political and economic ramifications it has, it is almost impossible to deal at length with the various aspects which are likely to come up. In the main all of the applications made by the Railway Association for Canada were of a financial nature, and the board regarded them as such. In the course of my remarks this morning I shall deal first of all with the position of the railways prior to these applications, and next with the applications themselves. I should like to make certain comments respecting these as I go along.

The financial position in which the railways of Canada have found themselves in the last few years can be properly viewed only in the light of the developments which took place during the war and prior to the war. Stated briefly, and without for the moment considering the causes, the costs of labour and material have increased sharply, and while many industries have been able to keep revenues in step with rising expenses, the railways have not been nearly as successful in a similar endeavour. They have, it is true, on two occasions made application for authority to apply a general increase in rates. These requests have been granted, in part on one occasion and in whole on another, after extensive argument and study, and after a considerable period of time.

It is common knowledge that during the war years from 1939 to 1945, the volume of traffic severely taxed all the carrying facilities of the railways. For example, in 1938, the last complete year before the war, the revenue ton miles on all Canadian railways stood at approximately 27 billion, and in 1944 they had reached a level of 66 billion. The passenger miles revenue rose from 1.7 billion to 6.9 billion. This was a period of very high operating revenue; but these levels of activity were not secured without the full extension of all available manpower and equipment facilities. This of necessity involved additional expense commitments, but, as is normal under conditions of rapid expansion, the rate of increase in revenue was for a time greater than the rate of increase in expenses.

This is self-evident when consideration is given to the operating ratio of our railways

[Mr. Chevrier.]

in 1938 as compared with 1943. In 1938, in order to earn a dollar of revenue, the railways had to spend 88 cents; and in 1943 to earn a dollar in revenue the expense was 72 cents. The balance of revenues is in both cases the amount which is left available to pay fixed charges, surplus requirements, dividends and the like.

During 1944 and 1945 the rate of increase of expenses overtook the rate of increase in revenues, with the result that during 1946, with the declining level of traffic becoming more and more noticeable from month to month, there followed necessarily a decrease in operating revenues which was not accompanied by a proportionate decrease in expenses.

For the first eight months of 1946 the railways had to spend 88 cents for every dollar of revenue they earned. In other words the financial position of the railways as measured by the operating ratio had reverted to the position which existed before the war. This, in brief, was the financial position of the railways prior to October 9, 1946, when the Railway Association of Canada filed its first application for an increase in freight rates. That application sought a 30 per cent increase in tolls and freight tariffs, with certain exceptions, as I shall mention later.

In the application attention was drawn to the observations I have just made, namely that increasing costs and declining revenues had taken place in the field of railway operation. Mention was also made of the fact that the general level of freight rates had not been increased over the reduced level established by the board in 1922. In fact, it was stated that in some instances following 1922 there had been substantial important reductions in freight rates.

The application was put down for hearing at public sittings of the board, opening in Ottawa on February 11, 1947, and the final argument was not concluded until December 17, 1947. In addition to the sittings which it held in Ottawa, the board travelled from coast to coast and heard all parties interested in appearing before it in each of the nine provinces. The board handed down its decision in the 30 per cent application on March 30, 1948, by which it authorized an increase in freight rates of 21 per cent, horizontally, all across the board, with certain exceptions which I think are of extreme importance and which I should like to put on record:

First, a flat increase of 25 cents per ton was granted on coal and coke; second, the increase did not apply to rates on grain and grain products between points in western Canada; third, it did not apply to the agreed charges; fourth, it did not apply to grain and