Eastern Freight Rate Decision

Judgment Rendered by Railway Commission on Eastern Rate Question Pending for Two Years

The Eastern Freight Rate Case which has been before the Board of Railway Commissioners for the past two years, wherein practically a flat increase of 5 per cent in eastern freight rates was asked for by the Canadian railways has been decided. Although this increase has not been granted, advances varying from one to six cents per hundred pounds have been allowed. These are in what are known as class tariffs, which are of general application. Besides these there are numerous commodity rates, each of which has been dealt with on its own merits. The application of the railways with respect to some of the commodity items has been declined, and in many instances less has been granted than asked for.

In fixing the new rates the Grand Trunk Railway has been taken as a basis. The increases made are justified on the fact of the increases in Grand Trunk expenses and having regard to traffic of normal years.

The eastern rates case is now some two years old, argument having continued during the better part of a year.

Summary of the Finding.

The official summary is as follows:

It was not until May 11th of this year that the increases in grain and grain products rates were withdrawn by the railways, after negotiations resulting from the board being impressed by the effect of the short mileage of the National Transcontinental, and competitive conditions between that line and the Canadian Northern, north of the Ottawa. This affects a large item.

Operating expenses have increased generally. While from 1899 to 1911 train mile earnings increased 89 per cent, the cost of service per train mile increased 112 per cent, notwithstanding economies attributable to increased locomotive power, lower grades, better loading and increased traffic. In the period, 1910 to 1914, earnings increased 10.6 per cent; expenses, 17.7 per cent. In 1915 earnings increased 5.3 per cent; expenses 12.4 per cent.

Railway ties cost 38 per cent more in 1914 than in 1907; in 1915 they were 45 per cent higher.

The cost of fuel to operate 100 miles was 30 per cent higher in 1914 and 1915 than in 1907. The average cost of fuel increased 21.8 per cent in the period 1909 to 1914.

Salaries and wages represent three-fifths of the total railway expenses. This item has increased rapidly. The wage bill of the Grand Trunk alone increased in the period 1909 to 1914 by 52 per cent and for 1915 the increase was 50 per cent.

The increase in labor cost is mainly due to increases in wages, as there have been economies in the number of men employed per 100 miles of track. Decreases in wages are not a feasible means of economizing. The wages on the Grand Trunk have increased by 4.3 per cent since the hearing.

The Canadian Pacific divisions in Eastern Canada are the Atlantic, Eastern, Ontario and Lake Superior. The Atlantic division is operated at a loss. There is but little local traffic on the Lake Superior division. The Canadian Pacific and Grand Trunk are both engaged in business in the Eastern and Ontario divisions and here the freight business of the Canadian Pacific gives only 20 per cent of its total freight revenue, and represents only three-fifths of the business done by the Grand Trunk.

The Grand Trunk was built to meet the needs of Eastern Canada. It runs into all the large producing centres; it has a well established and well worked up business. In Eastern Canada it does the largest business and obtains the greatest earnings.

It is fair to accept for primary consideration the actual results of the Grand Trunk's earnings as a basis of rates.

The rates cannot be based on the total capital cost of the Grand Trunk as carried on the Company's books, which would represent a cost of $131,000 per mile.

The new lines of the Canadian Pacific from Glentay to Agincourt and from Toronto to Sudbury, cost respectively $71,000 and $56,000 per mile. This includes nothing for terminals. The Intercolonial cost, including equipment and terminal, $75,000 per mile.

The Hydro-Electric Commission has recently made an estimate that 138 miles between Tronto and London would cost $100,000 per mile, including terminals and equipment.

The net earning per mile of line of the Grand Trunk at their highest in 1913 amounted to $3,600 per mile. In 1914 they were $3,059 and in 1915 $2,477.

The financial relations of the Grand Trunk to the Grand Trunk Pacific, as well as to its United States lines, are analysed and it is ruled that outside investments cannot be considered as bearing on the reasonableness of freight rates.

Economical financing of the Grand Trunk has been rendered extremely difficult, if not impossible. Appropriations of all kinds have been postponed. On December 31, 1915, over 4,000 cars were held for repairs, notwithstanding the lighter traffic of the year.

On a Basis of Cost.

In order to keep the equipment in proper shape, it will be necessary to obtain 1,249 new freight cars at an expenditure of $2,238,000. Normal track renewals would require 431 miles; for the period 1913 to 1915, inclusive, the track renewals were only 45 per cent of this standard; and for the year 1915 the renewals fell to 67 miles. The renewal work on bridges and culverts during 1915 is $20,000 below the average yearly expenditure of the period 1906 to 1915.

The economies so made cannot continue indefinitely without great loss and inconvenience to the public.

In the Western rate case, the Government expert computed that six per cent should be allowed so as to provide four per cent for interest charges and 2 per cent for surplus.

Money is now more expensive. Taking the cost of the Glentay-Agincourt line and adding $10,000 per mile for equipment, the net earnings would have to be $4,800. If the Toronto-Sudbury line is taken as a basis, net earnings per mile would have to be $4,001; while if the Intercolonial is taken they would have to $4,500.

Aside entirely from the terminal expenses, the Grand Trunk net earnings in the best year are far short of these figures.

The proposed increases on fruits are postponed until they can be considered along with proposed increases in icing and salt for refrigeration, which are now under suspension.

The western rates case points out the difference between conditions between eastern and western Canada and, notwithstanding material reductions, the general schedule in the west is higher. The Railway Act requires and the general public interest of the country demands that if practicable eastern rates should be advanced so that the different schedules may more nearly approach a parity.

The Justification.

The effect of new competing lines, the Canadian Northern, recently constructed, is not considered in striking a reasonable basis. The increases made are justifiable entirely on the mere fact of the increases in Grand Trunk expenses, and having regard to traffic of normal years.

Besides the class tariffs of general application, meaning the rate scales used everywhere in connection with the freight classification the application of the railway companies comprise over one hundred and fifty exceptional rates, lower than the class rates, applicable to various commodities.

To quote the judgment—"No flat increase of five, ten or other percentage could be applied simply to augment railway revenue. Each rate of notice has to be considered having regard to its reasonableness for the service performed."

As each of these items has thus been separately dealt with on its merits, it is impossible within the limits of a press notice to give any clear synopsis of the board's conclusions. A selection of two or three commodities, by way of illustration, would convey no true conception of the general result and might prove misleading. The shippers interested in the several lines of trade represented in the application will arrive at their own conclusions from a study of this section of the judgment. The application with respect to some of the commodity items has been declined and in numerous instances less has been granted than asked for by the railway companies.

Re the Class Tariffs.

The findings regarding the class tariffs, may, however, briefly be summarized. In the territory bounded on the west by, but not including, Port Arthur, and by the Georgian Bay, Lake Huron and Detroit River, and on the east by Quebec and Megantic, also between C. P. R. stations in New Brunswick, the class rates, provided they are now lower than the standard or maximum mileage tariff, may be increased by two cents in the first and one cent in the fifth classes, the rates for the other classes to be properly proportioned in accordance with the standardized scale. An exception is made of the lines of the Canadian Pacific and Canadian Northern between Parry Sound and Sudbury, otherwise no increases are allowed.

Because of the comparatively lower level of the rates to the Maritime Provinces, great increases are permitted. Between points in the Provinces of New Brunswick and Nova Scotia and points west of Quebec, Levis and Megantic as far as Montreal and Valleyfield, and north of the Ottawa River the first class will be advanced four cents. The other classes in proportion.

Between the same maritime sections and points west of Montreal the carriers are authorized to increase their rates by six cents for the first-class and three cents for the fifth, the remaining rates fitting in from the standardized scale.

Here, again, an exception is made of the line of the C. P. R. in the St. John River Valley, where the rates, instead of being advanced, will be lowered by the Company so as not to exceed the St. John rates, this relief being due to the opening of the National Transcontinental south of Edmundston, N. B.

Not for Government Roads.

As the Government railways are not subject to the jurisdiction of the Board, the Intercolonial and National Transcontinental management is, of course, free to fix its own rates. Nevertheless the judgment provides that the through rates of the Grand Trunk, Canadian Pacific and other independent companies in Quebec and Ontario, to Intercolonial points east of St. John, to Halifax and Sydney are to preserve the same differences, if any over the St. John rates as at present.

Increases on Commodities.

Commodity rates have been increased on iron and steel articles by one-half cent per 100 pounds on all rates not over 15 cents per 100 pounds, one cent on rates between 15 and 25 cents, and 1 1-2 cents on rates over 25 cents. Pig iron, billets, wire rods, rails and crop ends bear a rate increase of about five per cent. Cement increases one-half cent per hundred pounds on all rates under 15 cents. On crushed stone, sand and gravel there is a general increase of about five cents per ton. On lumber there is one-half cent of an advance on all rates under 15 cents and one cent on all rates over 15 cents for distances over 16 miles, with an exception covering districts affected by the Ottawa rate.

On paper there is an advance of one to two cents on less than carload movements. On carload shipments the commodity rates advance three-fifths of a cent to districts west of Quebec, Levis and Megantic and three cents per 100 pounds to districts in New Brunswick, Nova Scotia and Quebec east of Levis.

Hay reverts from the commodity to the tariff rates. Increases on the rates on cattle, sheep and hogs are approximately one cent for distances from 31 to 40 miles, and one and one-half cents for 46 to 50 miles, and two cents for distances over 50 miles.

There is a 10 per cent increase in coal rates, with a maximum of 10 cents per ton, subject to certain exceptions, which reduce some rates. An advance of five and ten cents per ton has been allowed on coke.

Commodity rates have been abolished on leather so as to restore it to the 4th and 5th class rates.

On canned goods there is a uniform increase of one and one-half cents to Quebec points and one to four cents to St. John. On cheese there is an advance of two cents per hundred pounds to Montreal.

UNITED STATES CROP REPORT.

According to the forecast of the U. S. Department of Agriculture, indications are that the wheat crop this year will be several million bushels less than it was last year, when, for the first time in the history of the nation, the entire year's wheat output exceeded the billion bushels mark. Some other crops, also, will be smaller than they were last year. That is due, principally, to a reduction in acreage. Winter wheat shows a decrease of 18.6 per cent in acreage; spring wheat, a reduction of 8.2 per cent; oats, less than one per cent decrease; barley, an increase of 4.9 per cent; and rye, a decrease of 4.4 per cent. The forecasts follow:

Winter wheat, 489,000,000 bushels, compared with 655,000,000 in 1915.

Spring wheat, 270,000,000 bushels, compared with 357,000,000 last year.

Corn, 2,866,000,000 bushels, compared with 3,055,-000,000 last year.

Oats, 1,337,000,000 bushels, compared with 1,540,-000,000 last year.

Barley, 205,000,000 bushels, compared with 237,-000,000 last year.

Rye, 44,000,000 bushels, compared with 49,000,000 last year.