

16. The deepening of the canalized St. Lawrence Waterway to provide for a minimum draft of 27 feet, taken together with the very substantial development of hydro-electric power, will undoubtedly have an effect upon the railways in general and the Canadian National particularly. Bulk commodities previously moving by rail because of the limited capacity of the existing canal system may move by water, and the availability of ports on the Great Lakes to ocean shipping may result in some diversion of traffic. Offsetting these adverse factors, however, will be the industrial development which may be expected from the availability of cheap power, water and rail transport in a concentrated area. The general conclusion must be that while there will be a period of readjustment following the construction of the St. Lawrence Deep Waterways, it is unlikely that there will be permanent adverse effects upon the Canadian National. There is, however, a problem of major importance in ensuring that Canadian National facilities will be given their proper place in the industrial pattern which will emerge from the completion of this project.

The competitive framework

17. The range of requirements for transportation services is so wide that no single medium of transportation can meet the demands of industry and the travelling public. The railways in Canada are faced with selective competition from air, water, and land transport enterprises, each of which is specialized by reason of advantages derived from their particular techniques of operation.

18. The airlines, for example, are specialized in speed of movement and are patronized by those who are willing to pay a premium for the fastest possible service. The quickening pace of Canadian economic life has brought the airlines into strong competition for passenger and mail traffic, and to a lesser degree for the movement of goods.

19. Water carriers are specialized in low cost bulk movements of goods in which the speed of service is not a critical factor. This is illustrated by the fact that the great bulk of the western grain crop normally moves, during the navigation season, via Fort William and Port Arthur through the Great Lakes.

20. Pipelines can show decisive cost advantages over rail tank cars in the movement of petroleum and petroleum products under conditions where a steady and very large traffic volume can be assured over a sufficient number of years to amortize the initial costs of the construction. Oil pipelines are still a relatively new development in Canada and further construction can be expected.

21. Commercial road vehicles have certain characteristics which make them particularly suitable for short haul traffic moving in relatively small volume. Truck competition bears on the most valuable classes of freight traffic and in recent years has expanded rapidly in the long haul field.

22. Despite the growing pressure of these competitive factors the railways must continue to serve as the principal facility of land transportation, because only the railways have the capacity to supply cheap all-weather transportation in large volume over continental distances.

Highway Competition

23. The present limits to the profitable operation of trucks in competition with the railways are governed primarily, not by the relative technical or cost advantages of road and rail transport, but by the margin between trucking costs and railway rates. The railway rates are not uniformly related to operating costs; generally rail charges are relatively low on basic commodities and relatively high on processed goods of greater market value. The success of trucking firms in diverting valuable traffic from the railways in the long