

reissue that master tariff and where it says \$1 in column (a) it will be \$1.10 in column (b). They will have to issue new connecting link supplements. No, I am sorry, they will not need that because it applies to whatever rate in the master tariff—

Mr. FISHER: This is not going to be applied at all in the way the bridge subsidy is applied.

Mr. KNOWLES: No. It will require the railways to make just as many calculations and submit as many bills; but the work of the bridge subsidy was different from this.

Mr. FISHER: In essence, it is a restrictive sort of thing. It goes back for a year; but with this you are going to start with a clean slate. You are going to have your \$1.17 and then your reduction, and that is going to be the rate on all this class and commodity traffic.

Mr. KNOWLES: Yes.

Mr. TUCKER: I would like to know whether the summer rates published by the Canadian National Railways on movements, say from Toronto to St. John's, Newfoundland, will be eligible for subsidy.

Mr. KNOWLES: It will come under the subsidy if it is a normal rate. If it is a normal rate, it will apply through from Montreal, Toronto, Windsor, Vancouver to St. John's, Newfoundland.

Mr. BROWNE (*Vancouver-Kingsway*): One of the things that was pointed out in the Turgeon royal commission's report was that when there were horizontal freight increases it had a great deal more effect on the long haul shippers than on the short haul ones, because the existing relationships were disturbed. Because of his cost the amount of a long haul shipper into a market was increased more than a short haul shipper. It was said there should be more of a tapering of rates there. Has any consideration been given in the application of this subsidy to apply it on a greater scale to the long haul rates, or is everyone going to get exactly the same?

Mr. KNOWLES: I tried to work it out, but it cannot be done. We were getting into so many complications that we would have the freight tariffs so tied up no one would be able to read them.

Mr. BROWNE (*Vancouver-Kingsway*): Supposing the 17 per cent increase has not been taken, say for competitive reasons, marketing competition, competition not only with other firms but the market competition, and for that reason the railroad only decided to take 10, 12 or 15 per cent, or in an extreme case 16 per cent, and subsequently they only increased them 15 or 16 per cent, they would not then get anything under this.

Mr. KNOWLES: The railways do not change their rates that way. When we authorize them to put in the 17 per cent they file this matter tariff with the 17 per cent and all the normal traffic tariffs have a connecting link supplement to the tariff, and everything goes up 17 per cent. It may be that later on the railways would find out they cannot get the traffic with the 17 per cent, and they would reduce the rates. We consider those are competitive rates.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, if they took the 17 per cent and got their 7 per cent subsidy—we will assume it is 7 per cent—then they found that competition had developed at that time and they had to reduce it lower, what would happen then; would the 7 per cent still be applied?

Mr. KNOWLES: It would be applied to the normal rate; the normal rate will take the 7 per cent reduction.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, it would become a competitive rate and still be getting a subsidy?

Mr. KNOWLES: No, they will not get a subsidy under any competitive tariff.