

CNR and Air Canada

These were the main recommendations of the Atlantic provinces report. I think it is clear that we have acted positively on the majority of them. This does not mean that the job has been completed. Probably more detrimental than freight rates themselves, are the still complex and often costly distribution patterns within the Atlantic area. I agree with the premier's report that greater rationalization of distribution is desirable, even necessary, and considerable progress is being made along these lines. One has only to look at the remarkable increase in truck movements to see that this is so. And the process of change will continue.

We in the ministry of Transport accept the need for change. What I, as minister, do not accept, however, is the idea seemingly entrenched in the minds of some that at some given moment we will present an all embracing and final transportation policy, something that in its own way would become as rigid and permanent as the Maritime Freight Rates Act once was. Transportation policy must be an evolving plan. It must not only seek to meet presently identifiable goals, it must also be sufficiently flexible to respond quickly when need become apparent or when long established requirements cease to exist.

Historically—I believe this is often overlooked—the main purpose, perhaps the only reason for freight subsidies and similar assistance to Atlantic Canada, was to enable industry in this area to compete on a more equitable basis with industry in other parts of our country. The basic argument was that goods of various kinds produced in the east were not marketable on a competitive basis because the transportation cost of reaching the markets to the west was unreasonably high. The same basic principle led subsequently to the provision of subsidies within the region so that Atlantic industry and commerce could, to a greater extent than previously, supply the regions own internal needs. I want to emphasize that only in comparatively recent times has the relationship between transportation charges and the cost of bringing goods into the region become a central issue. Today, in much of the discussion and argument, it is the main theme of many who protest rising freight rates and other changes in the tariff. No one is more aware than I of the high cost of living in Atlantic Canada, but confusion is inevitable when the two objectives of industrial development and, for example, lower living costs become part of the same argument.

When a subsidy is paid on the whole range of goods entering the Atlantic provinces, this is clearly a benefit to manufacturers in other parts of Canada who ship their merchandise into the region. It surely follows that such subsidies must be detrimental to manufacturers within the Atlantic provinces who are in direct competition with those from outside. To some extent at least, therefore, blanket in-bound subsidies, while they may do something to reduce cost, are self-defeating in terms of the other and broader aim of economic or industrial expansion.

I believe, therefore, that it is necessary to separate these two frequently opposed objectives. In my judgment, economic expansion is by far the more important, and it is to this aim that we must direct our efforts in evolving the transportation policy to which I have referred. I want to emphasize that I am not unconcerned about the cost of

[Mr. Jamieson.]

living aspect, but there are other mechanisms that can be employed more effectively in dealing with this problem. I should say in passing that it is not only in the Atlantic provinces that freight rates and the like add to living costs. The same general problem exists over a very large part of Canada, and I believe it is generally agreed that in this one problem area at least, greater and more effective competition rather than subsidization will provide the most effective solution.

In the course of my remarks I propose to show the remarkable way in which this competition is increasing and also the relative differences between rail freight rates in the Atlantic provinces and the rest of Canada. I believe I can demonstrate also that on the matter of industrial growth, there is little evidence that the previous formula for subsidies was truly effective. This is due in part to the fact that up until the past year or so the available assistance applied only to rail shipments. This, as you know, has now been changed for out-bound cargoes and I am encouraged by the extent to which trucking is now offering the railways more effective competition.

As to the subsidy now being paid on movements within the region, once again there is growing evidence of the comparative ineffectiveness of present arrangements. Within the past few days, I have received the second report of the federal-provincial committee established in 1970 to make recommendations concerning the so-called intra-subsidy and a number of related matters. Within a short time I propose to make it available to members. There has not been an opportunity as yet for a thorough study of this second report, but I think it can be said that its findings confirm that further changes should be made in the present methods of payment to make these more selective and thus more efficient.

The first committee report revealed some surprising facts in support of this contention, and I recall them to the attention of hon. members. For example, it is interesting to note that in 1970 about \$8 million per year was paid in subsidies on rail shipments within the Atlantic provinces, and this figure had not changed substantially in the past decade. This suggests that most, if not all of the growth that has taken place in recent years, has been as a result of the activities of motor carriers. It is also significant that the greater part of subsidized rail movements originate and terminate within the same province. This is true of 68 per cent of all such movements in the Atlantic region as a whole. Not surprisingly, in Newfoundland the proportion is as high as 91 per cent. Obviously, therefore, the role of rail transport is not as important as that of other carriers in interprovincial trade.

A further finding of the committee, as some members will be aware, is that a relatively small number of commodities generally characterized by heavy weight and low dollar value account for the greatest part of rail movements. Only about 12 commodities, led by petroleum products and pulpwood, accounted in 1970 for as much as 65 per cent of the subsidized rail movements within the Atlantic region.

Despite this concentration on movements of such commodities, the average length of rail shipments within the Atlantic region is only about 150 miles, a distance which is well below the optimum range of railway operations in