TRADE OPPORTUNITIES IN W. I.

The past three years have witnessed numerous changes in the tariffs throughout the world. Practically every industrial country has revised its tariffs since the war and these revisions, with the single exception of Canada, have been upward. As a result, the work of your Committee and Department has been greatly increased owing to the extensive requests for information in regard to these new rates. The international situation today is that trading countries are fenced about with tariffs much higher than those in existence before the war. This has an important bearing on Canadian trade.

The Budget 1922.

Your committee arranged to have the full text of the budget speech and the tariff and taxation changes contained therein mailed to every member of the Association the day following the announcement of these changes in the House of Commons. This was followed up by circulars analyzing and describing the effect of these changes.

The following acts were repealed by the budget: The Act regulating depreciated currency, the anti-dumping legislation of 1921, and the Act providing for the marking of country of origin on imported goods. For the latter a new provision was substituted by which marking may be prescribed in any case by order-in-council. The most serious change was the elimination of safeguards against dumping of goods from countries with depreciated currencies. Such countries, in the absence of these safeguards, can lay down goods in Canada at much less than their cost of production in Canada and, in many lines, greatly below their pre-war prices. The necessity for such legislation is based upon the fact that there is a wide difference between the value of such currencies for transactions within their own borders and their gold value which is used in international trade. This is clearly indicated by reports of the United States Tariff Commission and by the Washington Commerce Report, viz.:

U. S. Tariff Commission,
Jan. 9th. 1922.

"In the case of Germany, however, there is yet a great discrepancy between the internal value of the mark and its gold value, slightly more than 2 to 1 in 1921."

Commerce Reports, May 8th, 1922.

"It is obvious that a distinction must be made between the gold value of the German mark, as expressed in terms of dollars and other foreign currencies, and its real value valculated in terms of purchasing power in Germany. As in all countries with a greatly depreciated currency, the German price level has not risen commensurately with the decline in gold value of the national currency. This has been particularly true in Germany because of the artificial regulation of bread prices, rents, and public-utility rates by the German Government, and because of the Government's efforts to prevent profiteering."

It is also established by various schedules of wages referred to in recent issues of "Industrial and Labor Information" published at Genoa by the International Labor Office, which set forth in brief that the yearly rates of pay for German Government officials as decided upon on March 11, 1922, shall be from 11,000 marks to 40,000 marks which, computed into Canadian funds on the basis of valuing the mark at 1-3c., would mean a yearly salary to Government officials of from $36.67 to $133.34; that the wages of manual workers employed by Germany have been increased up to 12½ marks ($.05) per hour for those over 24 years of age, and up to 11 marks ($.04 per hour for those under 24 years of age, and that in Berlin during December, 1921, the following were the weekly rates of wages: printers (married) 553 marks ($1.84); railway mechanics, 418 marks ($1.40); railway laborers, 379 marks ($1.27); bricklayers, 552 marks ($1.84); building laborers, 523 marks ($.174); navvies, 381 marks ($1.27).

In such circumstances, it is impossible for Canadian producers to compete while retaining the improved living conditions to which Canadian workmen have been accustomed.

The increase in the Sales Tax and other taxation features of the Budget have been fully commented upon in our circulars to members.

Representations to the Dominion Government.

Your committee supervised the preparation of the briefs presented to the Dominion Government by a deputation from the Association in Ottawa on February the 23rd on the following subjects: (a) French Treaty; (b) Depreciated Currency; (c) Anti-Dumping Legislation; (d) Marking of country of origin on imported goods; (e) Preferential Tariff between Canada and Australia; (f) Amendments to the Sales Tax Act. These briefs were published in full in Industrial Canada and also in pamphlet form.

Tariff Legislation.

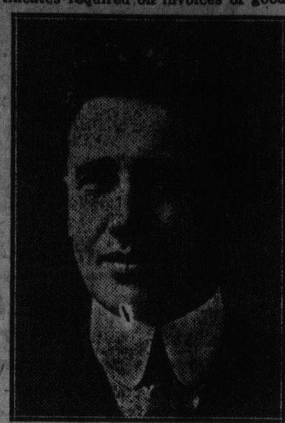
The outstanding tariff changes in other countries during the past year were as follows:

(a) The United States—the revised United States Tariff which is now before Congress has already passed the House of Representatives and has been reported on favorably by the Finance Committee of the Senate. Our information is that it will become law, with but few important changes, in the not-distant future. The Bill provides protection higher, on the whole, than any previous tariff of the United States. An analysis showing the present and proposed United States tariff rates and their effect on some of the principal exports from Canada has been forwarded to our members. Attention is directed to an important Act which was passed in May, 1921, which greatly strengthened the anti-dumping provisions of the United States Customs Act. If the United States Customs find any one article that is being imported at a lower price than the home market price in the country of export an order is issued to their Customs officials which results in the complete prohibition of all imports in that class from any producer in such country of export.

(b) France, Italy, Belgium, Denmark, Spain, Portugal, Sweden, Switzerland, Greece, Bulgaria, Serbia, Roumania, Germany, Japan, and other countries have made substantial increases in their tariffs since our last annual meeting. There has been an erroneous impression that the Safeguarding of Industries Act, which became effective on August 19th, 1921, is Great Britain's only protective measure. On the contrary, since 1915 the United Kingdom has enforced high protective duties on behalf of its motor cars, musical instruments, gramophone, record, moving picture film and other industries.

Invoice Certificates and Bills of Lading.

There has been an unusually great number of changes in the forms of certificates required on invoices of goods



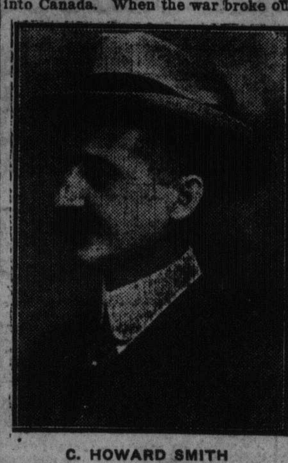
J. L. MACDONALD

Vice-Chairman, Maritime Division, Canadian Manufacturers' Association.

shipped from Canada into other countries. The Department has furnished a great number of sample invoices and certificates at the request of our members exporting to other countries; and has always been able to supply these certificates and the information regarding them promptly as changes were made.

Customs Investigating Officers, Europe.

Before the war Canada maintained a Customs investigating officer in Europe. This officer secured information which prevented frauds upon the Customs and the illegal dumping of goods into Canada. When the war broke out



C. HOWARD SMITH

Second Vice-President, 1921-22, Canadian Manufacturers' Association.

he was withdrawn and has never been replaced. The Association has urged that other officers be appointed, but although the Civil Service Commission have advertised two positions they have not yet been filled. So many shipments are now coming forward from European points invoiced at in-bond prices that the revenue provisions in the Canadian Customs law cannot be properly enforced without the aid of such investigating officers.

Export Ex-Warehouse of Bonded Goods.

A very important decision on this subject was issued by the Customs Department on December, 1921, viz.: "That goods entered for exportation ex-warehouse and re-imported into Canada may be valued for duty purposes at home consumption values on date of final shipment."

Circulars.

The Department has promptly notified the members by circular of all important changes in the Customs and Excise rulings and explanations of the Sales Tax regulations. Further details were published in Industrial Canada.

During the year the treatment of most of the questions mentioned above required the compilation of a great deal of information, which was published and distributed in circular and pamphlet form. As this is all in the possession of members, your committee will not attempt to repeat or even to summarize it, which explains the brevity of this report.

Your committee recalls to members that the Department is equipped to give information in regard to the Customs Law of Canada and its interpretations foreign and colonial tariffs and Customs regulations, questions of valuation for duty purposes, errors in Customs entries, difficulties in connection with drawbacks, rates of duty or refunds of duties overpaid and to all other Customs questions.

JOS. PICARD, Chairman.
J. R. K. BRISTOL, Manager, Tariff Dep't.
J. E. WALSH, General Manager.

REPORT of TRANSPORTATION etc

During the past year your Transportation Committee has given careful attention to the various questions affecting the transportation interests of members and begs to report as follows:—

Transportation Situation General.

In reviewing the railway situation for the past year railway officials generally have indicated that they consider 1921 as the worst year the railways have had to face. Owing to business conditions a considerable decline occurred in the traffic handled, necessitating the most rigid economy in operating costs. Wages were reduced approximately 10 per cent, and staffs were cut wherever possible. The expense of maintenance of ways, structures and equipment has been deferred in every possible way. Under these conditions, however, from the actual figures, which are now obtainable for the year ending December 31st, 1921, it can be safely said that the Canadian railways have managed to come through the next year much better than might have been expected. The figures published by the Bureau of Statistics, Transportation Branch, show the following:

	1921	1920
Total Railway Operating Revenue	$449,141,059.16	$483,509,035.60
Total Railway Operating Expenses	$413,816,234.67	$470,562,123.36
Ratio of Operating Expenses to Revenue	92.14%	97.34%
Number of Revenue Tons Moved	95,319,587	118,279,158
Number of Revenue Tons Moved One Mile	26,219,571,240	31,413,219,797
Total Amount of Payroll	239,851,718.24	$287,843,361.99
Ratio of Pay Roll to Operating Revenue	53.4%	59.5%
Ratio of Pay Roll to Operating Expenses	58.0%	61.2%
Average Operating Revenue Per Freight Passenger and Mixed Train Mile	$4.36	$4.21
Average Operating Expense Per Freight, Passenger and Mixed Train Mile	$4.02	$4.10
Average Freight Receipt Per Freight and Mixed Train Mile	$5.36	$4.94
Average Number of Tons Per Loaded Freight Car	25.9	25.4

Economics in Railway Operation.

The operating position of the railways shows that there was an improvement duing 1921. The ratio of operating expenses to revenue declined from 97.34 per cent. to 92.14 percent. for all lines. The decline in operating ratios follows:

Railway.	1921.	1920.
Canadian Government	113.64%	123.46%
Canadian National (Canadian Northern)	109.75%	125.25%
Canadian Pacific	80.90%	83.84%
Grand Trunk	92.61%	93.58%
Grand Trunk Pacific	170.34%	124.03%

Referring to the marked change in position of the Grand Trunk Pacific Railway, the summary report of Railway Statistics for 1921, issued by the Transportation Branch of the Dominion Bureau of Statistics, states the following:

Increase in freight traffic due to operating arrangements with Canadian National (Canadian Northern) Railways	41%
Increase in Revenue	15%
Reduction in expenses	16%

It is also pointed out in the same report that the increase in freight traffic did not entail a diversion of traffic from the Canadian Northern. The reduction in expenses, it is shown, is due largely to decrease in maintenance of way and structures expenses which amounted to 30 per cent.

In connection with the C. P. R., the report states there is a reduction of 11 per cent. in maintenance of way and structures costs and a reduction of 20 per cent. in maintenance of equipment.

The reduction in maintenance of way, structures, and equipment costs, the report points out, on first thought, might appear to mean drastic retrenchments or deferring of necessary maintenance costs. While there is no doubt that this, to some extent, is a fact, it is explained that, owing to reduction in wages and decline in prices of materials the situation is not as bad as it appears and, when necessary work can be deferred no longer, the cost will be less than in 1921.

Reduction of Freight Rates.

On January 1st, 1921, in accordance with General Order 308, by the Board of Railway Commissioners, freight rates were reduced by taking 5 points from the amount of increase named in the order which became effective September 13th, 1920. This left the amount of increase over rates in effect prior to September 13th, 1920, of 35 per cent. in Eastern Canada and 30 per cent. in Western Canada. On December 1st, 1921, a further reduction was ordered of 10 points, leaving the rates higher by 25 per cent. East of Fort William and 20 per cent. West of Fort William than the rates prior to September 13th, 1920. These two reductions combined produced a decrease of approximately 12 per cent. from the level of rates existing at September 13, 1920.

In July, 1921, a tentative agreement, reducing wages of various railway employees by an average of approximately 10 per cent. was put into effect. The reduction in rates and wages have not kept pace with the reduction in the costs of commodities. This is generally recognized not only by those who pay the rates, but also by railway officials in their public statements. But there are decided differences of opinion as to the extent of the reduction and the manner in which it should be effected. Moreover, the situation is complicated by the Crow's Nest Pass Agreement, the case before the Board of Railway Commissioners known as "The Equalization of Eastern and Western Freight Rates," and the problem of making a further reduction in the wages of railway employees. The railway companies have stated their view is that the Crow's Nest Pass Agreement should be further postponed and that a reduction should be made in the rates on basic commodities; the railways to define what the term "basic commodities" shall include. But the shippers will not accept the railways' definition of basic commodities and the necessity of reconciling conflicting views will delay reductions. The public does not want further delay; it wants reductions in freight rates. Therefore, your committee took the position that all freight rates should be immediately reduced to the level of the rates in effect prior to Sept. 13, 1920, and that the rates on grain and grain products from the Prairies should be reduced to the basis set forth in Section E. of the Crow's Nest Pass Agreement. This plan would assure two things: first, all rates would be reduced and everyone would benefit; and, second, the Western farmers, who have had to bear more than the general increase within the Western territory because their rates were increased to a greater extent, would be favored with special treatment and thus assisted in marketing their crops which would undoubtedly be a benefit to the whole country.

The Government Railways.

The Government has stated Government ownership is to be given a fair trial and that the consolidation of the various Government lines into one system to be operated under regional management, is to be adopted as soon as possible. We trust that this policy will be made effective at the earliest possible moment. There should be no delay if the railways are to be operated efficiently and economically.

Board of Railway Commissioners.

During the year the Board of Railway Commissioners held hearings totalling 96 days at different points from coast to coast. The association was represented at hearings totalling 28 days. While the majority of hearings attended were held in Ottawa, representatives of the association also attended hearings held in Vancouver, Halifax and St. John.

Car Service.

Car Supply.—The question of securing cars in the past year, owing to business conditions, has not been a serious matter. At no time, on the whole, was there a shortage of equipment. In the early part of the year surplus cars in good order numbered about 50,000, reduced later by moving the grain crop to about 7,000. Since that time there has been a fluctuation and in May 1st, the total surplus cars in good order was 34,875.

During the year arrangements were made through the courtesy of the Railway Association of Canada to publish figures covering the car situation in Industrial Canada for the information of our members.

Claims.

Collection.—During the year the Department handled 83 claims for various members aggregating $28,001.88. The disposition of these claims was as follows:

Paid	$1,914.41
Declined	716.33
Withdrawn	43.18
Suit Entered	24,885.77
Pending	442.19

Contracts of Carriage.

New U. S. Forms.—Effective March 15th, 1922, by Supplement 15 to Consolidated Freight Classification No. 2, the carriers in the United States adopted the following new bill of lading forms:

(a) Domestic Bill of Lading.

This form to be used in connection with all shipments except live stock, moving between points in the United States and from the United States to adjacent foreign countries as prescribed by the Interstate Commerce Commission in 54, I. C. C., 357.

(b) Uniform Live Stock Contract.

This form to be used in connection with shipments of live stock between points in the United States and from United States to adjacent foreign countries, also prescribed by the Interstate Commerce Commission in 64, I. C. C., 357.

(c) Uniform Export Bill of Lading.

This form is to apply on all shipments moving from points in the United States to non-adjacent foreign countries comprising two sets of conditions, one covering the movement to the port of export in the United States, and the other the movement from that port by vessel to port of destination in a non-adjacent foreign country prescribed by the Interstate Commerce Commission in 64, I. C. C., 347.

Generally speaking, the purpose was chiefly to secure uniformity and a clearer statement of the law regarding the liability of the carrier. This is true of both the domestic bill of lading and the live stock contract. Shippers' organizations had considerable evidence to offer in connection with the conditions in these new forms and a number of suggestions they made were adopted.

With the export bill of lading there are still certain complications which may change these conditions at a later date. We have reference particularly to the so-called Hague Rules, 1921, which relate to the liability of ocean carriers. The National Industrial Traffic League and other bodies in the United States have taken exception to these Hague rules on the ground that they are not entirely in conformity with the Harter Act, which they claim should be the basis of liability, subject to an amentment set forth in the McKellar Bill. This Bill (No. S-327) was introduced in the United States Senate 67th Congress, 1st Session, on April 12th, 1921, and later referred to the Senate Committee on Interstate Commerce. Briefly, it provides that the ocean carrier shall be responsible for the full value of goods lost or damaged from negligence, default or failure in proper loading, storage, custody, care or proper delivery of any merchandise admitted to its charge.

Under the present form of ocean bills of lading, the United States Harter Act, and the Canadian Water Carriage of Goods Act, a limit is placed upon the value of any package for which the ocean carrier may be liable. The Hague Rules provide a limitation although an increase is made from that formerly in effect in bills of lading issued by the ocean carriers on business from foreign countries. The department is keeping in close touch with this question with a view to protecting the interests of our members.

Demurrage.

Application for Reduction in Charges—Our application for reduction in the charges for demurrage on carried shipments was heard by the Board of Railway Commissioners at Ottawa, June 21st, 1921, and after consideration the Board of Railway Commissioners issued General Order No. 349, dated November 23rd, 1921, ordering into effect a new scale of charges as follows:

Charge to be assessed for demurrage after free time is expired will be $1.00 per car per day, for the first day, $1.00 per car per day for the second day, and $5.00 per car per day for the third day and each succeeding day, fractions of a day being counted as a day.

The effect of this order was to reduce the charge for the second day following free time by $1.00, and to increase the charge for the third day by $2.00, and for the fourth day by $1.00.

At the hearing we suggested that we would be willing to accept $1.00 per car per day for the first three days following free time after which the charge would be $2.00, $3.00, $4.00 and $5.00 per car per day respectively. We took exception to this decision (G. O. 349) on the grounds that the Board intimated they were meeting the views of shippers' representatives as expressed at the hearing. After consideration of our protest, which was concurred in by other parties, the Board dismissed it. Therefore, the charges as established in their order now apply.

Export Trade.

Ocean Rates.—During the year there has been a continued lack of cargo offering with a large surplus of ocean tonnage (vessels) available; consequently ocean freight rates have declined. It is true that by various conferences ocean steamship companies endeavor to maintain a basis of rates between certain ports, but these agreements cannot be maintained in the face of competition from tramp lines or rival lines among those represented at the conference. The general cargo rates from the Atlantic ports to United Kingdom and European countries have not been materially reduced, but this is modified by the fact that quite a number of commodities have moved at considerably lower rates. There is still room for a further decline in ocean rates. In fact, the general cargo rates quoted are entirely too high at the present time to move traffic to any great extent. This has been clearly established in the past year because any traffic which has moved in any large quantity has been given lower rates. One of the chief items which must be borne in mind in connection with ocean rates is the competition from the United Kingdom and various foreign countries on the Continent in the trade with Australia, New Zealand, and various other countries.

Steamship Services—The importance of proper services from various Canadian ports to the ports of the world is recognized by your committee, and efforts have been made towards assuring that adequate services are established and maintained. During the year services from Canadian Atlantic ports to the West Indies have received the attention of the Department as well as services from Vancouver to the west coast of Mexico, South America and the South Sea Islands.

Port Charges.—With the opening of navigation, the port of Montreal issued a revised tariff covering various charges at that port, making a reduction from those formerly in effect. In a like manner certain charges at Vancouver were reduced. This policy should assist export trade.

Freight Classification.

Applications.—During the year the Department has handled a number of applications for changes in the Canadian Freight Classification, covering a number of commodities. It is unnecessary to enumerate these requests. However, in connection with the more important ones we would advise that a reduction was secured on carload shipments of rubber pneumatic tires from 2nd to 3rd class and provision was made for the inclusion of rubber boots and shoes in the rubber list of the classification, enabling shipment at 3rd class carload rating in mixed cars with rubber articles. A reduction was also secured with the less than carload rating on belting or sprocket chain in bundles to 3rd class and the less than carload rating on aluminum articles nested reduced to 2nd class, while a carload rating of 4th class minimum weight 20,000 pounds was established.

Supplements to Classification 16.—During the year two supplements to this classification became effective—No. 17, which contained the new items on rubber tires and tubes; and No. 18, cancelling Rule 24. In connection with the latter it should be stated that this rule was put into effect by Supplement No. 15, on May 16th, 1921, and provided that shipments in outside packages weighing less than 20 pounds or measuring less than 36 united inches, would be required to pay one class higher than the rating for the particular article shown in the classification. The Department took exception to this rule on the grounds that it would work a great hardship upon shippers and, after circularizing the members on the subject, arranged a conference between the Classification Committee and a representative delegation of shippers with the result that it was cancelled.

In addition to the above, Supplement 19, which has just become effective, contained a number of items of interest to our members, and after the usual conferences the various objectionable features were satisfactorily adjusted.

Proposed Classification 17.—The Special Classification Committee composed of three representatives of the railway companies and three representatives of shippers' organizations as follows:

Geo. C. Ransom, Chairman, C. F. A., Montreal, Chairman.

W. B. Lanigan, F. T. M., C. P. R., Montreal.

Geo. Stephen, F. T. M. C. N. R., Toronto.

F. J. Watson, G. F. A., G. T. R., Montreal.

T. Marshall, Toronto Board of Trade, Toronto.

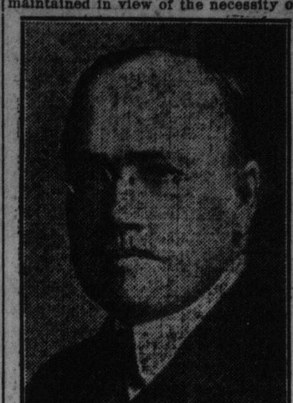
J. K. Smith, Montreal Board of Trade, Montreal.

S. B. Brown, Canadian Manufacturers' Association, Toronto.

commenced its conference with interested shippers in February, 1921. Since that time 20 meetings have been held, totalling 47 days, and the Assistant Manager, who is a member of the committee, has attended himself or been represented at all of these meetings. In addition to this the Department has had considerable work to do in connection with this question because interested members have been advised, by groups or trade sections, of the particular items in which they are interested. Comparative statements, showing items as they appear under present Classification and those shown in Classification 17, together with a brief explanation of changes proposed, have been supplied and meetings held in the head office of the Association between the various members of the particular group, for the purpose of discussing objections and suggesting a uniform mode of procedure in dealing with the subject before the Classification Committee. The commodities considered have been so numerous as to make it rather difficult to give a list of the changes finally agreed upon in connection therewith. However, for the purpose of informing the members of the more important changes which were satisfactorily disposed of we submit the following:

1 Acid—Shipments in carboys were proposed at 1½ times first class L. C. L. and 3rd class C. L. This was changed to 1st class L. C. L. and 5th class C. L. minimum 24,000 pounds at the request of interested manufacturers.

2 Agricultural Implements—The various items appearing under this heading were considered and a number of changes made in connection with packing arrangements and less than carload ratings, which were satisfactory to interested members. The large question, however, namely, the proposal of the railways to increase the carload rating from 6th to 5th class and the minimum weight from 20,000 to 24,000 pounds, was strongly opposed by the manufacturers present, they contending that the present basis should be maintained in view of the necessity of



J. E. WALSH

General Manager, Canadian Manufacturers' Association.

reducing costs of these articles. This question may have to be dealt with by the Board Commissioners.

3 Furniture—The carriers' proposal suggested the furniture would be classified under various carload ratings. That is, the lighter furniture was to be rated at 2nd class, minimum 10,000 pounds, and the heavier furniture at 24,000 pounds at 5th class, some lines being shown at 12,000 pounds 3rd class, 14,000 pounds, 16,000 pounds at 4th class. The representatives of manufacturers who appeared before the Committee clearly showed that this plan was only suitable for the movement of

JOHN R. SHAW

First Vice-President, 1921-22, Canadian Manufacturers' Association

furniture of different kinds in straight carloads which they pointed out was not the practice in this country. The Committee accordingly agreed that the present basis, carload 4th class minimum 14,000 pounds, would be maintained.

4 Wire Fencing—The proposal carried an increase in the minimum weights ranging as high as 36,000 pounds with a 5th class rating in carloads. After discussion with the interested manufacturers arrangements were made to reduce the minimum to 24,000 pounds. Provision was also added permitting the shipment in mixed carloads of poultry netting and wire fencing at minimum of 24,000 pounds, including barbed wire, staples, stretchers and brace wire when not exceeding 20 per cent, of the total weight in the car.

5 Electrical Appliances, Machinery and Supplies—Quite a number of very drastic changes were proposed such as increases in minimum weights. The Committee went carefully into the situation with interested manufacturers and arrived at a satisfactory adjustment to all concerned.

6 Power Trasmission Machinery—At the present time no trade list is shown in the classification covering material which properly comes under this heading, and no arrangement of the kind was proposed. The Committee, after careful consideration, arranged to provide a trade list headed "Power Transmission Machinery," including various articles properly coming within this category. In fact the list adopted was that which is now contained under that heading in Consolidated Classification No. 2 applicable in the United States. The arrangement will permit shipments of these various articles in straight or mixed carloads at minimum weight of 24,000 pounds and carload rating of 5th class. The carload rating, however, was agreed to on the understanding that if machinery, which is now rated 6th class, was not increased to 5th the carload rating on power transmission machinery would be reduced to the basis of 6th class. Similar satisfactory arrangements were made for articles properly coming under the heading of "Conveying and Elevating Machinery."

7 Paints and Varnishes—A number of important changes were proposed, the paint manufacturers appearing before the Committee and after going into the matter quite fully it was arranged that a list would be adopted covering paints, oils and varnish, allowing the shipment in straight or mixed carloads generally speaking at 5th class with minimum weight of 30,000 pounds. The proposal suggested higher minima and in some cases higher ratings. All parties interested considered the adjustment very satisfactory.

8 Stationery and Office Supplies—At the present time stationery and office supplies are provided for under the heading of "Stationery," allowing shipments in mixed carloads at 4th class minimum 24,000 pounds. Under the Proposed Classification 17 it was intended to eliminate this list and distribute the various items alphabetically throughout the classification. This would have prevented shipping in mixed carloads to points in Western Canada. The Committee representing the stationers and paper interests appeared before the Special Classification Committee and satisfactory adjustment were arranged.

Numerous other items were dealt with to the satisfaction of interested shippers, but it would take too much space to explain the changes which were proposed in connection therewith.

Freight Charles.

Surcharge on Shipments between Canada and U. S.—This arrangement was put into effect on Jan. 22, 1921, and is still operative. Recently the matter was taken up with the Board of Railway Commissioners for the purpose of finding out the amount of money collected by the carriers in Canada under this surcharge and the position of the carriers as to the revenue derived therefrom, that is, whether or not it has worked to the advantage of the carriers. Information on these points received from the Board of Railway Commissioners shows that up to October 30th, 1921, the carriers collected $2,767,914.80 representing surcharge. This is a considerable sum of money and when we realize that, prior to January 22nd, 1921, the railways required shippers to pay all freight charges on international traffic in American funds, the arrangement put into effect has meant a saving to the shippers and receivers in Canada of the difference between the amount shown, which is 60 per cent. of the exchange and the full exchange, amounting to approximately $1,845,276.54. Your Transportation Department was largely responsible for having this measure put into effect, having consistently pressed for some relief from the former arrangement made early in 1920.

War Tax on Freight Charges in U. S. Cancelled—Effective on January 1st, 1922, the 3 per cent. war tax which applied on freight charges covering shipments moving between points in the United States and on that portion of the freight charges within the United States covering shipments moving from Canada to that country, was cancelled.

Freight Rates.

General—At the beginning of this report the Committee's views as to a further reduction in freight rates were defined. In this section the work done by your Committee to secure reductions which have been made effective, as well as a further reduction, is outlined.

A memorandum was prepared and submitted to the Executive Committee of the Railway Association of Canada on August 18th, 1921. This Committee, which consisted of the presidents of the different railways, intimated that while they appreciated the necessity for some reductions in rates being made, they were unable to make a reduction at that time because the wage decrease, tentatively put into effect in July, had not been definitely settled. Within a week after our conference the Board of Railway Commissioners called the same Executives to Ottawa and informally discussed with them the question of reducing freight rates. The railways' representatives were the only ones invited to this conference, although it should be stated that we had supplied the Board of Railway Commissioners with a copy of the memorandum which we presented to the Railway Executives. Following this conference judgment was rendered stating that a general reduction in rates amounting to 10 points off the remaining portion of increase granted September 13th, 1920, should be put into effect. As the majority of the Board did not concur, the judgment did not become effective. The majority of the Board were of the opinion that savings accruing from reductions in wages had not been definitely determined and until they were, no reduction in rates could be made. Your Committee followed the matter further with the Railway Executive, but were unable to secure any satisfactory statement from them pending further action of the Board of Railway Commissioners. In November the Board issued another judgment which was concurred in by all members, ordering the same reduction as that just referred to, the reduction taking effect on December 1st, 1921. We understand that the carriers' representatives proposed to the Board that a reduction in basic commodities would be the proper method of decreasing freight rates, but the Board considered that the best interests of the country would be served by a flat percentage order.

As this reduction did not reduce the level of rates anything like that represented by the reduction in prices of commodities, your Committee, at a meeting on April 6th, considered further action for the purpose of securing a further substantial reduction. A subcommittee was therefore named for the purpose of assisting the Transportation Department in the preparation of a memorandum in support of this view. Many complications appeared, the chief among which was the action of the Government referred to in the Speech from the Throne regarding the question of reduction in basic commodity rates and the possible reinstatement of the Crow's Nest Pass Agreement on July 7th, 1922, also the so-called investigation re "equalization of Eastern and Western freight rates," commenced before the Board of Railway Commissioners in December, 1920, and concluded on March 30th, 1922.

International Rates—Rates between points in Canada and the United States have not as yet been reduced to the same extent as those between points in Canada for the reason that the only general reduction made will not take effect until July 1st in accordance with a recent decision of the Interstate Commerce Commission. This recent decision, however, reduced the rates relatively to the same extent as reductions between points in Canada. For example, the rates in Eastern United States territory will be reduced on July 1st to a basis of 26 per cent. over the rates in effect on August 25th, 1920, whereas today they are generally speaking 40 per cent. higher. In Eastern Canada the rates since December 1st, 1921, have been 25 per cent. higher than they were on September 12th, 1920. In Western United States territory the new basis will be 21½ per cent. over rates in effect August 25th, 1920, whereas since December 1st rates in effect in Western Canada have been 20 per cent. over rates on September 12th, 1920. In United States Mountain-Pacific territory the new rates will be 12½ per cent. higher than those in effect August 25th, 1920.

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