

ing as to special acts passed by the Dominion Parliament, is entirely reversed in the case of all acts of provincial legislatures. Sec. 6 of the Railway Act provides that where any railway, the construction or operation of which is authorized by a special act passed by the legislature of any province, is declared by the Parliament of Canada to be a work for the general advantage of Canada, the Railway Act shall apply to such railway and to the company constructing or operating the same, to the exclusion of such of the provisions of the special act as are inconsistent with the Railway Act."

"The whole tariff situation and railway subject is surrounded with much difficulty, but some things are at least clear. Among them, it is clearly the board's duty to allow fair and just rates to carriers for the service they perform. It is also clear that the board can neither order nor enforce rates which are unremunerative to the carriers without infringing the principle of the Railway Act by denying carriers a fair and just rate. No enforced unremunerative rate can be said to be just to the carriers. The question is one directly affecting shippers and consignees on the one hand, and carriers on the other; but, in arriving at a solution of what a fair rate for the transportation of coal by the Grand Trunk from the frontier to Toronto would be, the fact that the country had relieved the Grand Trunk of a present liability by making a cash advance to the Grand Trunk Pacific, could hardly be a consideration or a reason why a rate otherwise fair and just ought not to be adopted.

"It is equally clear that any losses the Grand Trunk may have made in the Grand Trunk Pacific can afford no ground for increasing the rate, which, apart from such consideration, was fair and reasonable.

"There is no reason why the business of the Canadian Northern should be conducted at a loss, simply because the country owns it. Under the Railway Act, the board certainly cannot deny the people as a whole a rate which would be fair to individuals when owning the transportation system. It appears that a national railway, just as much as any other railway, ought to be operated so as to cover the cost. The interest cost on the Canadian Northern securities certainly cannot be looked upon as negligible and a matter of no moment to the country. Whether there be room for issue on this score or not, at any rate under the Railway Act the board cannot consider rates on the Canadian Northern on a different basis to those on other roads, simply because the country will in future own the stock."

"Undoubtedly the higher the rate the greater the cost to the country; but, it would appear, that the country as a whole could much better afford to pay increased rates than run the risk of transportation failure or embarrassment."

After referring to the automobile industry, and to the prosperity prevailing in Saskatchewan, the Chief Commissioner continued:—"The position is very similar in the other two provinces, Manitoba and Alberta. This condition in an agricultural community can only be expected as a result of the high prices obtaining for grain, live stock, and other farm produce. Some similar objection has been made in the east. There, again, the manufacture of munitions has in part at any rate duplicated the prosperity of the Prairie Provinces. The figures that have been presented in opposition to the application, correctly taken as they have been from the different companies' annual reports and from Government statistics, are

shown by the recent cost developments to be of little value in determining the position of the companies and the burden of today. The added costs are largely the outcome of advances made in the spring and summer of this year. More than that, they do not seem to be final, but rather appear to be growing. The last annual reports do not, therefore, mirror these increases at all, nor are they of the slightest help in arriving at a proper conclusion on this application. The fact is that abnormal increases in costs have developed since the last annual reports were made. The point was taken that costs of themselves were not the sole factor, but that increased gross to the companies might well offset the effect of the advances, and that this increased gross must be considered as well as the cost advances. As a matter of fact, the increased costs have not been met by the increased gross, as the more recent monthly reports show.

"The Canadian Northern figures for July, August, and September of 1917 and of 1916. are as follows:—

	Gross Revenue	Expenses	Net Revenue	Op'ting Ratio
July, 1917	\$3,844,883	\$2,940,026	\$ 904,856	76.46
July, 1916	3,834,191	2,636,812	1,197,379	68.77
Aug., 1917	3,405,200	2,812,000	593,200	82.57
Aug., 1916	3,684,900	2,612,900	1,072,000	70.90
Sept., 1917	3,341,700	2,915,800	425,900	87.26
Sept., 1916	3,187,900	2,455,300	732,600	76.95

"These results cannot be disregarded. They show that while the gross revenue of July had a slight increase, the net revenue decreased 24.43%. August, on the other hand, shows a decrease of \$279,700 in gross, but nevertheless has an increase in expenses of \$199,100, resulting in a reduction in net earnings of \$478,800 or 44.66%. In September, there was again an increase in gross amounting to \$153,800, but again the expenses increased by \$460,500, reducing the net return, notwithstanding the greater gross, by 41.86%. The figures for these three months are taken up in the company's general statement for the quarter ended Sept. 30, 1917. This quarterly statement also includes the results of the like quarter of the preceding year. The quarterly statement gives the company's total revenue for these three months as \$10,591,807.57 against \$10,706,995.89 for the same period of the previous year. The result is a comparatively small decrease of \$115,188.32 in gross receipts, which amounts in percentage to but a little over 1% of decrease. The expenses are shown as \$8,667,867.95 for the three months of 1917, as against \$7,704,982.67 for the same period of the year before. The resultant increase in expenses is \$962,885.28, which exceeds 12.49%. The net income for the 1917 period amounts to \$1,923,939.62 as against \$3,002,013.22 for the 1916 period. A decrease in the net income of \$1,078,073.60, which represents a percentage decrease in net amount to 35.91%. The increases in expenses are, as a matter of fact, greater than the totals I give. Necessary work has been deferred, owing to the state of the company's finances. The Canadian Northern certainly cannot be charged with ever expending more than was necessary for the maintenance of its lines. As a matter of fact, the charge in the past has been to the contrary, and the amounts expended by the company under this head can well be expressed as relatively small. Notwithstanding during the period in review the company only expended for maintenance of right of way and structures \$1,976,869.14 in 1917, as against \$2,279,658.41 in 1916, a parent economy of \$302,789.27, representing a percentage decrease of 13.28%, as being effected in this connection. As a matter of fact, the expenditure is not

saved—it is merely deferred, and the only real result of deferred maintenance and repairs is that the ultimate expenditure will be greater than if made promptly and maintenance and repairs had been kept up concurrently with the necessity. This decrease of expenses is entirely eaten up by other increases. To merely illustrate: The cost of maintenance of equipment (necessary work and repairs on locomotives and other running stock, and the like) increased from \$1,156,419.05 in 1916 to \$1,502,779.46 in 1917, an increase of all but 30%.

"I also instance the advance in the cost of transportation, for this period in 1917 amounting to \$4,491,149.49 as against \$3,655,746.23 for the same period of 1916.

"The results of October are of particular interest, as in this month a substantial increase in gross revenue is shown. The Oct., 1917, earnings amounted to \$3,941,612.62, against \$3,716,784.77 for October, 1916. The resultant increase in gross is \$224,827.85 or over 6%. The expenses, however, grew at a very much greater ratio. Those of Oct. 1916, were \$2,496,512.78, while for Oct., 1917, they were \$3,350,486.03, the increase here amounting to 34.20%. As a necessary result, there is an alarming drop in net income from \$1,220,271.99 to \$591,126.59, a decrease of \$629,145.40. In short, the company's net revenue, with an increased gross of 6% decreases 51.55%.

"It should, however, be noted, that, in connection with this month the economies of the preceding quarter in connection with the maintenance of way and structures were not practised. On the other hand, no extravagant expenditure was made under this head. The expenditures of 1917 were \$694,653.25 against \$510,141.25. In view of the increased costs which are apparent in other accounts the increased figures cannot sustain any charge either of improvidence or railway extravagances.

"Attention has already been called to the fact that the company spends but relatively little on its right of way. While the necessity of any possible economies cannot be denied, some economies cannot be practised without loss in efficiency and resultant damage, not only to the company itself, but also to that portion of the public that are dependent upon the transportation that it ought to provide. It is sufficient to give but one illustration of insufficient maintenance and repair. The grain movement of the autumn of 1916 to the head of the lakes was light. The October receipts at the lake terminals only amounted to 19,673,341 bush. of wheat, against 52,367,710 bush. for Oct., 1915. The total grain receipts for the month in 1916 only amounted to 27,189,876 bush. against 60,786,715 for Oct. 1915. In Oct. 1917, 27,729,126 bush. of wheat were received and 31,851,584 of all grains an increase of 4,661,708 over the same month of the year before or over 16%. The Canadian Northern, however, only hauled last October to the lake terminals 7,653 cars while it hauled 8,610 cars in Oct. 1916 of the year before. Instead of a proportionate increase in the road's grain business the month results in a car decrease of 957 cars or 11%. A direct reason for this decrease was the physical condition of the line between Winnipeg and Port Arthur. Train schedules could not be kept, and freight wrecks occurred. Efficiency in transportation, including as it does, sufficient terminal facilities, sufficient cars and locomotives for the business offering, and a properly maintained and repaired line of railway, constitutes the chief public necessity in railway transportation. This efficiency can only