

### Regarding Freight Rates

(Continued from page 6.)

ed in freight rates, but the chart also shows how inadequate these increases were to meet the rapid rise in operating expenses as forced higher by increases in the railways' payroll.

A 28 per cent increase, such as is being requested by U.S. roads, would have readjusted the relationship of operating expenses to cross earnings as shown for the year ended June 30, 1919, to about 70 per cent; but as expenses, particularly wages, have continued their upward course since, it will require a somewhat greater increase to re-establish the proper operating ratio for the Canadian railway system as a whole. In 1916 the operating ratio for all Canadian railways was 68.9 per cent; for the year ended June 30, 1919, operating expenses exhausted 89.26 per cent. of gross earnings; and the operating ratio must now be very close to 95 per cent.

One of the reasons why freight increases have not been put into effect in Canada was because of the relationship existing between freight rates in Canada and the United States (notably on transcontinental business), and in the latter country it was decided as a matter of policy to treat the deficits of the railways under federal control as war expenditure. As previously referred to, this is a matter which is now being attended to.

#### Rate Increases General.

Railway rates have been greatly increased all over the world, as may be noted from the following which is quoted from Mr. Howard Elliott's presentation of the situation of the railways in the United States before the Interstate Commerce Commission on May 24 last (Mr. Elliott is chairman of the Northern Pacific Railway):

"England—Passenger fares increased 50 per cent; freight rates increased 25 per cent to 100 per cent, plus terminal charges per ton of 3d to 1s; average freight rate increase (estimated) 71 per cent.

"France—Passenger rates increased 70 per cent to 80 per cent; freight rates increased about 140 per cent.

"Belgium—Freight and passenger rates increased about 100 per cent.

"Italy—Passenger rates increased 60 per cent to 120 per cent; freight rates increased 40 per cent to 100 per cent.

"Holland—Passenger rates increased 75 per cent; freight rates increased 70 per cent to 140 per cent.

"Sweden—Passenger rates increased 100 per cent to 200 per cent; freight rates increased 200 per cent.

"Norway—Passenger rates increased 60 per cent to 180 per cent; freight rates increased 150 per cent."

Since this evidence was submitted, a cable from London informs us that there is to be another increase in English railway rates.

In considering these increases, it must be remembered that the freight rates in effect in these countries prior to the war were almost immeasurably higher than Canadian and U.S. rates. The Australian freight rates particularly were about three times what the Canadian rates were on a ton-mile basis. Using returns reported by Bureau of Railway News and Statistics, the comparison with New South Wales and South Australia State Railways, which alone furnish ton-mile statistics, is as follows:

Year, 1914-15.	Receipts per Ton-mile.
Canada . . . . .	0.751c (in 1915-16, 0.653c)
New South Wales . . . . .	1.90c (see Note)
South Australia . . . . .	2.12c (advancing to 2.64c in 1917-18)

Note:—New South Wales omits terminal receipts, making actual rate per ton-mile 2.23

cents in 1915.

The rates which produced these average receipts, and those of other lines in Australia have been substantially increased.

#### Why One Railway Earns Dividends.

The Question of "How can one road get along and earn its dividend with the present rates while the National Lines have a deficit?" has two answers:—

1—Over a spread of years it is unlikely that any transcontinental line could pay dividends out of its railway net under a continuance of such conditions as have existed in 1918 and 1919, and in the present year.

2—At the present time a line having a greater volume or density of business can handle its business at a lower ton-mile cost, and having its property in good physical condition in a period of stress (as at present) expends only current maintenance.

The National lines have a great deal of mileage serving territory still in a state of early development, and this development was, of course, retarded by the war. Being in most cases second in the field, it has to put on services against those of its firmly-established rival and run trains carrying less passengers and less freight at relatively the same train-mile costs. There are greater demands for facilities of all kinds which in most cases have been provided by its rival in the days when a less competitive field resulted in more profitable operations.

The National lines are a combination of three distinct systems: The Canadian Government Railways, the Canadian Northern System, and the Grand Trunk (and G.T.P.) System. From Moncton to the Pacific Coast there are two main lines. When traffic becomes heavy this will be advantageous, but with the present relatively light traffic these two main lines cannot be operated as cheaply or as efficiently as one main line, and while duplication of lines is not in my opinion a serious factor as regards the future and does not exist detrimentally to the extent that many people think, yet in the immediate present it is a factor which tends towards additional operating expenses.

Then, too, it must be remembered that only the first step in the co-ordination of the Grand Trunk with the National lines has been taken. The benefits of the consolidation are all in the future.

#### Prospects Call for Optimism.

Frankly, I am optimistic as to the future as I know so well the favorable location of our lines in the prairie provinces and because I have seen the development which in a few years under peace conditions took place there. Also I know the requirements of the West for additional branch lines and extensions, and our own experience as to what traffic can be counted upon from new mileage in the western provinces convinces me that in a few years the additional mileage to be constructed will provide the traffic required to utilize to a very full extent the excellent main lines which are already built and which have such a large tonnage moving capacity.

In considering the performance of the Canadian National Railways as compared with that of other lines, it must of course be remembered that the three systems which have been acquired by the Dominion Government were individually classed as weak lines as compared with the Canadian Pacific Railway, and could not make ends meet under conditions prevailing in the last two years. The Canadian Northern and Canadian Government lines were, after consolidation, still weak in the centre, which weakness has been removed by the acquisition of the Grand Trunk system, but, as previously stated, consolidation of the latter system with the National lines is just about to commence, and

cannot be fully achieved until the arbitration is concluded. In the meantime the mere fact that the Dominion Government own these lines cannot be expected to change deficits into net earnings. It is true that some economies can be effected by consolidation, but nothing that would begin to offset the present improper relationship between operating expenses and gross earnings.

#### Advantages of Consolidation.

The advantages of consolidation will chiefly be derived from the direct routing of freight, giving the National System the long haul and a larger proportion of, or the total, earnings on a shipment; the movement of freight tonnage in larger units and a consolidation of passenger services; the adoption of system standards with consequent saving in initial purchases of larger quantities and facility of repairs; the concentration of heavy repair work in a few large shops; saving in terminal expenses through consolidation; economical movement of company's coal. Summarized, it may be stated that the advantages of consolidation will lie in the greater use of existing staff and facilities which will be possible by the larger traffic which the greater extent and better service of the consolidated system will attract, rather than in the reduction of staff or disuse of facilities now used. The increase in traffic which normal development of the country should bring about will be one of the greatest factors in the future success of the system. In fact, it is this expectation that has been the main consideration with the government in acquiring for the people the complete ownership of these properties, coupled, of course, with the large interest in the systems which by the way of assistance the Government had already in the Canadian Northern and Grand Trunk Pacific companies, and which it was desirable to protect.

It must be remembered that the public, and particularly when the line is owned by the government, want a pretty good service. Progress in the construction of passenger train cars and the general demand for steel cars for such service has had the result of doubling the weight of coaches. Where the weight of the car to the weight of the passengers carried used to run 13 to one, the ratio is now 26 to one, or a ton and three-quarters of dead weight to each 140 pound passenger. Under such conditions it is growing more and more difficult to make net earnings from passenger business, particularly in a country where there is little density of population.

It is a modern view of freight transportation that the movement should be fast. Firms ship goods today and begin to enquire about them the following day. Freight loaded today in some cases is delivered the following day. Where such a service is demanded and tonnage drops off, it results in light loading of trains and extra expense.

The question to be answered is, "Are the National Railways giving such a service to the country as justifies their existence?" What lines indeed, if any, would you discontinue the service on? Those who think there are lines that could well be abandoned should volunteer for service on committees to interview the people served by such lines on this subject. They will need more than steel helmets.

Let no one be alarmed; give the railways an increase that will properly adjust transportation rates to the level of all other commodities, and the railway problem will fade away like mist before the rising sun, and in the daily routine, with the income tax, the business tax, the luxury tax all on the job, the increase in freight rates will not be noticed. The laborer is worth of his hire. We are endeavoring to give an efficient service; we are surely entitled to be paid what it is costing.