

therefore, how large the actual burden of freight rate increases has been in the past decade. That, in itself, is a question heavily charged with emotion. It is the question at the very root of the frightening picture that has been built up regarding implementation of railway freight rate increases—increases claimed to be so great that a halt must be called, at least temporarily, with extraordinary interim measures such as subsidized rate roll-backs and a freight rate “freeze”.

2. The Burden of Horizontal Railway Rate Increases

The issue of the burden of railway rate increases is heavily charged with emotion and it is essential to determine the true facts of the case. The fundamental fact—and the fact which is seldom understood—is the *actual* burden of horizontal rate increases.

Theoretically, a series of post-war decisions by the board of transport commissioners has raised the maximum level of railway rates by 157 per cent during the period 1946 to 1958. Thus, if the maximum level of railway rates in 1946 is taken as 100, the index of permissible maximum railway rate increases in December 1958 would be 257, a very serious increase indeed.

Such an increase in freight rates never took place. For competitive reasons the railways were forced—and, as it will be shown, these occasions were never restricted to central Canada—to introduce competitive rates and agreed charges. These types of competitive rates either lowered the rates payable by the shipper, or because of actual or potential competition, negated the implementation of permissive increases.

The increase in the maximum ceiling of railway rates does not represent the true increase in the burden of railway charges to the shipper. Fortunately, the index of the actual increase in average railway rates can be worked out from official federal data published by the dominion bureau of statistics and by the board of transport commissioners.

The railways' revenue per ton mile is, of course, nothing more than the cost to the shipper per ton mile. Therefore, the index of average railway revenues per ton mile also represents the index of the true burden of railway rate increase to the shipper. Naturally enough, average revenue per ton mile—like all averages—is a general description, comprising such diverse elements as the movement of automobiles and grain; traffic (grain) moving at statutory rates unchanged from the last century; and movements of valuable and fragile machinery. In this respect the average revenue per ton mile is similar to the index of the “maximum permissible level of railway rates”, except that it reflects what has really happened—not what could have happened if no competition and no statutory rates existed.

In one respect, however, the index of average railway revenues per ton mile does not reflect the true charges to the customer. This exception exists because of the subsidization of certain railway traffics, resulting in average railway revenues per ton mile being higher than the costs to the shipper. *Therefore, the index presented below overstates the actual increase in the burden of railway rates.*

Even so, the gap between the theoretical and real increase in the burden of railway rates is significantly high. Whereas the theoretical maximum level of the railway rate index increased from 100 in 1946 to 220 in 1957, the index of average railway revenues per ton mile increased during the same period from 100 in the base year—1946—to 158.3 in 1957. (Since the recent increase was authorized at the end of 1958, it came too late to be reflected in an increase of average revenues per ton mile; therefore, 1957 is the last year in our indices.)