

Mr. GORDON: That is correct, yes.

Mr. HAHN: Just in reference to that, I was very interested in the Fortune magazine of January, this year, which carried an article entitled "The Great U.S. Freight Cartel". It has quite a huge subheading here.

Americans are paying billions more for freight transportation than they should. The reason: obsolete government policies have encouraged inefficient freight carriers, penalized efficient ones. It is time for a change.

What I am interested in specifically is this: over the period of the past three years, I have found considerable change in the operation of our own rail lines. I also find that reference is made here to the fact that freight, which is carried across the line, is somewhat controlled by this Interstate Commerce Commission.

Mr. GORDON: It is.

Mr. HAHN: Our freight rate structure, in comparison with the American freight haul—we have had representations made to us in the case of lumber, and I believe you will recall that last year, Mr. Gordon, where the claim was made that, at the moment the Americans increased their rate—and the charge made then was that they were inefficient—then, within a very short while we had to up ours because of the agreement. That was the charge made.

Mr. GORDON: It is extraordinary how these things can get distorted. The rough history of that was very simple. The lumber rate that you are referring to—I am not even looking at my notes, I am speaking from memory—the lumber rate you refer to was the competitive rate which had been worked out by Canadian railways with B.C. lumber shippers on the basis of the rate from the west coast of the United States, because they were competing in the same market. So, we in effect said; all right, we will meet the competitive rate, and that will mean that rate adjustments will have to recognize the level of the competitive rate to the point where you are selling your lumber. We put it to them on the basis that we would in effect tie them to the United States rate. There was no enforceable agreement. We simply told them how we calculated it. They were very satisfied with that, particularly as we would not apply Canadian freight increase to them when it came along. But, the minute that the American freight rate increased, then they raised an awful row about it—why should they get an increase in their freight rate. We said; all right, you cannot have the best of both worlds. Would you rather have it that you take the Canadian freight rate increase, or will you take the United States freight rate increase, and when you say the freight increased because the United States railways did it—

Mr. HAHN: I did not say that, I said those were the charges that were being made.

Mr. GORDON: That is a very subtle distinction. But, nevertheless, that is the way these things work. In the process of any working out of the freight rate, it has to have relation to the competition we meet. We have all sorts of freight rates which are quoted below that of the allowable freight rate, because we must meet the market. That is why I said to Mr. Hamilton that we did not get an effective increase. We asked for 15 per cent over-all. In lots of cases we do not get any increase, and in some cases we only get two per cent, and in other cases we get three per cent. But, when we get into agreed charge bargaining, we deliberately take something below the authorized freight rate, the published freight rate which you will find in our tariff. We say—and it is the same thing that we have said to the canned goods industry—we say, if you will undertake to guarantee that X per cent of your traffic from here to there, and it varies—it may be 60 per cent, 70 per cent, and sometimes it is 100 per cent, the rate would vary with it—but, if it is 100 per cent, we will go lower than