with to the extent the Canadian rate system and conditions permit. In the result the previously existing parity of rates in Canadian and U.S. territory has been as near as may be preserved, and whenever under the former rate schedules Canadian railway rates have been on a lower rate basis, lower rates in Canada have been maintained. In the general result it will be found that smaller increases will obtain in Canada than in the United States. Where it has been found impracticable to give the full increase allowed in U.S. territory under the McAdoo order, the matter has been fully discussed with the chief traffic officers of the companies chiefly concerned.

It is difficult accurately to forecast the increased gross earnings that the rate increases will give. It is much more difficult to arrive with any degree of accuracy at the result of the net. Traffic conditions and operating expenses constantly change. The U.S. authorities have gone into all the circumstances requiring and the added expenses necessitating a rate increase with much care. As a result of this study, in the opinion of those authorities, the so-called 25% increase was necessary. Increased costs and war conditions bear even more hardly upon railway conditions in Canada than in the U.S. The Canadian railways themselves are large contributors to increased U.S. freight charges. Railway coal for Quebec, Ontario, and a considerable portion of the western prairies is imported from the U.S. coal mines and subject to long hauls by the U.S. carrier. The G.T.R. estimates that the additional amount its coal for the year will cost, owing to the increase of freight rates alone in U.S. territory, is approximately $800,000, the C.P.R. $900,000, and the Canadian Northern $450,000. A large percentage of other raw materials required by the railways in their operation are also imported from the U.S. The Canadian railways not only pay the ordinary duty, but also a special war tax on their coal.

It is also clear that the increases authorized by the McAdoo order, to the extent adopted by order in council 1768, will not give the Canadian railways the increases U.S. lines receive under it. No increases are allowed on Canadian lines on passenger sleeping or parlor car tariffs. It is also true that the increases on a large volume of the traffic will fall a considerable degree short of the 25% increase popularly connected with the McAdoo order, owing to the maximum limitation the order creates and the flat increases in other cases allowed. The order in council was not passed for the purpose of increasing company profits over those of previous years, but for the purpose of meeting the advanced costs of transportation, of preventing strikes, and the collapse of the country's transportation. The railway executives, while stating that the increases allowed will enable transportation to continue in efficiency, claim that such increases will not be sufficient to cover the whole increased cost of operation. Whether this will or will not be the case is largely a matter of speculation. Under all the circumstances, it is submitted that the board be instructed to advise the cabinet, through the Minister of Railways, month by month, the monthly net results of the operations of the three larger systems, i.e., the Grand Trunk, Canadian Pacific, and Canadian Northern, to the end that any increases that may be found to be unnecessary be promptly curtailed.

Toronto Board of Trade's Protest Against Increased Freight Rates Dismissed.

The Chief Commissioner, Board of Railway Commissioners, Sir Henry Drayton, made the following report to the Dominion Government, Aug. 3:—

A protest has been made by the Toronto Board of Trade against the order in council raising freight rates, and amendments to the order are requested. This application has been referred by the acting Prime Minister to be reported upon. Two questions are raised in the application: (1) It is argued that the new sugar rates "will place upon this staple food product an unwarranted burden," and that it should not be called upon to bear a greater increase than other commodities. It is also submitted that the order should not become effective until Aug. 27, so as to give time to the public to adjust itself to commercial conditions. Complaint is also made in the same city that the increase was made without consulting either the shippers or the general public.

It is important that the basic principles on which the order was made should not be lost sight of. The position with which the government was confronted was that a strike of certain railway employes was imminent; that a lengthy investigation had been made by a competent and in every sense well qualified commission in the United States, as a result of which wages were very substantially advanced in U.S. territory; that the increased cost of living to which the railway employes, in common with the general public, were subject obtained in Canada as well as in the U.S.; and that operating conditions in both countries were largely similar; that, as a measure of justice to railway employes, their wages had been advanced in U.S. territory; and that in order to provide sufficient revenues to cover the increased costs, substantial rate increases had also been made, not only for freight, but passenger traffic as well; that, as a measure of justice to Canadian railway employes, many of whom work on both sides of the line, the government requested Canadian railways under its jurisdiction to adopt the so-called McAdoo wage scale, and for the purpose of providing the necessary funds, directed similar rate advances (although perhaps slightly lower than the advanced rates in U.S. territory), but on freight traffic only.

The rates as fixed by the order in council are war rates, to meet a war emergency. In reporting upon similar increases in Canadian rates to those prescribed by the McAdoo order in U.S. rates, the rates have not been passed upon by the Board of Railway Commissioners as permanent rates. They may bear no relation to what the final rates ought to be, having regard to different commodities, when the war is over and conditions become normal. The pressing necessity was to obtain revenue, in order that strikes might be prevented and transportation carried on. The urgency was immediate and required immediate action. Public hearings in the different provinces, or any hearings at all, could not be held. Complaints many and serious have been made from time to time, showing lack of facilities and unsatisfactory movements; many have come from Toronto. Adequate transportation can only be obtained if either the receipts or the reserves available are sufficient for the purpose of meeting, not only running expenses and maintenance, but also for the purpose of improving, where necessary, any inadequate facility.

Subject to such considerations, I deal with the complaint as to the rates on sugar. Sugar prices to the public have advanced considerably. Nevertheless, the article had moved at low commodity rates, and is carried at a lower basic charge than analogous commodities of probably similar value in the same group of the freight classification, a preference that, whatever its origin, of course has the effect of accentuating the amount of the increase allowed. The added burden complained of is a burden more in percentage than in fact, as compared with relative commodities. United States Director General of Railroads, Mr. McAdoo, was evidently of the opinion that sugar ought to move under its appropriate classification. There is no question but what the added receipts are necessary, and as already pointed out in the main report, the cost of transporting a pound of sugar on the 330-mile haul from Montreal to Toronto had advanced from 0.185c to 0.330c. Expressed in percentage, the increase is undoubtedly great. In view, however, of the present financial necessity (which is by no means confined to the necessities of companies, but is also national, in view of the fact that the country itself now owns and is responsible for a considerably larger mileage than Canada's largest individual railway, (the Canadian Pacific), the money must be obtained. I see no reason why the action taken in U.S. territory should not be duplicated in Canada. On the other hand, apart from the financial emergency and added costs, it ought to be. Sugar in Canada does move under the appropriate 5th class rate for longer mileages in eastern territory. The low commodity rates stop on the G.T.R. at North Bay and on the C.P.R. at Sudbury. There is more justification for applying a lower basis of rates to long hauls than to short hauls. Here the converse is applied. As a matter of justice, sugar rates ought to be placed on the same basis.

I now deal with the date on which the rates ought to become effective. It is much to be regretted that conditions are what they are; that the cost of living has gone up; that the war ever took place; and that, as a result, the costs of railway operation have increased. Unquestionably any advance in rates is a matter of annoyance, and sometimes loss to shippers. Unquestionably, also, the longer the notice that can be given, the less the resultant inconvenience and possible loss. The government, however, was obliged to deal with conditions as it found them. Among those conditions was the pressing necessity for an immediate wage increase without funds with which to meet it.

Reference is made in the Toronto Board of Trade's appeal to the action which has been taken in the U.S. It is true that there Mr. McAdoo's order did not go into effect until 30 days after its date. It is also true that in the U.S. the increased freight rates and the increased wage scale went into effect on June 25, so that the U.S. Railroad Administration obtained the benefit of the rate increase at the same time that it was put to the cost of the wage increase. It is also true that in Canada, in some instances, the new wage scale dates back, but, speaking generally, comes into effect Aug. 1. The railway systems in Canada, therefore, whether owned by the country or by companies,