be expected to hold-down Atlantic Provinces rates to any appreciable extent. The Atlantic Provinces still have the largest percentage of non-competitive traffic of any region of Canada. Indeed, in many cases, truck competition is not a factor in holding down rail rates. Even for those commodities or movements that may be truck competitive, it is the rail rate level which determines the truck rate level in the Atlantic Provinces. In Central Canada the reverse is true. It is not intended to set out in this submission the reasons for the lack of pervasiveness of truck competition from, to and within the Atlantic Provinces. Many factors influence the growth of truck competition, such as, the geography of the region, the terrain, the nature of the region's commerce, to name several. Moreover, the mere showing of a growth in competition cannot be deemed as conclusive proof of effective competition.

14. It is the realtionship of rates in cents per 100 lbs. or unit of traffic that is the meaningful comparison for shippers. If an Atlantic manufacturer's rate is 80¢ as a result of the Maritime Freight Rates Act and his competitor's is also 80¢, it is small comfort to the Atlantic manufacturer to know that he is still receiving the subsidy under the Act if his competitor's rate, because of competition, falls to 50¢ while his rate remains unchanged at 80¢, or conversely when his rate advances to 110¢ because of the railways' revenue needs or costs of operations and his competitors remains unchanged at 80¢.

15. Because of distance it is not possible to expect competition by itself to maintain the relationship which the Intercolonial Railway rate structure and the Maritime Freight Rates Act originally provided.

Other Competitive Disadvantages

16. The cost of transtportation to market on the finished product is only one side of the coin. If the Atlantic manufacturer cannot secure his raw materials close at hand he may have to pay substantially more inbound freight on his raw materials than his competitor. For instance, despite the existence of an agreed charge on Steel Sheet and Plate from Hamilton and Sault Ste. Marie, Ont. to the Maritimes and incentive rates for heavier carloadings of Pig Iron, two users of these products estimate that the freight on these two raw materials alone costs them slightly in excess of $71,000.00 per year more than the weighted average transportation costs incurred on the same raw materials by four of their major competitors in Ontario and Quebec. The Maritime companies estimated that in addition they must bring into the region at least 3,000 other components in varying quantities which incur transportation costs far higher than the transportation costs incurred by their competitors in Central Canada.

17. For the Atlantic manufacturer to be competitive with other manufacturers located close to the major markets, costly warehousing facilities must often be maintained in order to provide the over-night delivery service demanded by the trend to small inventories today. All these additional costs which are incurred by the Atlantic Provinces manufacturer and not by his central Canadian competitors mean many thousands of dollars which the competitors outside the region have available to them to channel into research, advertising or more attractive profits for investors.

Incidence of Railway Costs—Atlantic Provinces

18. It will be recalled from the Intercolonial rates and the Maritime Freight Rates Act that Maritime rates were never intended to bear the real cost of rail transportation. This is not to say that railways should not be reimbursed for their services but it is to say that the national policy of Canada never intended that the cost of transportation would restrict the ability of the region to participate in the economic growth of the nation as a whole. For this reason, originally