

REGULATION IS AN INTRICATE PROBLEM To Understand Principle of Regulation Involves Knowledge of Cost of Producing Goods, Value of Service etc.

By Professor W. W. Swanson. The question of railway rate regulation is perhaps the most intricate and difficult of all economic problems. To understand railway rate regulation in all its implications and in its essential details, would involve a clear conception of the fundamental problems of value; because at bottom, railway rates are intimately connected with the cost of production of the goods that are carried, the cost of producing the service rendered by the railroads and the value of those services. As has been said, the subject is too vast to be treated in all its details, but we may examine some of the typical problems involved in the regulation of railway rates.

as a rule done in less than carload lots. The tariffs given to distributing points are known as "Town Tariffs." The various points so treated may be either distributing or manufacturing centers. In effect they may be regarded as ratebasing points. Without going into all the implications involved in the consideration of the town tariff problem, it can be readily understood why such points as Hamilton, London, Stratford, Berlin, etc., when they have once been selected to receive the special town tariff rate, cling to it tenaciously and are hard to dislodge. Some manufacturers that have secured as distributing centers, and the hamlets that lie within a certain radius of each town so selected, are at a disadvantage in holding the tariff problem. It can be readily understood, seeing that they are subjected to the competition of the larger centers. It may cost less to ship commodities into the large distributing point in road lots and in smaller quantities, than to the smaller centers, than it would cost the local merchant to directly import his own goods from the manufacturer. Some manufacturers, indeed, quote a low price to the small dealers in villages and country districts, in order to put them on a fair competitive basis with the jobbers in the large centers. This practice they give in the ground that they themselves can establish a direct connection with the ultimate distributor, and can thus make direct control of their own trade. If the dealers in these small centers were not able to secure these price differentials, they would be driven out of business and this, from their point of view at least, is the justification for a cut in the prices of commodities.

A second problem which has aroused considerable heat among the wholesalers and jobbers of Winnipeg and other Western cities is what they have termed the unfair competition of some manufacturers in Eastern cities. Some manufacturers in Eastern cities have been given a special rate on certain commodities to points west of Winnipeg that would give a preference in their favor over the rate to Winnipeg plus the local freight to the points in question. Eastern manufacturers and jobbers insist that only receiving such preferential treatment could they compete with Western points that were in close touch with the local situation. They pointed out, too, that such rates were reasonable in as much as the through haul involved less expense to the railroads than occurred when the goods were broken in Winnipeg or other places, and trans-shipped to local points. They secondly insisted that the West had its way and rates were so adjusted that special town tariff rates, representing a distributing business from the uniform mileage tariff, put was granted.

Another very interesting development in the milling industry in Canada was the milling situation in Canada. The millers in the West, who have been granted the special rate on wheat in which they are situated, Eastern millers have been obliged to depend on their supplies upon wheat grown in the West at a great distance from their mills. The Eastern millers were faced with this situation. They were obliged to stand the rate upon the long haul on their wheat and the rate on the flour to meet this condition, the railway developed the milling-in-transit arrangement, whereby the shipment of the wheat as a continuous movement in one rate, instead of two local movements on two local rates. To take advantage of this arrangement the milled

product has to be shipped out in six months. If so shipped, it goes out on the balance of the through grain mill rate from the point of origin to the destination. The miller pays 100 pounds for terminal profits at milling points. Eastern millers were unable to prove satisfactorily to all concerned that their rate was the low import rate, as only by this method could they compete successfully with the mills that were situated near the grain producing areas. Thus, their supplies of raw product are not sufficient to permit them a profit.

Low Import Rate. From time to time, protests have been made against the low import rate which is levied on articles imported into Canada from abroad. Those Canadian industries however which make use of the raw product of the United States are obliged to quote specific low rates on their raw materials. It goes without saying that the protective tariff in Canada tends to increase the cost of production, and hence the price of the finished product. The railways are able to put up a pretence that they will permit them to compete successfully for a share of this traffic.

The most burning question in Canada to-day in the flour business is the alleged discrimination practiced by the shipping operations between export rates on wheat and flour. It must be confessed that this problem is a most difficult one to solve. The millers are able to keep down the price of flour to the consumer in Canada because of the large export business they do in wheat. It is a well-known fact that, as the export increases, the cost per unit decreases. Canadian millers assert that they are selling their flour in England at the present time, and their wheat is secured from the Canadian business alone. But the rates on flour have been steadily increasing while the cost of shipping wheat has remained practically unchanged. Now, when it is recalled that Canadian wheat is used largely by millers in England, it can readily be understood that if they can secure the raw product as cheap as Canadian millers, and pay a very low rate on wheat by way of transportation than Canadian millers do upon flour, a substantial advantage is given to the British miller. The differential between wheat and flour per 100 pounds has ranged in the last two years all the way from four to twelve cents. Canadian millers frankly admit that it costs more to handle flour than wheat, but they insist that the difference is not great as the exportation makes it appear. In view of the fact that Canadian millers have to pay more for their labor, more machinery, and more for jute for bags, it would seem only fair that the rate on flour and wheat should be adjusted so that flour at a higher charge as would make up for the difference between the cost of milling flour and wheat. Of course the greater the differential, the more the millers are inclined to carry wheat at times at such rates as yield them an exceedingly low return, as when they are used as ballast. If a fixed charge for carrying wheat could be maintained, some method of adjusting the rates on flour could probably be worked out.

New York, July 20.—Steamer charters are active in view of the transatlantic trades, particularly in grain carriers for August and later loading and a steady demand prevails for additional tonnage. In the West India, South America and long voyage trades, there is but a limited inquiry for boats for either early or forward delivery and but little is doing in chartering. Rates in all trades are firm, and the general tendency is upward, particularly for September and later loading. Tonnage offers moderately for all kinds of business. No charters of any kind were reported in the sail tonnage market, and only a very limited tonnage was encountered for "vessels." Rates are nominal and unchangeable, and ample tonnage offers for charter.

Grain.—British steamer Winton, 2,200 quarters, from New York, Philadelphia, or Baltimore to Nantes, 34, 10 days, 25 Sept. 31. Coal.—British steamer Whitgift, 2,842 tons, from Norfolk to the Mediterranean, p.t., August, Norwegian steamer, 1,453 tons, from Baltimore to Nipe Bay, p.t., prompt. Lumber.—British steamer Kassanga, 1,840 tons, from St. John, N.B., to Glasgow, 10 days, 24 Sept. 31. Miscellaneous.—British steamer Milwaukee, 4,784 tons, from the west coast of South America to the United States, August 25, British steamer Pithan, 2,176 tons, hence to Rotterdam with general cargo, p.t., early August; British steamer Granville, 3,164 tons, from the west coast of South America to the United States, August 25, British steamer Dunslaw, 2,600 tons, transatlantic trade, round trips on time charter, basis \$3 1/4, delivery 24 Sept. 31. Fruit.—British steamer Etna, 3,554 tons, from Havana, New York, Philadelphia or Baltimore with or, ss. 8d., August; British steamer, 1,825 tons, same, ss. 6d., July-August; British steamer, 2,772 tons, from Rotterdam, Charleston with kainit, ss. 3d., July.

U. S. GOVERNMENT CHARTERS. The United States Government has chartered the new British steamer Victoria, recently launched at Glasgow, to load coal on the Atlantic for delivery to California City bunkers, after which she will carry lumber to various Pacific ports to Australia under charter to the American Trading Company.

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SIGNAL SERVICE BULLETIN. (Issued by Authority of the Department of Marine and Fisheries.) Crane Island, 22—In, 10.05 a.m., Linton. L'Islet, 40—In, 10.15 a.m., Kendall. Rivier du Loup, 92—Clear, strong northwest. Father Point, 157—In, 9.10 a.m., Manchester Corporation. Little Melis, 176—Out 9.10 a.m., Lord Strathcona. Cape Magdalen, 294—In, 9.30 a.m., Esperanza de Larrinaga, 3.50 a.m., Montreal. Fime Point, 325—In, 8.55 a.m., Morwenh, 10.15 a.m., Waccamaw. Cape Despair, 377—Clear, calm. P. Escuminac, 462—Cloudy, southwest. Money Point, 587—Clear, west. Cape Ray, 553—Clear, west. Flat Point, 575—Clear, west, In, 4.30 a.m., Newland and Beatrice, 5 a.m., C. E. Montgomery, Out, 5 a.m., Felix, 5 a.m., Serrana and Statia, 5 a.m., Agneria and Amskinnong, In, 5.30 p.m., yesterday, Caccoua and Louisburg, 10 a.m., Falk, Out, 5 p.m., Batican. P. Des Monts—Cloudy, east. Magdalen Islands—Cloudy, strong northwest. Fime Point—Clear, northwest. Cape Race, 82—Dense fog, heavy rain, Out, 9 a.m., Hesperian. Clark City—Saronic at wharf. Halifax—Arrived in 1.30 p.m., yesterday, Fize, 2.30 p.m., Campbell, Pictou—Arrived in 9 a.m., yesterday, Competitor, 4 p.m., Kanawha. Quebec to Montreal. Longue Pointe, 5—Clear, west. Vercheres, 15—Clear, west, Out, 9.55 a.m., Hudson Bay Lighter No. 2, 10 a.m., Hudson Bay Lighter No. 1, Sorel, 38—Clear, northwest, In, 11.20 a.m., Englishman. Three Rivers, 71—Clear, northwest, In, 9.10 a.m., Carleton, 9.40 a.m., Nicholas. Batiscan, 88—Clear, northwest. St. Jean, 94—Clear, west. Grand-Deux-Isles, 100—Clear, west, Out, 11.35 a.m., Tunisian. Portneuf, 108—Clear, west, Out, 9.10 a.m., Stikeland, 12.05 p.m., Tunisian, 9 p.m., Sorel. St. Nicholas, 127—Clear, west, In, 11.05 a.m., Duart, Left, out, 9.15 a.m., Tadoussac. West of Montreal. Lachine, 8—Clear, west, Eastward, 11.30 a.m., Norhilda.

MANCHESTER LINE. S. S. Manchester steamer from Montreal arrived at Manchester, Eng., on July 19, 3 a.m. S. S. Manchester Miller sailed from Manchester for Montreal on July 18th, 10 a.m.

CANADA STEAMSHIP LINES, LIMITED. LOCATION OF STEAMERS AT 6 p.m. July 20th, 1914. Canadian—Up Port Colborne, 4 a.m., 19th. Hamilton—Down Port Huron midnight last night. Hamilton—Kingston drydock. Canadian—Due to leave Montreal to-night. F. A. Gordon—Down Port Huron midnight last night. Glenelagh—Port Arthur discharging. Dundas—Due up Kingston, 10 a.m., to-day. Dunelm—Port Arthur discharging. Strathcona—Hamilton loading. Donnacona—Up Kingston 2 p.m., to-day. Doric—Windsor, loading. C. A. Jacques—Montreal discharging. Midland Queen—Up Port Colborne, 11 a.m., to-day. Sarnia—Soo discharging. A. E. Ames—Montreal discharging. H. M. Pellatt—Montreal discharging. J. H. Plummer—Montreal discharging. Rosedale—Up Kingston, 2 a.m., to-day. Neepawa—Up Kingston noon to-day. Wahconah—Down Port Colborne, 5 a.m., to-day. Hicksville—Up Port Colborne, 8.30 a.m., to-day. Beaver-ton—Up Kingston—midnight last night. Tagona—Port Arthur unloading. Sales of fertilizer have made a gratifying gain for the year, the increase being in the neighborhood of 13 per cent. An estimate of 8 per cent. for the stock is probably a fairly conservative one, and some who have been intimate with the company's affairs predict the best showing for the common with the single exception of 1910 when the balance reached almost 10% per cent.

WILL CONSTRUCT BRIDGE. Memphis, Tenn., July 21.—Mobile and Ohio Railroad will construct a \$5,000,000 bridge across the Ohio river at Cairo, Illinois.

DECREASE IN SHIPBUILDING. During the fiscal year ended June 30, 1914, there were built in the United States and officially numbered, 1291 vessels, of 311,678 gross tons. For the same period of 1913, there were 1643 vessels of 382,304 gross tons built in this country.

WHITE STAR-DOMINION LINE. Englishman passed Quebec 1.40 a.m. due here 3.30 p.m. Minnehaha, due to dock 3.30 p.m. July 20th, Finland this camp, Alaska.

PORT OF MONTREAL. Arrivals. Saturday, Dominion Line, from Glasgow, passenger and general cargo. Arrived 9 a.m. July 21st, Robert Reford Co. agents. Corsican, Allan Line, from Glasgow, passenger and general cargo. Arrived, p.m. July 20th, Allan Line agents. Departures. Tunisian, Allan Line, Liverpool, passenger and general cargo. Sailed 3 a.m. July 21st, Allan Line agents. Huronia, Dominion Line, Liverpool, general cargo. Sailed 4 a.m. July 21st, Robert Reford Co. agents. Hudson's Bay Lighters, No. 1 and 2, from Toronto to Hudson's Bay passed out this morning.

VESSLS IN PORT. Corsican, Allan Line, Glasgow. To sail July 25th, Allan Line agents. Saturday, Dominion Line, Glasgow. To sail July 24th, Robert Reford Co. agents. Virginian, C.P.R., Liverpool. To sail July 25th, C.P.R. agents. Cairidon, Dominion Line, Liverpool. To sail July 26th, Robert Reford Co. agents. Teutonic, White Star-Dominion, Liverpool. To sail July 25th, James Thom, agent. Andania, Cunard, Southampton. To sail July 25th, Robert Reford Co. agents. Durango, Dominion Line, Hull. To sail July 18th, Furness, Withy Co. agents. Sarnia, Dominion Line, Liverpool. To sail July 25th, Furness, Withy Co. agents. Adventure, Revillon Freres, agents. Sarnia, Dominion Line, Liverpool. To sail July 25th, C.P.R., Antwerp. To sail July 25th, C.P.R., Steamship Line, agents. Savana, Barbadoes, with sugar, Royal Reford Co. agents. Yorkton, To load grain, T. R. McCarthy, agent. Huronia, Thomson Line. To load for Glasgow, sailing July 21st, R. Reford Co. agents. Knight of the Garter, Australian Packet, to sail July 20th, New Zealand Shipping Co. agents. Sarnia, Dominion Line, Liverpool. To sail July 20th, Elder, Dempster Co. agents.

VESSLS BOUND FOR MONTREAL. Keyser, London, England. Sailed, June 6. Cressington Court, Marseilles, June 14. Montezuma, London, June 25. Stanley Sabine, Texas, June 25. Posttown, Gibraltar, July 3. Hans B., Genoa, July 7. Falk, Demerara, July 8. Eimken, Rotterdam, July 8. Kufina, Southampton, July 8. CotsWold Range, Fowey, July 9. Manchester Corporation, Manchester, July 10. Seck, Havre, July 10. Gadsby, Glasgow, July 10. Nantowen, Venice, July 10. Caroline, Havre, July 11. Nova, Newcastle, July 11. Arosa, New York, July 11. Millipool, Porto Ferrajo, July 11. Statia, Demerara, July 12. Willehad, Rotterdam, July 13. Hall, Monte Video, July 13. Troutpool, Hook of Holland, July 14. Scawby, Cardiff, July 15. Tyrola, Antwerp, July 15. Royal George, Bristol, July 15. Lake Manitoba, Liverpool, July 15. Anglo-Brazilian, Newcastle, July 15. Penvenez, Southampton, July 16. Benguela, Tyne, July 16. Gloria de Larrinaga, Hull, July 16. York, July 16. Stanhope, Queenstown, July 16. Hendon Hall, Barry, July 16. Athena, Glasgow, July 17. Grampian, Glasgow, July 17. Sachen, Havre, July 17. Manchester, Miller, Manchester, July 17. Ribston, Ardrossan, July 17.

GERMANS OBJECT. (Special to Journal of Commerce.) Hamburg, July 21.—Annual report of the German Steamship Association extorts presentment at the Reichstag, legislative efforts to place German ships under discretionary authority, German being diplomatic pressure in report to order to construct such ships.

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Population of United States on July 1, 1914, was 109,021,992, according to government estimates, a gain of more than 7,000,000 since 1910 census. The product has to be shipped out in six months. If so shipped, it goes out on the balance of the through grain mill rate from the point of origin to the destination. The miller pays 100 pounds for terminal profits at milling points. Eastern millers were unable to prove satisfactorily to all concerned that their rate was the low import rate, as only by this method could they compete successfully with the mills that were situated near the grain producing areas. Thus, their supplies of raw product are not sufficient to permit them a profit.

Low Import Rate. From time to time, protests have been made against the low import rate which is levied on articles imported into Canada from abroad. Those Canadian industries however which make use of the raw product of the United States are obliged to quote specific low rates on their raw materials. It goes without saying that the protective tariff in Canada tends to increase the cost of production, and hence the price of the finished product. The railways are able to put up a pretence that they will permit them to compete successfully for a share of this traffic.

The most burning question in Canada to-day in the flour business is the alleged discrimination practiced by the shipping operations between export rates on wheat and flour. It must be confessed that this problem is a most difficult one to solve. The millers are able to keep down the price of flour to the consumer in Canada because of the large export business they do in wheat. It is a well-known fact that, as the export increases, the cost per unit decreases. Canadian millers assert that they are selling their flour in England at the present time, and their wheat is secured from the Canadian business alone. But the rates on flour have been steadily increasing while the cost of shipping wheat has remained practically unchanged. Now, when it is recalled that Canadian wheat is used largely by millers in England, it can readily be understood that if they can secure the raw product as cheap as Canadian millers, and pay a very low rate on wheat by way of transportation than Canadian millers do upon flour, a substantial advantage is given to the British miller. The differential between wheat and flour per 100 pounds has ranged in the last two years all the way from four to twelve cents. Canadian millers frankly admit that it costs more to handle flour than wheat, but they insist that the difference is not great as the exportation makes it appear. In view of the fact that Canadian millers have to pay more for their labor, more machinery, and more for jute for bags, it would seem only fair that the rate on flour and wheat should be adjusted so that flour at a higher charge as would make up for the difference between the cost of milling flour and wheat. Of course the greater the differential, the more the millers are inclined to carry wheat at times at such rates as yield them an exceedingly low return, as when they are used as ballast. If a fixed charge for carrying wheat could be maintained, some method of adjusting the rates on flour could probably be worked out.

NEW YORK, July 20.—Steamer charters are active in view of the transatlantic trades, particularly in grain carriers for August and later loading and a steady demand prevails for additional tonnage. In the West India, South America and long voyage trades, there is but a limited inquiry for boats for either early or forward delivery and but little is doing in chartering. Rates in all trades are firm, and the general tendency is upward, particularly for September and later loading. Tonnage offers moderately for all kinds of business. No charters of any kind were reported in the sail tonnage market, and only a very limited tonnage was encountered for "vessels." Rates are nominal and unchangeable, and ample tonnage offers for charter.

Grain.—British steamer Winton, 2,200 quarters, from New York, Philadelphia, or Baltimore to Nantes, 34, 10 days, 25 Sept. 31. Coal.—British steamer Whitgift, 2,842 tons, from Norfolk to the Mediterranean, p.t., August, Norwegian steamer, 1,453 tons, from Baltimore to Nipe Bay, p.t., prompt. Lumber.—British steamer Kassanga, 1,840 tons, from St. John, N.B., to Glasgow, 10 days, 24 Sept. 31. Miscellaneous.—British steamer Milwaukee, 4,784 tons, from the west coast of South America to the United States, August 25, British steamer Pithan, 2,176 tons, hence to Rotterdam with general cargo, p.t., early August; British steamer Granville, 3,164 tons, from the west coast of South America to the United States, August 25, British steamer Dunslaw, 2,600 tons, transatlantic trade, round trips on time charter, basis \$3 1/4, delivery 24 Sept. 31. Fruit.—British steamer Etna, 3,554 tons, from Havana, New York, Philadelphia or Baltimore with or, ss. 8d., August; British steamer, 1,825 tons, same, ss. 6d., July-August; British steamer, 2,772 tons, from Rotterdam, Charleston with kainit, ss. 3d., July.

MADE FAST TRIP. The operating department of the Erie is pointing with pride to the recent train record of a freight crew out of Cleveland. They left with a loaded train of 40 cars, weighing 3,822 tons. The time to Hubbard was 8 hours and 46 minutes. Retaining they picked up a train of 40 empties, and reached Cleveland at 8.10 p.m. The total time for the round trip of 151 miles was 14 hours and 55 minutes.

BUSINESS IMPROVING. Railway business is improving all over the country. Passenger returns show an increase. The tourist travel is in full swing. Suburban business makes greater demands than it did at a corresponding period last year. Freight business, but not with its old brilliancy. The C. P. Grand Trunk and Canadian Northern insist that passenger business is showing improvement over the systems. All our large centres show a revival of the American tourist. There are no great conventions, but the Grand Trunk and C. P. stations are filled most of the day with people coming to the city from many parts of the States to enjoy the fascinating study in the province of two great colonizing races, together with the antiquities they have to offer.

CUT RATES IN HALF. Freight rates have been cut in half by the Denver and Salt Lake Moffat road from Denver to its present terminal at Grand Junction, for the purpose of opening up and developing the "land empire," this being the only road crossing the Continental Divide. Here, in first class, rate has been \$1.70 and it is now \$1 on a long list of commodities.

CATTLEMAN BRING SUIT. Suit has been brought by the Cattle Raisers' Association of Texas against 10 delivering routes to recover claims aggregating \$147,311.35 for excessive freight charges. The action is based upon an order made some time ago by the Interstate Commerce Commission, which, it is alleged, ordered these claims paid. The shipments involved having been made from Texas to intermediate points. The case is one that has been pending since the petition for relief was filed until after the enactment of the Harbinger law, as the commission was proceeding without authority to prescribe rates. Then they were ordered to file which led to the present litigation being affirmed and made a subject of a specific order. This held that an advance in rates made in 1913 was unreasonable and they were ordered to be effective in November, 1905.

ALLAN LINE STEAMERS. Corsican from Glasgow, for Quebec and Montreal, arrived Quebec 2.00 a.m. July 20th, and is due Montreal 8 p.m. Hesperian, from Montreal and Quebec for Glasgow, will leave Cape Race, 12.40 p.m. July 20th. Calgarian, from Quebec for Liverpool, was reported 50 miles E. Cape Race, 3 p.m. July 20th. Scandinavia, from Montreal and Quebec, for Glasgow, arrived at Glasgow, 9 a.m. July 19th. Comerman, from Glasgow and Liverpool for St. John's, Nfld., Halifax, Philadelphia, was reported 305 miles east of St. John's Nfld., 11 p.m. July 19th. Scotlan, from London and Havre, for Quebec and Montreal, via Queenstown was reported 200 miles north of Cape Race, noon July 20th. Delayed by fog. Due Quebec p.m. July 22nd, and Montreal A.M. July 24th. Ionian, from Montreal and Quebec for Havre and London, was reported 130 miles west of Fastnet, 11 a.m. July 20th.

AMERICAN CHEMICAL. Sales of Fertilizer Have Made a Gratifying Gain for the Year, Increase Being Nearly 13 P. C. Boston, Mass., July 21.—A director of American Agricultural Chemical says: "Although inventory taking is not yet completed it looks very much as if the American Agricultural Chemical works show a very creditable gain in net earnings this year. The balance for 1913 was \$1,330,000. The common stock should run between 7 and 8 per cent. and 5 per cent. which compares with a trifling over 5 per cent. last year and 7 per cent. in 1912. Sales of fertilizer have made a gratifying gain for the year, the increase being in the neighborhood of 13 per cent. An estimate of 8 per cent. for the stock is probably a fairly conservative one, and some who have been intimate with the company's affairs predict the best showing for the common with the single exception of 1910 when the balance reached almost 10% per cent."

WILL CONSTRUCT BRIDGE. Memphis, Tenn., July 21.—Mobile and Ohio Railroad will construct a \$5,000,000 bridge across the Ohio river at Cairo, Illinois.

DECREASE IN SHIPBUILDING. During the fiscal year ended June 30, 1914, there were built in the United States and officially numbered, 1291 vessels, of 311,678 gross tons. For the same period of 1913, there were 1643 vessels of 382,304 gross tons built in this country.

WHITE STAR-DOMINION LINE. Englishman passed Quebec 1.40 a.m. due here 3.30