

Supply—Transport

paid in instalments at such times and in accordance with such method of allocation as may be determined by the Board of Transport Commissioners for Canada, as compensation to such companies—this is the point—for the maintenance of their rates on freight traffic at reduced levels as provided for in the said act, is the answer to my question that the full \$50 million goes, as determined by the board of transport commissioners, for the maintenance of the rates on freight traffic at reduced levels as provided for in the Freight Rates Reduction Act?

Mr. Balcer: As I said earlier, this is an interim payment. The members of the MacPherson commission have made a complete study of the whole railway situation in Canada. They were faced with the fact that the railways either had to increase their rates or maintain certain inequalities in the rate structure or abandon various services across Canada. In its report the MacPherson commission has set up a certain pattern by way of solution of the problems of the railways in Canada. As I have said earlier, it is only a first report. The second and third volumes are still to come, and so that the railways would not raise their rates all of a sudden and also to permit the railways to equalize the situation all across Canada the government has decided that it is fair to provide a subsidy of \$50 million.

Mr. Chevrier: Then, what the minister is saying is that it is for the reduction of freight rates, am I correct?

Mr. Balcer: Yes.

Mr. Chevrier: On June 8, 1961, Bill C-93 was assented to and this was an amendment to the Freight Rates Reduction Act which provided the sum of \$20 million. If I understand correctly, the government is going to give \$50 million additional to the railways, as determined by the board of transport commissioners, over and above the \$20 million that was provided by the Freight Rates Reduction Act. In other words, the \$20 million was not enough. The \$20 million reduced the rate from 17 per cent to 8 to 10 per cent and now this \$50 million is going as compensation to the said railway companies for the maintenance of their rates as set out in the last part of the vote, which rates are at a reduced level as provided in the Freight Rates Reduction Act, is that right?

Mr. Balcer: That is right.

Mr. Chevrier: What provision is there for doing this when parliament passed a statute which says the railways shall get \$20 million for the reduction of freight rates? Now, disregarding the statute, an item is put in

the estimates to pay \$50 million. Is it not a fact, Mr. Chairman, that that is not the purpose at all of the \$50 million? I hope the minister will tell us frankly what the purpose is. The purpose is simply to carry out the recommendations of the Milvain report, and nothing more.

Mr. Balcer: No, Mr. Chairman. First of all, the \$20 million in the Freight Rates Reduction Act was for the purposes set out in the act. The \$50 million, as I said earlier, was based on the MacPherson report, and the only way we could implement that report was by means of an item in the estimates. The wording of the item gives a general description of the purpose and the reason the government is paying this \$50 million to the railways.

The two railways faced great problems, and that was the reason the government instituted this royal commission. The commission was to investigate the problems of the railways in Canada and make a report. The commission has partly accomplished this purpose but so far only one part of the report is available. The report gives a good picture of the situation in which the railways find themselves and explains what should be done. Until the other two volumes of the report are available the government cannot make any final decisions, but decided the sum of \$50 million would be a proper amount to help the railways carry on until the other two volumes of the report are available.

Mr. Chevrier: The royal commission on transportation made no recommendations having to do with freight rates?

Mr. Balcer: Yes.

Mr. Chevrier: No, they did not. I have just put on *Hansard* the four categories of recommendations which they made. None of them had to do with freight rates. All I am saying to the minister is that the only conclusion to which I can come with reference to this vote is that it is either to pay for the recommendations of the royal commission, and the minister said no to that, or it is to pay for a reduction in freight rates, to which the minister has said yes.

Mr. Balcer: I did not say no, I said the payment is based partly on the MacPherson commission recommendations that the railways should receive subsidies, that the railways should be allowed to abandon certain lines, and so on. There were all kinds of recommendations. The government could not implement these recommendations until the other part of the report is available. The