Toronto and points west than it is between St. John and Montreal. Usually rates relate to traffic, to its volume, and to its earnings. To carry out Mr. O'Grady's suggestion would be to do violence to all cardinal principles. Further, if a proportionate rate basis was put in on any such theory, the Dominion Sugar Refineries, situate at Wallaceburg, Chatham and Kitchener, with far shorter hauls to Toronto, would naturally demand similar treatment to that which St. John would receive. The Montreal refiners, as well as the Dominion Sugar Co., do not object to the advance in rates, but they are insistent that if concessions are given to one refiner they should be given to all, and that the inequalities of the past cease. Mr. Hauson, who appeared for the Dominion Sugar Co., is reported as follows:

"Our raw sugar rate from New York to Wallaceburg or Chatham is 27c, which I believe is as high or higher than the rate paid by any of the other Canadian refiners. I wish to endorse the statements made by Mr. Tilston. Our company is fully in accord with those sentiments. We consider that it would be a mistake to re-open the order of July 27. I would like further to add that should the Atlantic seaboard refineries be given any consideration by the board, we would respectfully request the board to give us similar consideration from Wallaceburg and Chatham to Montreal and points east."

The statements made by the Montreal refiners are to the effect that the order for the first time gives them fair rates, having regard to hauls from other refineries. and that for the first time they properly enjoy their geographical and commercial position, not only as against Atlantic refineries, but also as against Western refiners. The claim is, however, advanced that because investments were made in refineries in Halifax and St. John, when a certain scale of freight rates were in force, the freight rate situation cannot be disturbed; that the relationship of rates, not in percentages, but as to the actual spread, must remain constant. This argument cannot be regarded as sound, either under the provisions of the Railway Act or from any accepted economic commercial standpoint. There is only one thing certain about freight rates and that is, that the carrier, under the act, will not be permitted to make an undue profit. Just as soon as rates are unreasonably high they must be reduced, and, conversely, just as soon as rates are unreasonably low, they ought to be raised to a fair, equitable, and just basis, without regard to one section of the country or the other, but having regard to the inhibitions of the Railway Act, which prohibit one locality being discriminated against in ease of another. To accept the proposition, as a logical result, the principle would not only apply to railways, but would also mean that the industry's tax rate could not be increased and its cost of doing business locally ought not to be advanced. As a further corollary, any protective customs tariff in force when the investment was made must always be regarded as fixed, unless changed in the interests of the industry as against its foreign rival.

Mr. Chrysler argues that the Intercolonial is removed from the inhibitions of the Railway Act. In this he is absolutely right. The effect of the argument is that any illegal and improper preference under the Railway Act may safely be practised by the Intercolonial. The position used to be just the same, as far as private railway companies were concerned, before the act was passed. Discriminations and preferences could be and were from time to time practised. I do not for one moment, however, suppose, that as Parliament by the Railway Act has adopted the principles of equality in railway rates not only as between shippers, but as between localities, that these principles ought not to be considered because the Intercolonial, as well as a private corporation, is involved. Dealing with the matter entirely as a railway question, there is no just ground from which the Halifax and St. John refineries can escape paying the appropriate 5th class rates and contributing, in equal proportions with the other refineries, to the cost of the services which they enjoy, differing as that cost must differ, having regard to the length of the haul. If there should be a different rate system adopted in the different localities for the transportation of sugar, from a railway standpoint the lower rate basis would have to be given to those territories in which traffic and railway profits are the greater. Railway earnings are much larger in the prairie provinces and in Ontario than they are in New Brunswick and Nova Scotia, but in my view there is no question that a common basis should apply in the territories in question. I have so far dealt with the matter on a railway basis pure and simple. As I see it, this basis is not the only basis which of necessity should control the situation. The order in council is the result of war troubles and war expenditures. Both the St. John and the Halifax refineries have had an unduly large share of the war burden thrown upon them. Halifax and St. John have, geographically, under ordinary business conditions, certain advantages which Montreal has not. On the other hand, Montreal has advantages which they have not. St. John, for example, is still getting a packet service for 25% of its raw sugar without any additional charge over and above the 50c New York ocean rate from the West Indies. In normal times its rate on the balance of its raw material is 6c over New York, with the result that in so far as 25% of its sugar is concerned, it is on the New York basis, and as to 75% of it, 6c over. In so far as its whole supply is concerned, it would, therefore, average 4½c over New York. As a general thing, Montreal buys its raw sugars in the New York market, although in the past it has got sow raw sugar direct. The present New York rail rate to Montreal is 21½c, but the extra 6c rate which is charged on the vessels from New York to St. John, as the result of the war and vessel shortage, has been increased to 20c; so that as a consequence, at St. John today, instead of paying an average of 4½c over New York, it pays 15c, a difference of 11½c a hundred.

While no sugar now moves from St. John to Montreal, under the policy enforced as a result of which St. John gets the benefit of as low an import rate as the lowest port in U.S. territory, and thus obtains just as much traffic as is possible to secure for it, the St. John-Montreal rate on raw sugar is but 19c. It may be noted that there is a shrinkage from 106 lb. to 100 lb. in refining the sugar. I at one time thought that the rates on refined sugar might be graded in relation to the raw sugar, properly weighing the increased value of the commodity and the shrinkage in the material. I find, however, that the prices vary so much from time to time that it would be impracticable to so base the rate. The present price of raw sugar in Montreal may be taken at 5c, while the refined sugar may be taken as 9c, although the average is somewhat higher. It should further be borne in mind that on no other commodities are rates so graded. With St. John obtaining its raw sugar on a much lower basis than Montreal and enjoying the benefits of the export business, these advantages may well offset, and probably do offset, the fact that Montreal is much nearer the larger consuming centres of the country. The movement to the large consuming western territory can best be illustrated by the rates to Winnipeg, effective under the order in council. The rate, Montreal to Winnipeg, is 87c, and from St. John to Winnipeg is $1.03½. Under normal conditions, transportation costs over New York work out, as between the rival refineries, as follows:

| | St. John refinery. | Montreal via St. John. |
|---|---|---|
| Freight on raw........ | 4.50 | 23.50 |
| Freight, refined ...... | 103.50 | 87.00 |
| Total ............. | $1.0800 | $1.1050 |

For the Toronto market the position is:

| | St. John refinery. | Montreal |
|---|---|---|
| Freight, raw ......... | 4.50 | 23.50 |
| Freight, refined ....... | 50.50 | 33.00 |
| Total ............. | .5500 | .5650 |

The Montreal cost on the raw material over New York is made up of the 4.50c St. John over New York, plus the St. John import rate of 19c. As Montreal, as a matter of fact, buys its raw sugar in the New York market and the rail rate to Montreal is 21½c, the real relative position in these two large typical consuming centres is as follows at Winnipeg: St. John freight, $1.08; Montreal freight, $1.08.50; at Toronto, St. John freight 55c, and Montreal freight 54c. These results could not have been made fairer if the order in council had been considered from the refiners' standpoint, apart from all question of railway necessity. The position today, therefore, is that while the new rate preserves to Montreal its natural geographical advantage on the manufactured article to which it is entitled, the natural geographical advantage on the raw material which Halifax and St. John normally enjoy is taken away from them as a result of war conditions. It is quite true that the rates on raw sugar have gone up at the other refineries, but on the other hand the Dominion Sugar Refinery uses beet root in a large proportion. This proportion varies, but I am fairly safe in saying that at present a fair ratio would range from at least 33 to 40%.

As the order in council is the result not only of a pressing railway condition, but also has to do with war conditions, and as these war conditions work peculiar hardship as against the Atlantic refineries and not to anything like the same degree as against the Dominion and the Montreal refineries, I would recommend that, as a temporary measure of fairness, while traffic conditions remain as they are, the St. John-Montreal rate be reduced 10c, making that rate 32c, and the Halifax rate be reduced 11c, making that rate 33c; and that for all points west through rates from St. John and Halifax for the time being move on the arbitraries suggested by Mr. Silver of the Acadia Sugar Refinery, over the Montreal rate, and arrived at by increasing the old Halifax arbitrary of 12.50c and St. John of 11.50c, by 25%. In making these recommendations, I have carefully considered the claims of the Dominion and Montreal refineries that any exceptional treatment extended to the more eastern refineries should also apply to them. There is no question of the importance of the beet root industry, both from the standpoint of the Ontario farmer and the fact that the more raw material produced in the country the less will be imported, to the financial gain of the country as a whole. Ordinarily, I am free to admit that any reduction in a fair tariff, free from discrimination, accorded to St. John and Halifax, ought, and indeed under the Rail-