

Canadian Railway and Marine World

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Railway Rates for Carriage of Mails Recommended to be Largely Increased.

The Dominion Government, on Mar. 7, 1917, passed the following order in council:—The committee of the Privy Council have had before them a report, dated Feb. 15, 1917, from the Postmaster General, submitting that the different railway companies of Canada have carried the mails since Feb. 1, 1913, at the following rates:

For full postal car	16c a mile
For half postal car	9c a mile
For baggage car service over 30 ft. space	16c a mile
For baggage car service, 15 to 30 ft. space	9c a mile
For baggage car service less than 15 ft. space	4c a mile
Special mail train ordered by Post Office Department	\$1.25 a mile
Special mail train when other cars are attached by the railway company	\$1.00 a mile

It is claimed by the Canadian Pacific and Grand Trunk Railways that these rates are inadequate, and the Minister therefore recommends that the question of remuneration to be paid the railway companies be referred to the Board of Railway Commissioners to determine as to the accuracy or inaccuracy of the claims made by the railway companies, and, if it is found that the present rates are inadequate, to determine, as the result of evidence to be submitted by both parties, that is the Post Office Department and the different railway companies interested, what would be a fair rate of payment for the service. The committee concur in the foregoing recommendation and submit the same for approval.

The hearing of the case by the Board of Railway Commissioners was postponed from time to time, at the Post Office Department's request, and it was not until Mar. 18, 1919, that it was heard at Ottawa, the P. O. Department's counsel having submitted previously that no conditions had arisen which would warrant any increased payments to the railways. Commissioner S. J. McLean made a report, under the reference, on July 5, 1919, but the Post Office Department declined to make it public, on the ground that it was before the government for consideration. However, at the Dominion Parliament's recent session, Jacques Bureau, M.P. for Three Rivers, Que., moved that the report be submitted to the House of Commons and it was brought down accordingly. Commissioner McLean's report, referred to above, is as follows:—

The rates referred to in the reference by the Privy Council were put into force for one year and have been continued from year to year. The railways contend that they in no sense agreed to these rates, but that they had made protests from time to time. There is some uncertainty as to how the basis for full cars was arrived at in the first instance. It was stated that information had been obtained from F. P. Gutelius as to operating costs on the Intercolonial Ry., and that the rates had been built up, allowing an operating ratio of approximately 60%. It was stated, however, by the P. O. department's counsel that the estimate of basic cost per mail car mile, submitted by Mr. Gutelius, had been withdrawn by him subsequently. It was

recognized at the hearing that costs had increased and the submission of the department was, in substance, that it was justifiable to consider this increase of cost, and to add thereto such additional amount, by way of operating ratio, as would give a reasonable profit on cost. There is no difference between the parties as to the car mile being the proper unit of charge.

Statistical material bearing on the apportionment of costs was submitted at the hearing by the Canadian Pacific, Grand Trunk, and the Toronto, Hamilton & Buffalo Railways. W. J. Moule, Assistant Comptroller, Canadian Pacific Ry., made an apportionment of cost, involving in the first instance the separation of freight and passenger costs, and allowing thereafter for certain items of expense which he considered did not enter into the mail service in the same ratio as they did into the passenger service, and the allocation of cost on the basis of passenger train mileage. About 50% of the cost so computed was stated to be on the basis of items which could be directly allocated; the remainder was on a basis admittedly more or less arbitrary. Reference was made by Mr. Moule to the question of mail pay which is being brought before the Interstate Commerce Commission by the United States Post Office Department. That department has prepared a form of subdivisions of costs, and it was stated by Mr. Moule that his methods did not make more than a fraction of 1% of difference on the total as compared with the method prepared by the U.S. Post Office Department. The method of subdivisions, as made use of by Mr. Moule, is in summary form as follows:

Actual cost:—Train locomotive men, fuel for train locomotives, trainman's wages, and great bulk of train supplies and wages.

Yard expenses:—Statements from heads of different divisions as to the different proportions.

Maintenance of way and structures, divided on basis of expenses.

Locomotive repairs and renewals:—Divided on straight locomotive basis (this is in accordance with general practice; also made study of typical passenger and freight locomotives, and found locomotive cost per mile practically identical).

Maintenance of equipment:—(This is a general heading). Under this heading there are here concerned items of superintendence, shop, machinery, and other items under that heading. Apportioned on the basis that the previously divided expenses under maintenance bore to the total, what is commonly known as overhead basis.

Traffic expenses, worked out on a test for one month by him, giving 57.77% passenger.

Dispatching trains, divided on a train mile basis.

Items under Transportation:—Superintendence and station employes, station supplies and expenses, miscellaneous accounts, e.g., drawbridge operation, telegraph and telephone operation, operat-

ing floating equipment, other expenses, operating joint tracks and facilities, damage to property, damage to live stock on right of way, injuries to persons. Above apportioned on the basis which the previously divided expenses for passenger bore to the total expenses of those accounts. This is the I.C.C. basis.

General expenses, apportioned on the basis of how the other accounts were divided between passenger and freight as an overhead or supervisory expense under all previous items.

In addition to asking for increases in mail car rates, there are the following items:—terminal charges, switching, cleaning, repairs, for full mail storage cars \$4 a round trip; for apartment cars, 30 ft., \$2 a round trip; for baggage cars, 15 ft., \$1 a round trip. In the proposition made by the railways, it is provided that if the railways make use of the returning (empty) storage or baggage car space, credit is to be allowed the P. O. Department for the return mileage, and terminal charge; that is, the payment is to be for the loaded trip only. The evidence as developed was not sufficiently detailed to show that there were services commensurate with these costs, or to warrant the conclusion that additional terminal charges as asked for were justified.

The method used by the Canadian Pacific in its analysis of costs was followed by the Grand Trunk and may, therefore, be set out in summary form as typical. In the first instance, the Canadian Pacific submitted figures dealing with apportionment of cost for the year ended June 30, 1918. At the hearing, additional figures were submitted for the period from Aug. 1, 1918, to Feb. 1, 1919. In support of these figures being taken as affording a more exact measure of existing conditions, it was pointed out that the wage increases under the McAdoo award had become effective from Aug. 1, 1918, and added greatly to operating costs. On the basis of apportionment made by Mr. Moule, passenger car mile cost for the period Aug. 1, 1918, to Feb. 1, 1919, was 33.10c. From this he made certain deductions. In the case of baggage and express cars, it was found that the cost for maintenance was one-third less than for passenger cars. In the case of train supplies and expenses an arbitrary deduction of one half was made. These deductions amount to 2.52c a car mile, giving a computation of 30.58c a mail-car mile. To this figure was added a ratio for taxes, fixed charges and dividends, and a margin of 2% on the common stock. These items amount to 8.93c, which would give a total of 39.51c. If the 2% allowance above referred to is left out, it would give a figure of 38.25c. The general contention of Mr. Moule, the C.P.R. statistical expert, was that all the services in connection with passenger business should be so considered as in effect, since advantage was being taken of the whole passenger service and organization, by the mail service. It was contended for the P. O. Department that there were various items not properly allocatable to the mail service and