

6. In 1951 when the "national freight rates policy" of Canada was declared by amendment to the Railway Act (Section 336), the Government of Canada once again provided an exception to such national transportation policy insofar as the Atlantic Provinces were concerned and the four Provinces were exempted from the so-called "equalized" scale of freight rates.

*Objective of National Policy—Atlantic Provinces*

7. It is submitted that the objective of national policy of the Government of Canada pertaining to transportation in the Atlantic Provinces, as expressed over the years has been two-fold, namely, (1) to provide the Atlantic Provinces an opportunity to participate in the economic growth of Canada unhampered by transportation costs because of its scattered population and its geographic position located long distances from the major markets and production centers of Canada; and (2) to fulfill undertakings given at Confederation of uniting the various provinces into one nation.

8. The reasons for this objective are as valid in today's circumstances as they were almost a century ago. Regretfully this objective is not now being met.

*Transportation Developments and The Maritime Freight Rates Act*

9. The Maritime Provinces believed that with the passage of the Maritime Freight Rates Act in 1927 their transportation interests would be adequately safeguarded. Their expectations were short lived. With the rise of truck competition in Central Canada and post-war spiralling railway costs, the Maritime Freight Rates Act—while still providing reductions in rail rates by virtue of Government subsidies—has become less and less able to meet its objective. The relationship between the transportation costs of shippers in Central Canada and shippers in the Atlantic Provinces has drastically altered in favour of the former to the detriment of the latter.

10. Appendices 2 to 7 to this submission illustrate graphically the effects that the intense growth of truck competition in Ontario and Quebec and the post-war general rate increases have had on the competitive position of Atlantic industry in major markets. These Appendices show conclusively that despite an increase in the amount of subsidy paid under the Maritime Freight Rates Act in 1957, the Act in its present form in this competitive transportation era has been ineffective in maintaining the relationship of Atlantic Provinces rates with rates outside the region. This is not to say that the Act is of no value, for without it the Atlantic region's position would have been that much worse. But it is to say that the development of competition in other parts of Canada and the present freedom of the railways to make rate adjustments to meet such competition without corresponding adjustments in Maritime rates has been a major factor contributing to the worsening position of the Atlantic Provinces in relation to the rest of Canada.

11. It is realized that the Maritime Freight Rates Act is not to be repealed in whole or in part at this time. It is pointed out, however, that the worsening position of the Atlantic Provinces in relation to the rest of Canada illustrated by Appendices 2 to 7 has taken place despite the fact that no part of the Act has been repealed; and despite the increased subsidy given under the Act in 1957.

12. While it is true that the Maritime Freight Rates Act will continue to provide the percentage reductions in freight rates required by the Act, the relationship of Atlantic Provinces rates to the rates of competing shippers outside the region can be—and, indeed, is expected to be—further distorted by the implementation of Bill C-120.

13. This is so principally because the pervasiveness of truck competition is not as strong in the Atlantic Provinces as elsewhere. Competition cannot