*Transportation Policies*

The transportation policies of the government are an important cause of regional disparity. I want to spend my time today supporting the concept of the so-called Crow rate and the concept of the "at and east" rates, and advocating an expansion of this concept to other areas.

In Western Canada, Mr. Justice Hall has just reported on a rail system which is at the very heart of prairie development. I realize it is difficult to take one mode of transport and say it constitutes the real problem with which an area is faced. So let us consider the question of user-pay as it applies to different modes.

In the area of civil aviation, infrastructure costs and their proportionate revenues as a return amount to something like 31 per cent over a 15-year period; these have risen by about 15 per cent to a point at which the user is now paying 31 per cent of aviation infrastructure costs. The cost picture as it applies to roads has remained relatively constant. Some 65 per cent of costs are paid in the form of various taxes imposed on users, taxes which are well known. We do not hear much about marine transportation, but in this sector users are paying approximately 20 per cent of costs. Users of railways, if we take capital and operating costs together, pay some 72 per cent. I hope this shows we should not isolate any particular mode when considering the user-pay proposition and that, as to railroads, we really have not been doing too badly, comparatively.

There is one vital part of railway grain operations which has not often been mentioned, that is, the turn-around time taken by grain cars. Normally the grain cars generate one way freight traffic every three weeks or so, sometimes once every month in winter. If we take a freight rate of 13 cents a bushel, a 2,000-bushel car would generate about $260 every trip. A 3,000-bushel car would generate approximately $400 per trip. If some way could be devised to shorten the turn-around time, if it could be reduced by half, the revenue earned by each of the grain cars would be doubled. This is an area in which much improvement could be made by the better utilization of our grain car fleet.

As I said, I should like to support the concept of the Crow rates and the "at and east" rates and ask for its extension. I should like to do this by, first of all, looking back on Canada's transportation history, and the reasoning behind it, in the hope that the minister will change his attitude.

If we look back, we find that the railways have been used as an instrument of national policy in the development of the wealth of this country, and that they have not been treated as economic entities on the basis of the user-pay concept. We can go right back to the very beginnings of our country when Upper and Lower Canada were divided by cultural and sectional differences. They had never been intended by nature to form separate economic systems because the St. Lawrence River was bound to unify the drainage basin economically.

There are, therefore, better reasons than the political union of 1841 for discussing the pre-confederation Canada as an economic entity. New York had challenged the St. Lawrence trade route, first by the Erie Canal and then by the railways. Canada had countered, first by the canal system of the St. Lawrence built as a government project and, second, by the Grand Trunk Railway, relying heavily on government loans. Both these Canadian ventures failed to attract the trade of the American middle west, and ended in financial trouble.



To give some indication of the importance placed on transportation in the early days, I might remind the House that by 1866, if canals are included, government investments in transportation amounted to almost 60 per cent of the provincial and municipal debt.

The maritimes were stirred to link themselves to the continent behind them and their governments undertook ambitious railway programs as public works. By the eve of Confederation, transportation had overshadowed everything else in the budgets of the colonies and had seriously strained the public finance systems of Canada, New Brunswick and Nova Scotia.

After Confederation the prime policy was to provide east-west channels of trade, independent of the United States, by building a transcontinental railway wholly over Canadian territory. Such a railway would open the undeveloped lands of the west for settlement and fix the political and economic destiny of the area.

The public lands of the northwest were to be used by the Dominion to promote railway expansion and rapid settlement. Land grants would provide the greater part of the public assistance required by the railways. The railways, in turn, would make the lands valuable and a free homestead system would attract a rush of settlers.

The decisions to build an all-Canadian railway and to establish a vigorous Dominion land policy were basic national decisions which, together with the adoption of the protective tariff, which was soon to follow, fixed the pattern of subsequent economic development in the Dominion of Canada. The main features were railway land grants and the free homestead system. The half-hearted policy of building a national railway piecemeal as a public work was discarded, and in 1880 a group of capitalists agreed to undertake an all-Canadian railway to the Pacific as a private enterprise. The Canadian Pacific Railway Company was promised substantial cash subsidies and grants of western lands.

Surmounting great difficulties, the railway to the Pacific was completed in 1885. Land grants and cash subsidies stimulated great railway mileage and by 1896 there were over 16,000 miles of line—one mile for every 312 persons in the country.

Between 1896 and the start of World War I, the average of the prices of all Canadian exports increased 32 per cent. That of grains and flour increased 62 per cent, and the price of wheat at Liverpool increased 33 per cent. On the other hand, the average of the prices of Canadian imports rose only 24 per cent, and of manufactured goods 20 per cent in the same period. A development of probably more far-reaching significance was the phenomenal decline in ocean freight rates. In 1896 ocean rates were only about one half of what they had been during the 1870's.