

Mr. BELL: The insurance is written down to a nominal value to-day, and you pay no interest to the government, so that those charges do not enter into the freight rates.

Mr. POWER: If you do not take that into consideration, what do you consider, if it is not the prices charged by other lines? That is about what your statement amounts to, is it not?

Sir HENRY THORNTON: Perhaps I answered your question a little hastily because I did not quite fully understand it. Our freight rates are ocean freight rates and are determined by the general conditions of the shipping trade. We naturally try to get as good a rate as we can within reason.

Mr. POWER: They are determined by the rates charged by competing lines?

Sir HENRY THORNTON: They must necessarily be and that is true everywhere.

Mr. POWER: They are not determined by the actual cost to you of carrying that particular line of goods.

Sir HENRY THORNTON: If we took into consideration our total costs of service and also, as we probably should, our annual interest charges, our freight rates would be very much higher.

Mr. POWER: Leaving aside the annual interest charges, why should you charge higher rates on one particular commodity and lower rates on another, if not because it happens to have been the custom of the trade for many years and other boats do it? You do not take into consideration just what it costs you to carry those goods.

Sir HENRY THORNTON: In some particular shipments, or some forms of traffic, you may have to, for business or economic or other reasons, fix a low rate because the traffic will not stand any more than that, and it is not fair that the traffic should be expected to stand any more. On the other hand when you find a traffic which is profitable to the shipper, that he is making money out of it, we get as good a rate as we can from him, and at the end of the year there is an average. We cannot revise downwards always.

The CHAIRMAN: Is it not true that in the matter of fixing rates on railways and on ships, the cost of the service is the basis of the rate.

Sir HENRY THORNTON: Notwithstanding all that may be said there is no rhyme, reason, or formula for the determining of any kind of a transportation rate.

Mr. POWER: You charge all the traffic will bear.

Sir HENRY THORNTON: No, not in all circumstances. All water and land transportation goes on the best rate that they have, having regard to the character of the traffic and economic conditions. For instance, it might be a very good business move for a railway company to haul some particular traffic at cost or less than cost to encourage an infant industry, or because there was an empty car movement in that direction. There are hundreds of different things that enter into the fixing of freight rates, both on land and water, and there is no general formula which fixes them.

The CHAIRMAN: I suppose the Railway Commission could be questioned as to how rates are fixed on the railways, and I think I remember a former chairman saying the rates were not based on costs at all.

Mr. POWER: I would like to get down to a particular case. I am told—I may be wrong—that vessels carrying freight from the Old Country, we will say to Quebec, charge the same price to Quebec as they do to Montreal, which is 200 miles farther on and takes a day more. Is that the fact?

Mr. TEAKLE: It is a fact, as you will remember if you go back in your mind, that we were to get two and six to five shillings over the Montreal rate, and I think Mr. Power understood that situation too, because it is much cheaper to move your traffic at your terminal ports than to go into the intermediate