value of a ton of sugar can conservatively be placed at $180. Coal rates do not stand by themselves. The price of lumber per ton is also very much less than sugar; on the movement from Elmsdale to Montreal, lumber has a commodity rate of 18c, the mileage 801, and the resultant rate per ton per mile 0.449c. To get nearer to the St. John movement, the lumber rate from St. John to Montreal is 16c, the actual mileage 731, and the resultant rate per ton per mile 0.437c. Iron and steel constitute a very important movement and a great industry of the Maritime Provinces. The general iron and steel rate from New Glasgow to Montreal was 43½c per hundred, a rate more than double the sugar rate, and yielding, on the mileage involved of some 804 miles, 1.08c a ton per mile. These illustrations are not given for the purpose of attacking either the coal, lumber, or iron and steel rates as abnormally high. As a matter of fact, they are not. The illustrations merely emphasize the fact that there was no justification for the low sugar commodity rate that could be made from any legitimate railway standpoint. I need only point out that with practically the same rate on sugar and coal, while the sugar takes generally a 5th class rating, coal belongs to the lowest classification of all, namely, 10th.

In view of the suggestion that notwithstanding the abnormal railway costs of today, that the Intercolonial should put in a particularly low rate, I now coinsider the question as to whether the Intercolonial can afford to make sacrifices in its revenue or not. Comparisons based upon different rates per ton per mile are merely illustrative; they are not absolute. A company whose business consists of an abnormally large proportion of carload movement, as against a company the majority of whose business consists in l.c.l. movement, can carry on business successfully at a very much lower rate per ton per mile. Again, a much higher per ton per mile return must be earned on a system whose average haul is short, than need be earned by a company whose haul is long. For example, the C.P.R.'s operations are much more profitable than the Grand Trunk's, yet the C.P.R. rate per ton per mile, as given in the railway statistics, is 0.676, while the G.T.R.'s is 0.738. The C.P.R., however, enjoys an average haul of 477 miles, while the G.T.R.'s is but 195 miles. Subject to these qualifications, and applying the rate as given, I find from the railway statistics of 1917, that the ton miles on the Intercolonial amount to 1,900,097,294. The rate per ton mile of the Intercolonial is shown as 0.576, with a resultant total earning of $10,946.071. The following table applies to the Intercolonial's total of ton miles and the ton mile earnings not only of the Intercolonial, but of the different systems:

	Rate.	Results.
Intercolonial		$10,946,071
Intercolonial freight carried at C.N.R. rate of	0.688	13,072,669
At C.P.R. rate	0.676	12,844,657
At G.T.R. rate	0.738	14,022,718
At average Canadian rate	0.690	13,110,671

It is perfectly apparent that the Intercolonial returns are abnormally low. The increases which the adoption of the other rates per ton per mile would yield are as follows:

Per ton per mile basis.	Increased revenue	Increase in per cent.
Canadian Northern	$2,126,598	19
Canadian Pacific	1,898,586	17
Grand Trunk	3,076,647	28
Average	2,164,600	19

The average haul on the different systems, as shown by the statistics, work out as nearly as may be as follows:

Intercolonial	266 miles
Canadian Northern	319 miles
Canadian Pacific	477 miles
Grand Trunk	195 miles
Average, all lines	255 miles

As a ton mile rate must increase with a decreasing mileage, it would not be at any rate unreasonable to compare the Intercolonial ton mile rate with the average rate in Canada, the average haul in Canada being 255 miles, against 266 miles on the Intercolonial, and on this basis the earnings of the Intercolonial are entirely too low. The status of the Intercolonial can also be approached from the basis of its operating ratios in comparison with those of other lines. I again use the statistics of 1917. The ratios are as follows:

Intercolonial	90.9
Canadian Northern	71.7
Canadian Pacific	65.7
Grand Trunk	71.9
Average, all lines	71.7

These operating ratios are capable of an exact definition when the system's whole business is considered. In the absence of a system of accounting which distinguishes freight costs from passenger costs, in the same way that passenger earnings are distinguished from freight earnings, the ratios can be applied only illustratively to either movement. Taking, however, the different ratios and applying them to the Intercolonial line freight movement, the net freight operating revenue would vary as follows:

At ratio of	Revenue.
Intercolonial	$ 996,092
Canadian Northern	3,207,198
Canadian Pacific	3,754,502
Grand Trunk	3,185,306
Average, all lines	3,207,198

These seems to be some issue as to what the exact Intercolonial operating mileage is. It is given in one figure in the statistics and in another figure in the Railways Department report. For the purposes of the following table, I have taken the mileage operated as 1563, and the results of earnings per mile of line as applied to the Intercolonial and based on the foregoing table, are as follows, viz., net freight operating receipts per mile of line:

On Intercolonial ratio	$ 637
On Canadian Northern ratio	2,051
On Canadian Pacific ratio	2,402
On Grand Trunk ratio	2,037
Average all lines	2,051

I do not consider at all the question as to whether the Canadian taxpayer is or is not entitled to any return from his investment in the Intercolonial, but unless that investment must constantly grow, without at the same time a proportionate increase in value, substantial surpluses have each year to be earned, reserves must be set aside, or else the capital account must constantly be unduly inflated. Railways from time to time must be practically renewed, in order to keep the systems on a proper basis. I think it is practically conceded that with interest on only a 4% basis, 2% on the actual investment ought to be yearly set aside. Eliminating all question of interest charges and payments of past deficits, the necessity of such a reserve is easily shown by taking the cost per mile of the Intercolonial to the country. In 1899 it was $37,957, in 1911 it was $57,419, and the cost per mile today on the mileage actually owned is over $79,000; the cost of the road to Mar. 31, 1917, being returned as $120,275,032. A percentage of this increase can undoubtedly be justified, but it is equally certain that a very large percentage of it cannot be justified on any basis of normal values and business accounting. Under the circumstances there is no question that any rate reductions on the Intercolonial are really not made at the expense of that system, but at the expense of Canadian taxpayers generally.

Mr. Chrysler urged that different treatment had been accorded under the McAdoo order to refiners in the different districts. He is absolutely correct. The adoption of the 5th class was made in official classification territory. This official classification territory covers territory contiguous to Eastern Canada. He pointed out that the refiners at New Orleans were specially provided for by the McAdoo schedule, and argued that their commodity rates and differentials were preserved. The New Orleans refineries did not lie in official classification territory, consequently the matter had to be dealt with on a different basis. All the eastern refineries in Canada, however, are in the same classification territory. The results, however, in New Orleans show that increases were made on very much the same parity, although on a different basis. The evidence shows that the old rate, New Orleans to Chicago, was 24.3c, new rate 45c, an increase of 85.2%; to St. Louis, old rate, 18.3c, new rate 44.5c, an increase of 143%; to Cincinnati, old rate 19.8c, new rate 46c, an increase of 132%; to East Burlington, old rate 28.8c, new rate 50c, an increase of 73.6%.

Mr. O'Grady, of the St. John Refinery, urged that the Montreal rate should be reduced to 27c. He leaves the matter in this way:

"The proposal of the railway company is 42c, St. John to Montreal, which you think should be reduced to 27c. You get at that reduction by taking, as I understand you, the new New York-Montreal rate on raw sugar at 21½c and add to it the 5½c which you think you should absorb, thus making a 27c rate?

"Mr. O'Grady: 'Yes, sir. That is the basis we have been competing on ever since we started.'"

While the eastern refiners are willing to accept a 27c rate to St. John, they insist that the differential of 11½c should be continued on movements west. How this would work out can be illustrated by the Toronto movement. The record covering the question reads as follows:

"Chief Commissioner: 'Your Toronto rate today is what?'

"Mr. O'Grady: '30 cents.'

"Chief Commissioner: 'The Montreal rate is, what, the last rate to Toronto?'

"Mr. Tilston: '18½c.'

"Chief Commissioner: 'My recollection is that the Montreal to Toronto rate is 18½c.'

"Mr. Tilston: 'That is correct.'

"Chief Commissioner: 'Your rate to Toronto is 30c, Mr. O'Grady?'

"Mr. O'Grady: 'Yes.'

"Chief Commissioner: 'That gives you a differential, as you put it, of 11½c?'

"Mr. O'Grady: 'Yes.'

"Chief Commissioner: 'And the new Montreal to Toronto rate is what?'

"Mr. Tilston: 'Standard 33.'

"Chief Commissioner: 'It goes 33c as against 18½c.'

"Mr. Tilston: 'Yes.'

"Chief Commissioner: 'As I understand your submission, Mr. O'Grady, you want your St. John rate to have the same differential of 11½c. That would make your St. John-Toronto rate 44½c.'

"Mr. O'Grady: 'Yes.'"

It will be observed that the new St. John rate of 44½c would be made up by the continuance of the old arbitrary or differential of 11½c from St. John to Montreal and the addition of the new 33c rate to Toronto. The result is that while the rate from Montreal to Toronto would be increased by approximately 80%, there would be no increase whatever in that portion of the through rate which is represented by the St. John-Montreal haul, although there is, of course, a substantial increase, treating the matter in percentages, in the through rate, the increase being some 41%. But the rate, St. John to Montreal, is even more out of line than the Montreal to Toronto rate. Both were unduly low, but the Intercolonial rate was much more out of line. The tariff weaknesses and injustices of the situation would be merely accentuated by the adoption of this suggestion. Traffic is infinitely heavier between Montreal and