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The Board of Railway Commissioners' Judgment in the Eastern Rates Case.

The Board of Railway Commissioners' judgment in the Eastern Rates Case which was promulgated July 6, sanctions increases in freight rates in Eastern Canada, but does not allow all the increases asked for. Each rate has been considered on its merits. Following is a summary: It was not until May 11 of this year that the increases in grain and grain products rates were withdrawn by the railways, after negotiations resulting from the Board being impressed by the effect of the short mileage of the National Transcontinental, and competitive conditions between that line and the Canadian Northern north of the Ottawa. This affects a large item.

Operating expenses have increased generally. While from 1899 to 1914 train mile earnings increased 89%, the cost of service per train mile increased 112%, notwithstanding economies attributable to increased locomotive power, lower grades, better loading and increased traffic. In the period 1910 to 1914, earnings increased 10.6%, expenses 17.7%. In 1915, earnings increased 5.3% expenses 12.4%. Railway ties cost 38% more in 1914 than in 1907; in 1915 they were 45% higher. The cost of fuel to operate 100 miles was 30% higher in 1914 and 1915 than in 1907. The average cost of fuel increased 21.8% in the period 1909 to 1914. Salaries and wages represent three-fifths of the total railway expenses. This item has increased rapidly. The wage bill of the Grand Trunk alone increased in the period 1909 to 1914 by 52%, and for 1915 the increase was 50%. The increase in labor cost is mainly due to increases in wages, as there have been economies in the number of men employed per 100 miles of track. Decreases in wages are not a feasible means of economizing. The wages on the Grand Trunk have increased by 4.3% since the hearing.

The Canadian Pacific divisions in Eastern Canada are the Atlantic, Eastern, Ontario and Lake Superior. The Atlantic Division is operated at a loss. There is but little local traffic on the Lake Superior Division. The Canadian Pacific and the Grand Trunk are both engaged in business in the Eastern and Ontario Divisions, and here the freight business of the Canadian Pacific gives only 20% of its total freight revenue, and represents only three-fifths of the business done by the Grand Trunk. The Grand Trunk was built to meet the needs of Eastern Canada. It runs into all the large producing centres; it has a well established and well worked up business. In Eastern Canada it does the largest business and obtains the greatest earnings.

It is fair to accept for primary consideration the actual results of the Grand Trunk's earnings as a basis of rates. The rates cannot be based on the total capital cost of the Grand Trunk as carried on the company's books, which would represent a cost of $131,000 a mile. The Canadian Pacific's new lines from Glen Tay to Agincourt and from Toronto to Sudbury cost respectively $71,000 and $56,000 a mile. This includes nothing for terminals. The Intercolonial cost, including equipment and terminals, $75,000 a mile. The Hydro-Electric Power Commission of Ontario has recently made an estimate that 138 miles between Toronto and London would cost $100,000 a mile, including terminals and equipment.

The net earnings per mile of line of the Grand Trunk at their highest in 1913 were $3,500 a mile. In 1914, they were $3,059, and in 1915 $2,477. The financial relations of the Grand Trunk to the Grand Trunk Pacific, as well as to its United States lines, are analyzed, and it is rule that outside investments cannot be considered as bearing on the reasonableness of freight rates. Economical financing of the Grand Trunk has been rendered extremely difficult, if not impossible. Appropriations of all kinds have been cut and repairs have been postponed. On Dec. 31, 1915, over 4000 cars were held for repairs, notwithstanding the lighter traffic of the year. In order to keep the equipment in proper shape, it will be necessary to obtain 1,249 new freight cars at an expenditure of $2,238,000. Normal track renewals would require 431 miles; for the period 1913 to 1915, inclusive, the track renewals were only 45% of this standard; and for the year 1915 the renewals fell to 67 miles. The renewal work on bridges and culverts during 1915 is $20,000 below the average yearly expenditure of the period of 1906 to 1915. The economies so made cannot continue indefinitely without great loss and inconvenience to the public.

In the Western Rates Case, the Government expert computed that 6% should be allowed so as to provide 4% for interest charges and 2% for surplus. Money is now more expensive. Taking the cost of the Glen Tay-Agincourt line and adding $10,000 a mile for equipment, the net earnings would have to be $4,800. If the Toronto-Sudbury line is taken as a basis, net earnings per mile would have to be $4,001; while if the Intercolonial is taken they would have to be $4,500. Aside entirely from the terminal expenses, the Grand Trunk net earnings in the best year are far short of these figures.

The proposed increases on fruits are postponed until they can be considered along with proposed increases in icing and salt for refrigeration, which are now under suspension.

The Western Rates Case pointed out the differences between conditions in Eastern and Western Canada; and, notwithstanding material reductions, the general schedule in the west is higher. The Railway Act requires and the general public interest of the country demands that, if practicable, eastern rates should be advanced so that the different schedules may more nearly approach a parity. The effect of new competing lines, e.g., the Canadian Northern, constructed recently, is not considered in striking a reasonable basis. The increases made are justifiable entirely on the mere fact of the increases in Grand Trunk expenses, and having regard to traffic of normal years.

Besides the class tariffs of general application, meaning the rate scales used everywhere in connection with the Freight Classification, the application of the railway companies comprises over 150 exceptional or special single rates and more or less comprehensive schedules of exceptional rates, lower than the class rates, applicable to various commodities. To quote the judgment: "No flat increase of 5, 10 or other percentage could be applied simply to augment railway revenue. Each rate of necessity has to be considered, having regard to its reasonableness for the service performed." As each of these items has thus been separately dealt with on its merits, it is impossible within the limits of a newspaper article to give any clear synopsis of the Board's conclusions. A selection of two or three commodities, by way of illustration, would convey no true conception of the general result and might prove misleading. The shippers interested in the several lines of trade represented in the application will arrive at their own conclusions from a study of this section of the judgment. The application with respect to some of the commodity items has been declined, and in numerous instances less has been granted them than asked for by the railway companies.

The findings regarding the class tariffs may however, briefly be summarized. In the territory bounded on the west by, but not including, Port Arthur, and by the Georgian Bay, Lake Huron and Detroit river, and on the east by Quebec and Megantic, also between C.P.R. stations in New Brunswick, the class rates, provided they are now lower than the standard or maximum mileage tariff, may be increased by 2c. in the 1st and 1c. in the 5th classes, the rates for the other classes to be properly proportioned in accordance with the standardized scale. An exception is made of the Canadian Pacific and Canadian Northern lines between Parry Sound and Sudbury, on which no increases are allowed.

Because of the comparatively lower level of the rates to the Maritime Provinces, greater increases are permitted. Between points in the provinces of New Brunswick and Nova Scotia and points west of Quebec, Levis and Megantic as far as Montreal and Valleyfield, and north of the Ottawa river, the 1st class will be advanced 4c. and the 5th class 2c.; the other classes in proportion. Between the same maritime sections and points west of Montreal the carriers are authorized to increase their rates by 6c. for the 1st class and 5c. for the 5th, the remaining rates fitting in from the standardized scale. Here, again, an exception is made of the C.P.R. line in the St. John river valley, where the rates, instead of being advanced, will be lowered by the company so as not to exceed the St. John rates; this relief being due to the opening of the National Transcontinental south of Edmundston, N.B. As the government railways are not subject to the Board's jurisdiction, the Intercolonial and National Transcontinental management is, of course, free to fix its own rates; nevertheless, the judgment provides that the through rates of the Grand Trunk, Cana-