

- (c) Calculate the cost of carriage of the goods concerned on the basis of carloads of 30,000 lbs. in the standard railway equipment for such goods."

The production of our member companies moves almost wholly in hopper cars which have capacities up to 160,000 lbs. The average hopper car loaded with export coal carries in excess of 140,000 lbs. This average weight reflects the number of smaller and older type cars supplied by the railway company. The mines also ship a small proportion of their domestic production in box cars at the consignees' request. The minimum net weight of coal carried by these cars is 90,000 lbs.

It is apparent, therefore, that the calculation of variable costs using the 30,000 lbs. stipulated in subsection (3) (c) would be a most unrealistic procedure even allowing for the adjustments provided under subsection (5) (b) (ii) and (iii) and further that costs calculated on this basis would be grossly inflated in the case of coal shipments and would bear no reasonable relation to actual cost.

We suggest, therefore, that if there is to be any real or factual measurement of the variable cost of low value bulk commodities, subsection 3 must be amended to provide that the actual shipping weights be used for such calculation.

Aside from proposing the artificial 30,000 lbs. per carload instead of the actual shipping weight which is necessary to any meaningful determination of variable cost, the bill very properly provides that all relevant cost elements be taken into consideration, including depreciation and the cost of capital. In its use of the words "relevant" and "variable" and in the provision that the lowest cost route be the basis of computation, the bill gives recognition to the fact that the economically significant factor is the variable cost of the specific movement, not some generalized system average cost nor the variable cost of some hypothetical, typical traffic, however important such information may be in assessing generally the effects of the proposed formula. The provision about non-disclosure in Section 387C, nevertheless, raises a question as to whether the development of meaningful cost estimates will be possible. The non-disclosure assurance is understandable. Compared to many businesses, railroads live in a goldfish bowl; yet even they have, and deserve, some degree of administrative privacy.

On the other hand, the need for detailed information is real. An Interstate Commerce Commission examiner expressed it well recently:

"Specific cost data relating to the particular traffic and operations of the individual carriers involved should be developed, in preference to, and as being more reliable and possessing greater probative value than, general average costs covering the overall systemwide operations of a carrier, a group of carriers, or all the carriers in a territory."<sup>1</sup>

The experience in determining the cost of transporting coal to Port Moody for export, which is set forth later in this submission, is very much in point and illustrates the difficulty of shippers in determining the effect of the proposed

<sup>1</sup> Interstate Commerce Commission, No. 34013, *Rules to Govern the Assembling and Presenting of Cost Evidence*, report and order recommended by Jair S. Kaplan, Hearing Examiner, October 10, 1966, p. 1, paragraph 2 of findings.