

*Transportation*

difference was that the C.N.R. had a responsibility to the people of Canada and to national objectives.

Because of this responsibility, it brought back the passenger service. Although it sustained losses at first, we now see that it may pay off. The time may never come again when passenger service will bring money to a railroad, but I think we all agree that there are people in Canada who depend on trains to get them from one place to another. If this kind of service requires a subsidy on the part of the nation generally, then that decision has to be taken and we have to go along with this approach. The point I was making was that this decision was not made on the basis of free enterprise and competition. The decision was made by the railroad because it had a responsibility to act according to the needs of the people of this country.

I am afraid that if you say that transportation must be competitive, the effect will be that as soon as a railway discovers it cannot make a fast dollar on a particular service it will discontinue it. We have to ask ourselves whether this bill contains sufficient safeguards to prevent this from happening, and I am not convinced that there are. We have to ask ourselves whether this is the system that we want, a system whereby the profitability of the company will determine the transportation service which the nation will have. We should seriously consider whether the profitability of the company is really a reflection of the advantage to the nation as a whole.

I was interested in reading the evidence of a representative from the chamber of commerce who testified before the joint committee on consumer prices. The question of the cost of transportation as it affects consumer prices was raised by Senator Carter. I would like to quote that part of the proceedings as an illustration or what could happen. The purpose of competition in transportation services is to give the railroads a break and to allow them to raise their rates. The effect of an increase in railway rates will clearly be to raise the rates of every transportation facility in this country which will use the railroad rates as a base against which they will calculate their charges. In effect we will get a system very much like our tariff structure where the price of goods in Canada is determined under some circumstances by the price in the United States plus the tariff cost. The two combined constitute the Canadian price.

I would like to read into the record part of the proceedings of the joint committee on

[Mr. Saltsman.]

consumer credit in which Senator Carter asked questions and the witness, Dr. Farrell answered him. This appears at page 1878 of the joint committee proceedings:

Senator Carter: You are saying that competition is a good policeman so far as prices are concerned. On page 10, at paragraph 27, you say, "The very basis of the enterprise economy is competition." Then on page 24, at paragraph 75, you talk about freight prices going up, and you say: Thereafter the railways can be expected to adjust their rates along commercial principles. Then you go on to say: . . . it is anticipated that the highway carriers will raise their rail competitive rates to roughly similar levels.

Dr. Farrell: That is what we said.

Senator Carter: Is that not competition in reverse? How do you square these two sets of ideas?

Dr. Farrell: Well, the end of any era brings adjustment problems, and when railways are given a new set of working rules and are told to function, well, without a lot of rates being frozen, then charges are going to go up, and after the transportation industry has adjusted to the new set of rules, I think they are going to be efficient and will contribute more to Canada.

I will interject at this point to say that this very pious hope was certainly not borne out by his prior statements before the committee. I will continue the quotation. It reads:

Senator Carter: But these railways are making a profit or they would not be in business. So if they raise the rates because the other carriers do they are just increasing their profit.

Dr. Farrell: In the highway sector, yes, but then if they raise them so far—

Senator Carter: But how do you square that with competition as the great factor in regulating prices and costs?

Dr. Farrell: Is anyone from transportation here? I should like some comment.

Mr. Whitelaw: The transportation representative has just left.

Dr. Farrell: I must plead a certain degree of ignorance in trying to answer something on transportation.

Co-Chairman Senator Croll: That has nothing to do with it. Take the problem in its principal sense. What he is talking about is competition. You admit that the railway companies will have a new set of rules?

Dr. Farrell: Yes.

Co-Chairman Senator Croll: And you also admit that the transportation companies are now running along and making money.

Dr. Farrell: The highway sector.

● (6:20 p.m.)

Co-Chairman Senator Croll: What you say is that when the railways get a better deal the highways will immediately match them; and Senator Carter's point is that they are then taking an undue profit.

Dr. Farrell: For the short run it may well be—

I am afraid that this short run may turn out to be the long run; that the railroads may set up a system upon which other services will