

fication of the proposed increases submitted by the railway companies was that the rates sought to be increased were exceptionally low rates put in to meet water competition, which the companies had the right to cancel or increase at any time they decided to disregard the water competition, and that conditions had so changed that the railway companies did not desire any longer to meet water competition. * * * The board has no jurisdiction over the rates charged or the division of lake and rail rates demanded by the different steamship companies operating boats on the St. Lawrence or the Great Lakes, other than the rates on steamers operated by the C.P.R. I understand the steamship companies desire to charge higher rates during the coming season than they have been charging in the past. The extraordinary demand for ocean tonnage, due to the war, has caused the Canada Steamship Lines, the corporation which operates the largest number of boats on the lakes, to remove its largest and best lake boats and put them into ocean service. Doubtless other lake boat owners have done the same thing. The result is a scarcity of tonnage on the lakes. With increased water rates and a scarcity of lake tonnage, it is only natural that the railway companies should decide that the present was an opportune time to cancel their old water compelled rates. * * * As already indicated, the railway companies may in their discretion meet water competition if they see fit to do so, and may also determine the extent to which they shall meet it; and, therefore, the board cannot interfere with the tariffs filed."

The board's decision in the Western Rates Case recognized the pervasive spread of water competition east of Port Arthur and Fort William. It said: "In the matter of water competition, there can be no doubt at all as to the efficiency of the waterways spread through Eastern Canada, from its easterly coast, and terminating with the western limit of the most westerly division of the east—at Port Arthur and Fort William."

Again, it dealt in the same judgment with water competition in extenso, to which reference may be made. One sentence may be taken as indicative of what was set out: "There can be no doubt whatever, as I have already pointed out, of the fact that, generally speaking, water competition in the east is effective."

The board has thus recognized water competition as having a determinative effect in connection with rates east of Fort William. The position has been taken that competitive conditions as between rail and water carriers do not exist, and that this is evidenced by the fact that certain differences between the scales of rates concerned have since 1908 existed without change; and it was argued that even in normal times there was no effective water competition on the Great Lakes.

In the sittings of the House of Commons committee on the Railway Bill, evidence was given during May, 1917, regarding a proposition to give the board control over lake carriers, in addition to those which are at present subject to the board's jurisdiction, on the ground that they are owned, chartered, maintained, used or worked by railway companies. The position that there should be such control put in the board's hands was favored by various fruit and vegetable growers' associations in Ontario and British Columbia, and was also supported by the Grain Growers' Grain Co., the United Farmers of Alberta, and the Manitoba

Grain Growers' Association. The measure was opposed by a considerable number of boards of trade, shippers' organizations and individual shippers. The Toronto Board of Trade opposed the proposition, on the ground that it wanted water competition to be as free and untrammelled as it was in the absence of the proposed legislation. The Chatham Board of Trade, in opposing the legislation, said it favored "free and unmolested traffic on inland waters." The Mayor of Chatham said that most of the shippers were opposed, since they thought the present elasticity was preferable. The Border Chamber of Commerce, representing the Ford, Walkerville, Windsor, Sandwich, and Ojibway Boards of Trade in submitting their opposition said the freedom of trade and competition on the waterways should remain free to every one. Opposition to the proposal was submitted by the Sarnia Board of Trade, which said the legislation would "cause undue and undesirable restrictions on the freedom of trade and competition on the waterways." The Hamilton Board of Trade, while not expressing a final opinion, as it had not had time to compile sufficient data, said it felt it would be "a mistake to hamper the present steamship arrangements." The Quebec Board of Trade, in opposing the proposal, said the result would be that "our shippers would lose the advantage of competition during the season of navigation." The Montreal Board of Trade, said that "the jurisdiction of the Board of Railway Commissioners would tend to limit competition between the water carriers themselves, which in turn would tend to decrease the competition between water carriers and railways;" and it also said that it did not believe that in respect of water borne traffic there should be any controlled rates. Mr. McMaster of the Steel Co. of Canada, who appeared as spokesman for the Montreal Board of Trade, was queried by the Minister of Railways as to the existing situation in which rates had increased because of scarcity of ships, and in reply, said: "That question would take care of itself. These waters are free; it only needs the investment in one, two or three steamers to enable a man to take part in that traffic, and if the rates are so promising and remunerative men will be willing to invest their capital in that enterprise; the traffic is open to anybody to take part in it." Mr. Tilston, who appeared for the Montreal Corn Exchange, expressed the opinion that "there was not the slightest doubt that the waterways do compete with the railways and influence the railway rates." The Kingston Board of Trade's marine committee expressed the opinion that competition on the lakes was necessary in the best interests of the Dominion. The Winnipeg Board of Trade, in protesting against the proposed control, telegraphed: "Proposed legislation place all water carriers plying between Canadian ports under jurisdiction of the Railway Commission in the matter of rates is measure so detrimental to interests of this country that Winnipeg Board of Trade desires to protest most emphatically against it. To us it looks as though parliament would say to shippers: 'There shall be no competition in rates for evermore.' Please have this bill killed at the earliest possible moment."

The position of the Canadian Manufacturers' Association, as presented at the hearing, was, in summary form, that the legislation as suggested would to a very large extent destroy competition. Mr. Walsh, on behalf of the association, said: "My argument has been against any in-

terference at all with the waterways. We say they have been made free to the people of Canada for the purpose of affording some kind of competition, and I think if you place these carriers under the control of the Board of Railway Commissioners you are going to kill initiative to a very considerable extent and wipe out the smaller carrier." In answer to Mr. Armstrong he said, in substance, that the manufacturers whom he represented had their primary interests in the westbound movement. Representations were made by different shippers. The Dominion Glass Co. protested against any legislation which would "in any way interfere with the freedom of these boats to name such rates and charges as they see fit. * * * it would absolutely prevent the making of fair rates to such points as are most favorably located as far as water shipments are concerned." The Dominion Sugar Co., of Chatham, in opposing the legislation, said "So many varying conditions enter into water traffic that we believe waterways of Canada should be open and free to every one." The Western Salt Co., of Courtright, Ont., in opposing the legislation, said it would be detrimental to their interests and the interests of other shippers. The legislation was also opposed by the Thor Iron Works, of Toronto, and by the International Harvester Company. Protests against the legislation were made by various grain companies doing business in Winnipeg. Parrish & Heimbecker, while recognizing that there were very few boats left on the lakes, opposed the proposal to place the traffic under the commission, on the ground that it would restrict competition. The Canada Atlantic Grain Co. of Winnipeg said "Such an act would practically eliminate competition on the lakes in so far as the movement of grain between Canadian lake ports is concerned." What is said is of interest in showing the most recently recorded detailed opinion of shippers' interest in regard to the rate situation on the lakes and adjacent thereto as affected by water competition.

In dealing with a competitive rate situation, the board had before it in Dominion Millers' Association v. G.T.R. and C.P.R. Cos., 12 Can. Ry. Cas., 363, a condition where competitive joint rates and furtherance rates had been increased by the railways, the justification advanced for this increase being the lessening of competition; and it was recognized that it was within the discretion of the railways to vary their competitive joint rates or competitive joint furtherance rates within the limits fixed by the normal rates, subject, of course, to their meeting any attack made on any of the rates so changed on the ground that they are discriminatory.

Prior to 1908 and as far back as the board's records go, viz. to 1904, the spread between the lake and rail and all rail class rates to points west of Fort William was as follows:

	1	2	3	4	5	6	7	8	9	10	classes
From Toronto points . . .	40	33	22	11	10	5	10	10	10	10	cents
From Montreal points . . .	55	47	32	18	16	10	15	15	15	15	"

In 1908, the all rail rates were reduced and were made the same from Toronto and Montreal points, the spread being as follows:

	1	2	3	4	5	6	7	8	9	10	classes
	25	20	14	10	6	5	5	5	5	5	cents

This spread has been continued from 1908 into the present tariffs and that under review. The regular tariff from the head of the lakes west is common to both routes. The previous through lake and