

quoted by the Chief Commissioner at some length in the judgment. And yet that support was given on the understanding that increased rates were to be associated with a *guarantee of efficient service*. It may be too much to assume that it would not have been given if the increase had been sought merely for the purpose of helping the weaker companies out of their position of financial distress. But the desire to secure adequate service, we submit, *must* have been responsible in large measure for the co-operation offered by the business organisations we have mentioned in promoting the request of the railway companies. Business organisations, as a rule, are not at all keen about encouraging advances in transportation charges, even when they have an opportunity to "pass them on" to the ultimate consumer. We would repeat that the idea of securing adequate service must have been uppermost in the minds of the business men who went on record as supporting the increases. To quote that support as a justification for "easing the railways' finances" is, in our opinion, a rather broad step that would require an abundance of logic to demonstrate its accuracy. And we beg to suggest that the required logic is not apparent in that portion of the judgment.

There is no disposition to deny that the Grand Trunk Pacific, the Canadian Northern Railway, and the Grand Trunk Railway have found it difficult to meet their operating expenses and fixed charges during the past year. At least one of them has found it impossible to do so. It is admitted that something must be done, under these circumstances, to "ease their finances." The Winnipeg Board of Trade, recognizing the facts of the situation, is prepared to give its consent to logical and legitimate methods of relieving that situation. We insist, however, that *horizontal increases of rates constitute the least logical and most objectionable form of relief that could be devised*. In the first place the additional revenue is "ear-marked" to recoup the companies for extra outlays they have made on account of advances in cost of labor and material during the year. For the coming year they would be presumably in a position to do as well as they have done in the matter of service, and no more. Even the "easing of their finances" would be only temporary, although a study of the arguments they advanced before the Commission indicates that they regarded increased revenues as being designed to effect a definite permanent improvement.

In the second place, the difficulties of the weaker companies are due in large measure to causes far removed from the question of temporary financing in connection with operating expenses. Our opinion is that if the Canadian Northern and Grand Trunk Pacific were able to earn enough to meet their current outlays, and had a fair prospect of increasing their net earnings from year to year, they would still be "casualties," to employ the expression used by Mr. Symington. The fixed charges are too large in proportion to the part these two companies are now playing, or will play for a long time to come, in providing efficient transportation. Our conclusion, from the material supplied by these companies, and from the careful analysis made by the Chief Commissioner, is that the financial position of the Canadian Northern and Grand Trunk Pacific is hopeless.

The probable effect on the Grand Trunk Railway proper of an advance in rates is difficult to calculate. We are not as familiar with its business as we are with the two Western roads we have been discussing. The intimate relation existing between it and the Grand Trunk Pacific, however, is bound to affect it unfavorably, unless it succeeds in withdrawing from the obligations it has assumed. We think, therefore, we have grounds for believing that the Grand Trunk Railway will sooner or later be in approximately the same position as the Canadian Northern and the Grand Trunk Pacific.

In the third place the imposition of an additional burden on the public would simply mean that the companies were allowed to run away from their obligations. They have undertaken these obligations with their eyes open. They have understood definitely that they were charged with certain duties in return for the privileges and assistance they received. They were supposed to operate their lines, and furnish adequate transportation service to the public on the basis of the rates prevailing at the time they assumed the obligation. This basis was not regarded as being absolutely rigid, but was intended to be examined and revised from time to time by such a body as the Board of Railway Commissioners. It has already been pointed out by Mr. Symington that the basis of rates cannot be moved up and down whenever there are temporary fluctuations of cost entering into the operation of railways. If increases in cost were permanent, and on that account likely to affect the average for a period of years, there