750 box cars, 250 ballast cars, 800 stock cars, 150 refrigerator cars, 25 cabooses.

This equipment has been delivered, except 7 of the standard sleepers, the observation cars, diners, first-class cars and mail cars, all of which it is expected will be in service at an early date.

Passenger earnings have shown such a good increase that 30 additional heavy passenger locomotives are required, and 50 additional passenger train cars.

On account of the very high unit prices of rolling stock, the requirements have been kept down to the lowest point consistent with traffic conditions. This is very necessary, in view of the fact that locomotives suitable for our purpose which could be purchased for $24,000 in 1914 cost $62,000 now; first-class cars have increased from $16,000 to $38,000; dining cars from $28,000 to $46,000. The increase in price of freight cars ranges from 144% for refrigerators to 170% for steel frame box cars.

The equipment to be ordered is as follows: Locomotives — 20 Pacific type, medium weight; 10 Pacific type, heavy weight; 25 heavy freight, 20 switching. Freight cars—3,000 40-ton box, 500 refrigerator, 650 50-ton coal or general purpose, 350 50-ton ballast, 100 cabooses, 6 snow ploughs, 150 stock cars. Passenger cars—20 baggage, 18 standard sleepers, 12 standard diners.

Freight and Passenger Rates.—The question of rates is one which will bear careful examination. No system can indefinitely stand the relationship at present existing between earnings and operating expenses of the national, but before proceeding to a consideration of future rates, it may be well to review what has taken place in recent years in that connection. Members will recall the agitation, extending over a period of years, for a reduction of rates in Western Canada, by many urged because it was felt one railway at least could well afford a reduction. Just a few months before the outbreak of war, this western rate case was finally decided. The judgment involved a comprehensive reduction in rates in territory west of the Great Lakes, and very seriously affected the newer lines. Then came the war, and with it undreamed of problems of transportation, and the railways began to feel the effects of war conditions. In 1916 what is known as the eastern rates case provided for a 5% increase in tariffs of eastern roads, both Canadian and U.S., but it did not apply to the west. In 1918, there were two rate increases, the March order, commonly called the 15% increase, and the August increase of 25% (so-called) which accompanied the first of the McAdoo series of wage increases. There was this difference, however, between the rate increases and the wage increases; the latter were retroactive, but the rates could not be retroactive; and, in addition, it was found that the rate increases, when finally applied, did not produce anything like the increase in revenue hoped for. The first mentioned (15%) netted only 7% on the national railway system's passenger revenue and 10% on the system's freight revenue, or on the gross. The second increase was on freight only, and was less in the west than in the east, owing to the equalization of eastern and western rates involved. For instance, in Western Canada the 25% increases wiped out the previous 15% increment. Taken together, these two rate increases are estimated therefore to have been approximately only 30% instead of considerably more than 40% as they would have had they been imposed upon the other.

There are only two ways by which a railway's revenue may be increased. One is by increased rates and the other is by increased business. The Canadian National Rys, should, in view of the resumption of trade and immigration, in view of the strengthening of weak spots by the inclusion of Grand Trunk lines, and especially in view of the traffic possibilities of the 60 steamships, the freight of which will come to national railways, commence to show a steady increase in business, but the management has, in the course of public utterances, called attention to the necessity for increased rates if operating expenses are to be met out of earnings. There are and will be various opinions as to this, but it behooves us to give careful consideration to the management's viewpoint. They point out that Canadian roads are closely bound up with U.S. roads, in proof of which witness the application of the McAdoo awards to Canada. Not only do we pay the same wage schedules and apply the same working conditions, but, generally speaking, freight rates are the same on both sides of the line. In the U.S. the roads are being handed back to their owners in groups and the legislation provides that they be allowed to earn 5½% on their investments, with an additional ½% construction betterments. During the war the U.S. roads were guaranteed a certain return which was made up from the public treasury. Now that this guarantee no longer applies, either an increase in rates will be necessary or the U.S. Government must continue to implement the earnings of the weaker roads. It is estimated that a rate increase of 26% would be required to put the U.S. roads on a paying basis. An increase to that extent, if applied to the earnings of 1919 on the national system, would have produced a revenue of a little more than $110,000,000, which would have left a surplus of net earnings of over $2,000,000. That, of course, does not take the fixed charges into account. The management, therefore, feel that, both because we have the same expenditures to meet and must compete with each other all along the line, whatever freight increase is permitted in the U.S. ought also to be applied to Canadian roads. As Minister of Railways and having asked the management to operate on a business basis, I am bound to present the management's viewpoint for the consideration of Parliament.

I have, however, a larger responsibility as Minister of Railways, having, as such, to do with all Canadian roads, and answerable, in the final analysis, to the people who at present find the cost of commodities sufficiently high. The railway situation in Canada has undergone a marked change, the entire mileage being now controlled in two great groups or systems, the Canadian National and the Canadian Pacific. In Canada the mileage of the latter road is 14,824, but there are 4,948 miles of owned or controlled lines in the United States, so that the system mileage aggregates 19,772. Including the Grand Trunk lines, the Canadian National system will comprise 22,356 miles, of which 2,093 miles are located in the U.S. These two systems are, from the mileage standpoint, at any rate, fairly evenly balanced and it is unnecessary to point out that any increase in rates granted the Canadian National Rys. would equally apply to Canadian Pacific lines. The annual statement of that immense corporation showed that, notwithstanding the disadvantage of increased operating costs and charges common to all roads, the C.P.R. had been able to pay a dividend of 7% on its railway operation, and 3% on its outside operations, or in all its usual 10% dividend on last year's operation.

The argument has been advanced that it would be possible to tax out of the C.P.R. any increase in earnings which might be permitted it in common with the Canadian National Rys. I have my own opinion as to the fairness of such a proposition, but, in any event, I personally feel that such a proposal, even if fair from the standpoint of competition, would not be practicable, for the simple reason that you could not prevent the C.P.R. from spending its revenue legitimately on the improvement of its property, and if, at the end of a year, we found that the increased earnings had gone into betterments, how could we tax it out?

My own feeling is that the C.P.R. is entitled to a rate sufficient to earn 7% on its railway investment, and this they appear to be able to do, notwithstanding present abnormal conditions. The question resolves itself, therefore, into the following proposition: Shall Canadian freight rates be increased generally for the particular purpose of enabling the Canadian National Rys. to meet their operating expenses and fixed charges, or would it be better to go on with the present rates, giving dealers no additional excuse for increasing the cost of living, and trusting to increase in business, the economics it should be possible to effect by co-ordination, and the return of normal conditions to gradually reduce these deficits until the day (which I personally feel is not far off) when the revenue will prove sufficient to pay for operation, and, later also to take care of fixed charges. Should this latter suggestion prevail, it would require to be thoroughly understood that the Minister of Railways, no matter who he may be, must come down next year with a deficit, and the next year with a deficit, and so on for a few years until we shall have turned the corner.

The earnings of the Canadian railways last year were $350,000,000, made up as follows: C.P.R., $177,000,000; Canadian National, $94,000,000; G.T.R., $68,000,000; G.T.P.R., $11,000,000.

A 25% increase on these earnings would approximate $88,000,000, the greater part of which would be earned in Canada. Whether we shall take $88,000,000 in increased freight rates out of the people of the country next year in order to show a surplus for the national system is a question as to which I myself am not prepared to take the responsibility of deciding either one way or the other at present. I leave it to the consideration of the house, and of the people of Canada as a whole, and shall be glad to elicit representative public opinion in the matter, so that the government may be in a position to give this important question the best consideration.

Bringing in the Grand Trunk.—The current year will witness the rounding out of the Canadian National Rys. system by the acquisition of the Grand Trunk and its subsidiary lines. With these added, it is estimated that over 50% of the domestic freight traffic of the Dominion will be found to originate along government railways. The con-