

The subsidy is a maximum subsidy; the Government is not allowing any more money than \$20 million. If that has to be spread over a greater traffic, the reduction might have to come down to 6 per cent. If the traffic goes down, it might be up to 8 per cent or more. At the present time, and on present calculations, the reduction will amount to 7 per cent, and will use the \$20 million in 12 months' time.

Senator MACDONALD: This is for one year only?

Mr. KNOWLES: Yes, senator.

Senator MACDONALD: Unless there is another bill passed next year the increase will be 17 per cent?

Mr. KNOWLES: Yes. This reduction will expire, and the former tariff will come back. In the meantime it is hoped that the royal commission which the Government has instituted to look into the whole question of freight rates, can suggest some solution. Other than a subsidy, the increase will come back again.

Senator McKEEN: This would have no effect on other than the normal traffic. You mentioned if traffic went up and the railways earned more money, it might be a 6 per cent drop, or maybe more. But the competitive rates would have no effect on this particular reduction?

Mr. KNOWLES: The competitive rates will not come into this picture at all, senator. I can well imagine that if the railways find they must transfer more of their normal traffic into competitive rates on which they get no subsidy, the normal traffic will get a greater amount. We will have to increase the subsidy to 8 per cent to use up the \$20 million.

Senator GERSHAW: By how much will the Prairie people escape the freight rate burden by reason of this increase, where there is no competition, and where there are long hauls? How much relief will they get under this bill?

Mr. KNOWLES: The relief will be 7 per cent off the previous rate.

Senator GERSHAW: Will that be a general relief all over the country, or will it be more where there is no competition?

Mr. KNOWLES: It is a general relief off the 157 per cent. It will bring it down by actually about 14 per cent. Normally, it is 7 per cent over the previous rate, but it is actually about a 14 per cent reduction off the original rate of 1948.

The CHAIRMAN: I think what Senator Gershaw is asking, Mr. Knowles, is in what proportion will this \$20 million relief benefit the different sections of the country, as between east and west.

Senator HNATYSHYN: How much will the western region benefit, taking it west of Port Arthur?

Mr. KNOWLES: Based on the subdivision of the traffic between the three regions—

The CHAIRMAN: Will you explain the regions?

Mr. KNOWLES: What is known now as the western region is Port Arthur and west through to the Pacific coast. That amount will be \$11,340,000. The Central region, which is largely Ontario and Quebec, will be \$5,300,000, and the Maritime region—that is, east of Levis—will be \$3,360,000. That totals \$20 million.

Senator BRUNT: Would you give me those figures again?

Mr. KNOWLES: The Western region, \$11,340,000.

The CHAIRMAN: What percentage is that of the whole?