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HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

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STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* GORDON K. FRASER, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

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Bill C-38, An Act to make Provision for the Reduction of Certain  
Class and Commodity Rates on Freight Traffic

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TUESDAY, APRIL 14, 1959



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WITNESSES:

The Honourable George Hees, Minister of Transport; Messrs. R. Kerr, Chief Commissioner, Board of Transport Commissioners for Canada; L. J. Knowles, Commissioner; A. S. Kirk, Director, Traffic Branch; G. A. Scott, Director, Economics Policy Branch, Department of Transport; J. Magee, Executive Secretary, Canadian Trucking Associations Inc.; J. O. Goodman, General Manager, The Automotive Transport Association of Ontario; and G. H. Montague, Secretary, and Legal Counsel, Applied Economic Research Associates.

Chairman: Gordon K. Fraser Esq.,  
Vice-Chairman: Marvin W. Howe Esq.,

and

Messrs.

Allmark,	Drysdale,	Michaud,
Asselin,	Fisher,	Monteith ( <i>Verdun</i> ),
Badanai,	Fréchette,	Nielsen,
Baldwin,	Grills,	Nixon,
Batten,	Hardie,	Pascoe,
Bell ( <i>St. John-</i>	Horner ( <i>Acadia</i> ),	Payne,
<i>Albert</i> ),	Horner ( <i>Jasper-Edson</i> ),	Phillips,
Bigg,	Howard,	Racine,
Bourbonnais,	Johnson,	Richard ( <i>Kamouraska</i> ),
Bourget,	Keays,	Rynard,
Brassard ( <i>Lapointe</i> ),	Kennedy,	Small,
Browne ( <i>Vancouver-</i>	MacInnis,	Smallwood,
<i>Kingsway</i> ),	MacLean ( <i>Winnipeg</i>	Smith ( <i>Calgary South</i> ),
Brunsdon,	<i>North Centre</i> ),	Smith ( <i>Lincoln</i> ),
Cadieu,	Martin ( <i>Essex East</i> ),	Smith ( <i>Simcoe North</i> ),
Campbell ( <i>Stormont</i> ),	Martini,	Tassé,
Chevrier,	McBain,	Thompson,
Chown,	McDonald ( <i>Hamilton</i>	Tucker,
Creaghan,	<i>South</i> ),	Webster,
Crouse,	McMillan,	Wratten.
Dupuis,	McPhillips,	

J. E. O'Connor,  
Clerk of the Committee.

## ORDERS OF REFERENCE

### HOUSE OF COMMONS

TUESDAY, February 10, 1959.

*Resolved*,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines:

#### Messrs.

Allmark,	Hardie,	Nielsen,
Asselin,	Horner ( <i>Acadia</i> ),	Nixon,
Badanai,	Horner ( <i>Jasper-Edson</i> ),	Pascoe,
Baldwin,	Howard,	Payne,
Batten,	Howe,	Phillips,
Bigg,	Johnson,	Racine,
Bourbonnais,	Keays,	Richard ( <i>Kamouraska</i> ),
Brassard ( <i>Lapointe</i> ),	Kennedy,	Rouleau,
Brunsdén,	LaRue,	Rynard,
Cadieu	MacInnis,	Small,
Campbell ( <i>Stormont</i> ),	MacLean, ( <i>Winnipeg</i>	Smallwood,
Chevrier,	<i>North Centre</i> ),	Smith ( <i>Calgary South</i> ),
Chown,	Martin ( <i>Essex East</i> ),	Smith ( <i>Lincoln</i> ),
Creaghan,	Martini,	Smith ( <i>Simcoe North</i> ),
Crouse,	McBain,	Tassé,
Dupuis,	McDonald ( <i>Hamilton</i>	Taylor,
Drysdale,	<i>South</i> ),	Thompson,
Fisher,	McMillan,	Tucker,
Fraser,	McPhillips,	Webster,
Fréchette,	Michaud,	Wratten—60.
Grills,	Monteith ( <i>Verdun</i> ),	

(Quorum 20)

MONDAY, February 9, 1959.

*Ordered*,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House, and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

TUESDAY, February 17, 1959.

*Ordered*,—That the quorum of the Standing Committee on Railways, Canals and Telegraph Lines be reduced from 20 to 15 Members, and that Standing Order 65(1)(b) be suspended in relation thereto; that the said Committee be empowered to print such papers and evidence as may be ordered by it, and that Standing Order 66 be suspended in relation thereto.

WEDNESDAY, March 25, 1959.

*Ordered*,—That the name of Mr. Bell (Saint John-Albert) be substituted for that of Mr. LaRue on the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, April 8, 1959.

*Ordered*,—That the names of Messrs. Browne (Vancouver-Kingsway) and Bourget be substituted for those of Messrs. Taylor and Rouleau on the Standing Committee on Railways, Canals and Telegraph Lines.

THURSDAY, April 9, 1959.

*Ordered*,—That Bill C-38, An Act to make Provision for the Reduction of Certain Class and Commodity Rates on Freight Traffic, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

TUESDAY, April 14, 1959.

*Ordered*,—That the Standing Committee on Railways, Canals and Telegraph Lines be authorized to sit while the House is sitting.

Attest.

LÉON J. RAYMOND,  
*Clerk of the House.*

## REPORTS TO THE HOUSE

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### FIRST REPORT

Your Committee recommends:

1. That its quorum be reduced from 20 to 15 members and that Standing Order 65(1)(b) be suspended in relation thereto.
2. That it be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto.

Respectfully submitted,

W. M. HOWE,  
*Vice-Chairman.*

(The Second Report of the Committee relates to the consideration of a Private Bill, Evidence heard was not recorded.)

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### THIRD REPORT

Your Committee recommends that it be authorized to sit while the House is sitting.

Respectfully submitted,

W. M. HOWE,  
*Vice-Chairman.*



## MINUTES OF PROCEEDINGS

TUESDAY, April 14, 1959.

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.30 a.m. this day. The Vice-Chairman, Mr. Howe, presided.

*Members present:* Messrs. Allmark, Asselin, Badanai, Baldwin, Bell (*St. John-Albert*), Browne (*Vancouver-Kingsway*), Chevrier, Chown, Creaghan, Crouse, Drysdale, Fisher, Howard, Howe, Keays, Kennedy, MacInnis, MacLean (*Winnipeg North Centre*), Martini, McBain, McDonald, McPhillips, Nixon, Pascoe, Payne, Phillips, Smallwood, Smith (*Lincoln*), Thompson, Tucker, and Wratten. (31)

*In attendance:* The Honourable George Hees, Minister of Transport; Mr. R. Kerr, Chief Commissioner, Board of Transport Commissioners for Canada; Mr. L. J. Knowles, Commissioner; Mr. A. S. Kirk, Director, Traffic Branch; Mr. G. A. Scott, Director, Economics Policy Branch, Department of Transport.

The Vice-Chairman observed the presence of quorum and asked for movers and seconders for two routine motions.

On the motion of Mr. McBain, seconded by Mr. Asselin,

*Resolved,*—That pursuant to its Order of Reference of Tuesday, February 17, 1959, the Committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence in relation to Bill C-38.

On the motion of Mr. Bell (*St. John-Albert*), seconded by Mr. Phillips,

*Resolved,*—That the Committee request permission to sit while the House is sitting.

The Vice-Chairman called Clause I of Bill C-38, an Act to make provision for the reduction of certain class and commodity rates on freight traffic, and introduced the Minister.

Mr. Fisher asked permission of the Committee to summon two witnesses who could allegedly contribute materially to the Committee's work. After discussion, it was decided to allow the matter to stand while the Vice-Chairman obtained additional advice.

Messrs. Kerr, Knowles, Scott and Kirk were introduced and Messrs. Hees, Knowles and Kirk were questioned.

At 12.15 p.m. Mr. Knowles' questioning continuing, the Committee adjourned to meet again later this day.

### AFTERNOON SITTING

The Committee met at 3:30 p.m. this day. The Vice-Chairman, Mr. Howe, presided.

*Members present:* Messrs. Asselin, Badanai, Baldwin, Bell (*St. John-Albert*), Bourbonnais, Browne (*Vancouver-Kingsway*), Campbell (*Stormont*), Chevrier, Chown, Creaghan, Crouse, Drysdale, Fisher, Horner (*Jasper-Edson*), Howard, Howe, Johnson, Kennedy, MacInnis, MacLean (*Winnipeg North Centre*), Martini, McBain, McPhillips, Monteith (*Verdun*), Nixon, Pascoe, Phillips, Smith (*Calgary South*), Tasse, Thompson, and Wratten. (31)

*In attendance:* In addition to those persons listed as in attendance this morning, Messrs. J. Magee, Executive Secretary, Canadian Trucking Associations Inc.; J. O. Goodman, General Manager, The Automotive Transport Association of Ontario; G. H. Montague, Secretary and Legal Counsel, Applied Economic Research Associates.

The Vice-Chairman reported that the selection and summoning of witnesses was the responsibility of the Committee collectively.

Thereupon Mr. Fisher moved, seconded by Mr. Howard, that Messrs. H. Styffe and E. A. Charnock of Port Arthur and Fort William, Ontario, respectively, be summoned by the Committee and that travel and other expenses be paid.

The motion was negatived—Yeas, 5; Nays, 9.

A Brief submitted by the Canadian Transport Tariff Bureau was ordered to be printed as an appendix to the record of this day's proceedings, and copies distributed to members. (*See Appendix "A"*)

Mr. Magee was introduced and, on behalf of Canadian Trucking Associations Inc., read an extensive Brief.

Messrs. Goodman and Montague were introduced and assisted Mr. Magee in answering questions.

It was agreed that all charts, maps, graphs and statistical tables appearing in the Brief be printed as appendices to this day's record. (*See Appendix "B"*)

At 6.05 p.m., Mr Magee's questioning continuing, the Committee adjourned to meet again at 9.00 a.m., Wednesday, April 15, 1959.

J. E. O'Connor,  
Clerk of the Committee.

## EVIDENCE

TUESDAY, April 14, 1959.  
9.30 a.m.

The CHAIRMAN: Gentlemen, we now have a quorum. Before we proceed with our first item of business, the consideration of bill C-38, I would like to deal with two routine motions. The first one is with regard to the number of copies of minutes of proceedings and evidence we should print. I have prepared that motion in the following form, "That pursuant to its order of reference of Tuesday, February 17, 1959, the committee print from day to day 750 copies in English and 250 copies in French of its minutes of proceedings and evidence in relation to bill C-38".

Have we a mover and a seconder for this motion?

Mr. MCBAIN: I so move.

Mr. ASSELIN: I second the motion.

The CHAIRMAN: All those in favour of this motion?

Motion agreed to.

The CHAIRMAN: The second is a motion to request permission for the committee to sit while the house is sitting. This power has become necessary because of the number of witnesses we have with us this morning who have come from great distances to Ottawa.

I prepared this motion in the following form, "That the committee request permission to sit while the house is sitting". Have I a mover and a seconder for this motion?

Mr. CHEVRIER: Mr. Chairman, before you put your motion, I am afraid I must protest and object to the motion, on the following grounds. In the House of Commons the position of the opposition was made quite clear, that it is not humanly possible for those of us who are required to perform our tasks in the House of Commons to sit on committee while the house is sitting. As an example of that I can give you two things that have happened within the last few days. There is business that is required to be done in the morning, and it cannot possibly be done if the committees are going to sit while the house is sitting.

I know there is a majority here who will probably approve of this; but I want to protest in as strong a way as I can. True, there are witnesses—and I realize this—who have come from all parts of Canada, perhaps; I do not know. I think before the motion passes we should get some indication from the chair as to who the witnesses are, where they come from and, furthermore, whether or not we will be required to sit in the evenings, because the budget debate is an important one and we certainly cannot be expected to sit here discussing a matter of this importance and be in the house at the same time.

Mr. FISHER: Mr. Chairman, I wonder if you could suggest how long these meetings are going to continue on this particular bill. Can you make any judgment as to how long it is going to take. With regard to your plan to sit while the house is sitting, is the intention to go right through in the afternoon and evening until we have finished the whole business?

The CHAIRMAN: Just in the afternoon, Mr. Fisher. In reply to Mr. Chevrier I would say this. We have some witnesses here from British Columbia, Toronto,

one from Saskatchewan, one from Port Arthur and one from Fort William. So you can see that these people have come a long way, and if they have to stay around here for a considerable length of time, it is going to put them to additional expense.

Mr. CHEVRIER: Might I be allowed to suggest, Mr. Chairman, that the witnesses who have come from far away places, like British Columbia and Saskatchewan, be heard this morning.

Mr. BELL (*Saint John-Albert*): In addition, Mr. Chairman, we have many others who have watching briefs from all parts of the country, and I would think, regardless of the past history of this business of sitting while the house is in session, that it is one time that we could make a particular move to be unanimous on it. But, regardless of that, I so move, that we adopt the motion as outlined by the chairman.

The CHAIRMAN: Moved by Mr. Bell. Have I a seconder of that motion?

Mr. McPHILLIPS: I second the motion.

Mr. HOWARD: Mr. Chairman, might I add one thought here. I know the importance of this matter, the desire to be heard entertained by the people who are here as witnesses and the interest of those who are holding watching briefs in the proceedings. I also know the distances they have come. I wonder whether we might reach some compromise between the motion itself and the idea suggested by Mr. Chevrier, to the effect that we confine our request to sitting while the house is sitting only in so far as consideration of this particular bill is concerned, because of the circumstances surrounding it. I wonder if we could do that, rather than have a blanket request to cover us from now to the end of the session.

The CHAIRMAN: That seems all right, although would it not be possible to deal with those circumstances, when they arise? With regard to the next bill we have up, if we feel it is necessary, we would not have to bring in another motion. If not, we could rescind this.

Mr. HOWARD: I would rather do it as we go along. As I say, this request is for permission to sit while the house is sitting; it does not say we have to sit. Unless it was necessary in another bill I do not suppose any of us want to sit any longer than is necessary.

Mr. CHEVRIER: No; but it has been the experience that when you take the power it is used with reference to all of the matters that come up until they are determined.

Mr. BROWNE (*Vancouver-Kingsway*): It seems to me, Mr. Chairman, that the requirements of the sitting of the committee are going to have to be decided by the committee anyway, whether the power is there or not. If we decide to sit some time in the future, it would mean we would have to ask for the power to sit again, and I cannot see any sense in having to do it twice.

The CHAIRMAN: It is the committee which decides, not the chairman. We have a motion before us. What is your pleasure?

Mr. CHEVRIER: Mr. Chairman, could I make this additional suggestion? It has happened from time to time that as the committee has gone on with its work it has been felt that perhaps it would be necessary to sit while the house is sitting. Why do we not go on with the passage of the first motion and delay the passage of the second until we arrive at the time when the committee feels it is necessary. Then we will consider it? It may not be necessary to sit while the house is sitting.

The CHAIRMAN: Of course, none of us want to sit unless it is necessary; but in view of the number of witnesses who wish to appear in regard to this bill, and also the fact that the minister has to be away towards the end of

the week, I think probably we should deal with this question now so that it is looked after at the present time. As I say, gentlemen, we have a motion before us. What is your pleasure? All those in favour?

Motion agreed to, Mr. Chevrier opposing.

The CHAIRMAN: We now call Bill C-38, an act to make provision for the revision of certain class and commodity rates on freight traffic. On clause 1 of the bill I would like to introduce the minister who, I know, does not need any introduction.

Mr. FISHER: Mr. Chairman, before you continue I wish to make a special request to the committee with regard to a witness from Port Arthur and one from Fort William—in effect, from northwestern Ontario. As some of the members may be aware, it has been the pattern in the past whenever there have been any freight rate hearings, for eight provinces to have official representatives, and Ontario has never had any official representation.

This has been a cause of some concern in our particular area, and we tend to be a block that is outside the normal freight rate structure and the rest of Ontario and Quebec. For that reason, on only one hearing in recent years have we had a representation. Mr. Badanai, the member from Fort William, and I have arranged for two people to come here and give the views of the lakehead region.

The special consideration I am asking is that the committee approve of Mr. Badanai and I calling those people as witnesses. That will enable the committee, through its channels, to pay for the travelling expenses of these gentlemen. This is a special consideration and it is something that is not uncommon to committees; but I wanted to advance the point and ask for cooperation from the other members. I do it because I feel we definitely have a special situation in our particular region, both in the past and probably in the future. That is why I make this request. I would like to move that the committee allow the member for Port Arthur to call two witnesses before this committee.

Mr. DRYSDALE: Mr. Chairman, I wonder if Mr. Fisher could explain what testimony the witnesses will be giving and who the witnesses are, because we are, in a sense, setting a precedent.

We have two witnesses from British Columbia, and I am sure they would be interested in a similar consideration. I think the committee should know who these witnesses are and the type of evidence they will be giving.

Mr. FISHER: One is the chairman of the transportation committee, as I understand, of the northwestern Ontario chamber of commerce, and the other is a gentleman on that committee who has been specifically interested in the wood, pulp and paper industry. One is Mr. E. G. Charnock and the other is Mr. H. Styffe.

Mr. CHOWN: Are there any other witnesses from Ontario?

The CHAIRMAN: There is Mr. Magee from Ottawa; and Mr. Wallace from Toronto—the Canadian transport tariff bureau—has a watching brief. Is there anyone else?

Mr. BELL (*Saint John-Albert*): I think it would be a very dangerous precedent to start this. Although I sympathize with those who find themselves in a particular situation, I would think that the special interest that Mr. Fisher mentions could apply to anyone anywhere in Canada. I think we would be leaving ourselves open. I know we have one gentleman here from the maritimes who has a watching brief, or is following the proceedings. But I know even down there we have a difficult job getting agreement on our particular problems. And if the thing was opened up in the way suggested,

I think we would have 50,000 people up here desirous of making a case. Down there they always take advantage of a free trip.

Mr. FISHER: The basis for my request concerns this particular problem we have in our region. In all past hearings and probably in all future ones, our region has never had the support of the provincial authorities in regard to representation in any particular way at the hearings; that is why I asked. Mr. Bell says we may be setting a precedent. It is not usual at all for members of committees to ask for people who represent regional views. I would not want to rule out anyone else having this privilege. But, historically, we have never had representation at any hearings of any kind and both the member for Fort William and myself thought that this was a case where we could ask for the committee's support. If the committee is against it, they are against it; but I appeal to you. There is nothing partisan in this.

Mr. BELL (*Saint John-Albert*): Mr. Fisher, you have stated that you do not have provincial representation as such. Do you not think that that is a provincial matter? If we acceded to your request, we would be opening ourselves up to Ontario problems and would be recognizing a group within Ontario that Ontario has not recognized as having a special interest.

Mr. CHEVRIER: May I ask the chairman if there are many witnesses to be heard from the various provinces? Then I would like to know if it is not sometimes the practice to hear witnesses from various areas who want to make certain representations. The fact that we might decide to hear these two witnesses does not mean that we have to accept their recommendations. We may decide to throw them out. I do not think we can refuse to hear them, in accordance with the suggestion that has been made, now that they have been brought here from the Lakehead.

Hon. GEORGE H. HEES (*Minister of Transport*): It is a question of this committee's approving the expenses.

Mr. DRYSDALE: Under standing order 69 it states:

(1) No witness shall be summoned to attend before any committee of the house unless a certificate shall first have been filed with the chairman of such committee, by some member thereof, stating that the evidence to be obtained from such witness is, in his opinion, material and important.

And (2) states:

(2) The Clerk of the house is authorized to pay out of the contingent fund to witnesses so summoned a reasonable sum per diem during their travel and attendance, to be determined by Mr. Speaker, and a reasonable allowance for travelling expenses.

In commenting on that it does not appear from looking at it very quickly that it requires the support of the committee to summon a witness.

Mr. FISHER: I have filled in—

The CHAIRMAN: Mr. Fisher filled in the required certificates.

Mr. FISHER: And I wanted the approval of the committee for this, as it is a special case; otherwise, I would sooner let it go.

Mr. BALDWIN: If this is granted, Mr. Chairman, we may find we have many more witnesses who would like to come. I would suggest that we keep the question in mind and wait until the proceedings have been completed. Then at that time if the committee feels there should be some others brought in, we can come to a conclusion at that time. I think we would be on dangerous ground if we say at this time we are going to pay witnesses, especially when we do not know what their evidence is going to be.

Mr. CHOWN: I might say if the hon. member from Port Arthur will agree that the freight rate situation there is closely related to the freight situation throughout the province of Manitoba, the counsel representing Manitoba, who is here today, would be able to put forth your feelings. I concur with my friend and say that if we open up this committee to special representatives from every area, we could, say, suggest to Mr. Crouse, for example, that he could bring someone down from his own bailiwick to represent the fishing industry. We could go on ad infinitum. So I cannot go along with this suggestion, although I sympathize with him. Perhaps he could have his representation made through the distinguished counsel for the province of Manitoba.

Mr. FISHER: We have an area around 700 miles in depth and 500 miles in breadth, which gives us a regional position.

Mr. PAYNE: If we are going to go into this subject fully, I think there is much in what Mr. Fisher has said. I know in our part of the country it has not always been the case that British Columbia has been able to present a proper case. Up until now, they have not had an opportunity to bring their views before this committee. I think we should adopt a little broader view in this matter irrespective of the time factor involved, so that we can properly discharge the responsibilities asked of the committee at this time.

The CHAIRMAN: We have a motion by Mr. Fisher; we have not a seconder for that motion.

Mr. HOWARD: Yes you have, if you need one.

The CHAIRMAN: The motion has been seconded by Mr. Howard. All those in favour of the motion?

Mr. CHEVRIER: Before you put the motion, are we not estopped in view of the section, the rule, that was read a moment ago? If the certificate mentioned in the rule is before you, what alternative have you, other than to abide by this rule? The motion is not strictly before you in that case.

The CHAIRMAN: We have the certificates.

Mr. DRYSDALE: It boils down to this, that all a member has to do is to certify in respect of a witness that his evidence, in his opinion, is material and important. That ends the matter.

Mr. CHEVRIER: The motion is then superfluous.

Mr. DRYSDALE: There is nothing I can find in the rules that requires the approval of the committee on the summoning of witnesses.

Mr. CHOWN: What about the expenses?

Mr. CHEVRIER: If the Clerk says they are material witnesses, the expenses are covered.

Mr. BELL (*Saint John-Albert*): Who decides whether or not they are material?

Mr. DRYSDALE: A member.

Mr. CREAGHAN: I think you had better read the rule again.

Mr. DRYSDALE: It states:

(1) No witness shall be summoned to attend before any committee of the house unless a certificate shall first have been filed with the chairman of such committee, by some member thereof, stating that the evidence to be obtained from such witness is, in his opinion, material and important.

And (2):

(2) The Clerk of the house is authorized to pay out of the contingent fund to witnesses so summoned a reasonable sum per diem during their travel and attendance, to be determined by Mr. Speaker, and a reasonable allowance for travelling expenses.

Mr. BALDWIN: That rule does not say he must be summoned.

Mr. MACLEAN (*Winnipeg North Centre*): It is a prerequisite obligation to be met before a witness can be summoned; but the rule itself is not mandatory in the effect of compelling the witness' appearance before the committee. It is up to the wishes of the committee.

Mr. BELL (*Saint John-Albert*): That applies to expert witnesses who are called before committees, and the committee has to agree to summon them.

Mr. DRYSDALE: It does not say so.

The CHAIRMAN: Mr. Chevrier, in your experience in the past, did you ever have this situation arise?

Mr. CHEVRIER: Well, there have been so many meetings of the railways and shipping committee that I would not like to draw on my memory to say there have been such situations. But I would like to draw this to your attention. I think there is a distinction to be made between a witness whom a member of parliament desires to call as opposed to a witness whom the committee or someone else wants to bring forward. After all, I think it must be recognized that a member has certain privileges qua a member of the House of Commons which this rule, I believe, seeks to recognize. It strikes me the member has come within the four corners of the rule and for that reason the motion is not in order.

The CHAIRMAN: In view of the feeling that is held in regard to this motion, I would like to hold it in abeyance. I will discuss it with the Speaker of the house and will find out what is the proper procedure to follow. Is that all right?

Mr. FISHER: Yes.

The CHAIRMAN: I was in the process of introducing the Minister of Transport, who I suppose does not need any introduction, and the officials of the board of transport commissioners and the Department of Transport. Mr. Hees will introduce these officials.

Mr. HEES: Gentlemen, I want to say how pleased I am to see such a good turnout at this important meeting this morning. I see many members of the committee here and many people who have come from far distances to present their briefs. We are very interested in hearing these briefs and your point of view. We welcome you here.

I would like to introduce the gentlemen on my right who are the experts in this matter. On my immediate right is Mr. Kerr, the chief commissioner of the Board of Transport Commissioners; on his right, Mr. Scott, who is the director of economic policy of the Department of Transport; on his right is Commissioner Knowles of the Board of Transport Commissioners; and on his right is Mr. Kirk, the traffic expert who deals with tolls and tariffs on the Board of Transport Commissioners.

These gentlemen are here to answer your detailed and specific questions. They are the experts and as such I feel certain they will either be able to give answers to your questions or come as close as humanly possible to doing so.

Having said that I will turn the meeting back to you, Mr. Chairman, so that you may go ahead with your proceedings.

The CHAIRMAN: Thank you, Mr. Hees. Gentlemen, are there some questions you wish to ask these officials with the minister with regard to this Bill C-38? The meeting is open for questioning.

Mr. CHEVRIER: Mr. Kerr, may I ask you how much freight traffic in dollars and cents moves in a year over the railways in Canada?

Mr. ROD. KERR, Q.C. (*Chief Commissioner, Board of Transport Commissioners*): May I pass that question on to Mr. Knowles?

Mr. CHEVRIER: Yes.

Mr. L. J. KNOWLES (*Commissioner, Board of Transport Commissioners*): Approximately \$1 billion.

Mr. CHEVRIER: How much for the Canadian National and how much for the Canadian Pacific?

Mr. KNOWLES: I would say about 55 per cent Canadian National and about 45 per cent Canadian Pacific. Within a percentage or two that is about the way it runs.

Mr. CHEVRIER: How much of this is covered by exceptions to the judgment of the board of November 18 and, incidentally, to the bill we now have before us?

Mr. KNOWLES: That is shown in the board's judgment of November 17. I can quote you the figures. They were the estimated revenues for the year 1959 made by the Canadian National and Canadian Pacific.

Mr. CHEVRIER: What page?

Mr. KNOWLES: At page 29 of the boards judgment under Canadian National Railways, Canadian lines. I do not know whether or not you have a copy of it with you.

Mr. CHEVRIER: Yes, I have.

Mr. KNOWLES: Under column (c) you will find the total freight traffic revenue was \$495 million and—

Mr. CHEVRIER: You were going to finish your answer.

Mr. KNOWLES: Underneath that, there is an amount of \$3.1 million, which is usually dealt with under the freight rate increase. It covers switching movements, which are not usually shown but are on separate tickets. It also covers milk traffic handled on passenger cars. The first line shows the amount of money earned on Crowsnest pass rates. The amount is \$32.5 million. Now, the international, overhead, import-export and other related traffic amounts to \$137.2 million. Coal and coke is \$20 million; the amount for competitive rates is \$73.8 million, and for agreed charges, \$56.4 million. All other freight traffic is \$175.1 million. The "all other freight traffic" is what the railways consider to be normal traffic after deducting the other items.

Mr. CHEVRIER: How much of this traffic moves on class and commodity rates?

Mr. KNOWLES: On class rates, about 10 per cent.

Mr. FISHER: That is 10 per cent of value?

Mr. KNOWLES: Yes, by value; not by tons.

Mr. CHEVRIER: That is 10 per cent of the \$495 million you mentioned earlier, for the C.N.R.?

Mr. KNOWLES: That is right. You have not got the figures for the C.P.R. yet. I was going to quote them from the next section.

Mr. CHEVRIER: Am I correct in my assumption with regard to the question asked by Mr. Fisher, that the traffic moving on class rates is 10 per cent of \$495 million for the C.N.R.?

Mr. KNOWLES: That is right. The percentage has been going down. It has gone down from 19.6 per cent in 1949 to 9.3 per cent—or roughly about 10 per cent—for the last figures that I have for 1957. It is not shown in the board's—

Mr. CHEVRIER: How much is it for commodity rates?

Mr. KNOWLES: Commodity rates, 41.3 per cent is the last figure I have.

Mr. CHEVRIER: That is for both railways?

Mr. KNOWLES: That is for both railways.

Mr. CHEVRIER: Can you tell us, Mr. Knowles, how much traffic, in dollars and cents, moves over the railways of Canada on class and commodity rates?

Mr. KNOWLES: In dollars?

Mr. CHEVRIER: Yes—and cents.

Mr. KNOWLES: If you are talking about normal traffic, the total, including the Canada Steamship Lines and one or two small water carriers whose rates are related to the railroads, the amount is \$348,300,000. 384.3 million dollars moves at the normal class and commodity rates.

Mr. CHEVRIER: Out of a total of one billion, and how much.

Mr. KNOWLES: I would say, roughly about a billion dollars.

Mr. CHEVRIER: That is all I have for the time being.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, may I ask Mr. Knowles a question? Are you, in a position, or will you be in a position later, to provide any estimates at all on regional breakdowns of those figures?

Mr. KNOWLES: Yes, I can give you those figures by the three regions. On the western region—

Mr. HEES: Could you define the regions?

Mr. KNOWLES: The western region is west of Port Arthur through to Vancouver and Prince Rupert.

Mr. CHEVRIER: I am sorry, I did not hear that.

Mr. KNOWLES: The western region is west of Port Arthur, to and including the Pacific coast. Based on the board's waybill analysis of this normal traffic, 56.7 per cent moves on the western region. On the central region—that is Ontario and Quebec—it is 26.5 per cent. The maritime regions, 16.8 per cent.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chairman, I wonder if I could ask a question with regard to these class rates? Are these the same rates that are referred to in the Turgeon report as "Standard mileage class rates"?

Mr. KNOWLES: No, they are not. The standard mileage rates have been wiped out. They only handled half of one per cent of the tonnage. They were ceiling rates that the railways could not go above, but they did not mean anything because there were so many lower rates. But as a result of the Turgeon commission report, the standard mileage rates and what we call the town tariff rates—towns that had special rates on their own because they had a large amount of business—all classes of class rates were all combined into one rate structure, which was made effective on March 1, 1955, and is uniform all over Canada west of the city of Levis.

The maritimes were exempted from that provision specifically by section 336 of the Railway Act.

Mr. BELL (*Saint John-Albert*): May I ask this question, Mr. Chairman? With regard to the regional figures that you just gave—the percentage of general freight traffic for the regions—do you have a breakdown of class and commodity rates?

Mr. KNOWLES: This is the breakdown of class and commodity rates. Perhaps I did not make that clear. This is not the breakdown of the total traffic; it is the breakdown of these rates with which we are dealing under this bill.

Mr. FISHER: Mr. Chairman, could Mr. Knowles explain the waybill analysis sample?

Mr. KNOWLES: Could I explain it?

Mr. FISHER: Yes. In other words, these are estimated figures, are they not, rather than actual figures?

Mr. KNOWLES: No, they are not estimated; they are actual; because we require the railways to send to the board one per cent of every waybill that is issued, and they have to specify on those waybills whether the traffic moves on a competitive rate, class rate, commodity rate, an agreed charge, or anything else. We take those and analyse them each year. They run from 20,000 to 25,000 waybills. That is a one per cent sample.

We segregate them by regions, we segregate them by commodities, we segregate them by length of haul, and every possible manner in which you could extract the information.

I have one copy of our waybill analysis here, if it is of any use to the committee. There is a copy, Mr. Fisher, if you wish to make use of it. I will bring some more to the next meeting, if you wish.

Mr. FISHER: The point I was interested in establishing was this. Your sample is one per cent, and you arrive at these conclusions, from a one per cent sample, which I imagine you project with statistical accuracy?

Mr. KNOWLES: Yes. We have done this now for about six or seven years, and the samples are remarkably consistent. There is no great variation in the traffic each year, except for certain classes which are slowly declining, particularly the class rates, because those are the highest rates.

Mr. FISHER: Could we take it that if the western region has 56 per cent of the class commodity rate income, at 56 per cent, it is \$348 million; and that breaks down to what—about \$170 million?

Mr. KNOWLES: I have not got the figures, Mr. Fisher. But by taking the percentages of this \$348 million you can easily ascertain what the percentages are.

Mr. CHEVRIER: How many samples of the waybill analysis did you take?

Mr. KNOWLES: We took one per cent.

Mr. CHEVRIER: What was it in numbers—was it 25,000, or 50,000?

Mr. KNOWLES: It runs from 20,000 to 25,000.

Mr. CHEVRIER: And in that manner you have been able to ascertain how traffic moves from one end of the country to the other.

Mr. KNOWLES: Yes. For the first time it gives us a real insight as to how the traffic was moving, where it originates, where it goes, how far it is hauled and the revenue on it. We work out the revenue per ton mile for all these commodities of the class rates. We are doing what the Interstate Commerce Commission does in the United States. They have a one per cent sample. It is subject to some infirmities in respect to this, that you might get a carload one day and not the next, or the next week.

Mr. CHEVRIER: This analysis was of great assistance to the board?

Mr. KNOWLES: Absolutely.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, may I just ask one question? Are there any figures of traffic in and traffic out, separate from these, for the regions? The figures you have given are general traffic figures; but do you have any separate breakdown of the traffic in or the traffic out of a region?

Mr. KNOWLES: No, we do not keep it that way.

Mr. BELL (*Saint John-Albert*): It would not be possible?

Mr. KNOWLES: We do not keep it that way, nor do the railways. But I understand the D.B.S. have a carload statement which shows the traffic originating in one province and the other provinces that it went to. But I

would not help you very much, because there is a great deal of duplication in it. That is because a car that leaves Ontario is shown as leaving Ontario and it is shown as being received in British Columbia, or wherever it went to, and there are no figures of the weights or the charges or anything else in those figures.

It is extremely difficult to get anything like that. We have never found any necessity for doing it.

Mr. FISHER: Mr. Chairman, has Mr. Knowles any figures on the lake and rail traffic west?

Mr. KNOWLES: We have them, Mr. Fisher, but we recently had a case dealing with the lake and rail rates. We investigated them thoroughly, and there is a report of the board in connection with it. The figures of the steamship lines are not ordinarily available. There has been no requirement for them to file their statements with the board. But we did get a certain amount of confidential information as to the amount of earnings of the steamship lines, and that is only part of the revenue.

We have not the total revenue from origin to destination. We have simply the revenue that they earned on this traffic. I do not know just what information you want in connection with it. I will give it to you in one Amount—

Mr. FISHER: I want an explanation, and I do not know whether it is relevant to this particular legislation; but it may be, and I should like to know. There is a differential between the all-rail traffic to the west and the rail-lake traffic?

Mr. KNOWLES: That is right.

Mr. FISHER: Am I correct in assuming that the differential is on the basis of water traffic being slower than all-rail traffic, and therefore the differential makes the water rates lower than the rail rates?

Mr. KNOWLES: It was based on two factors originally. It was based on the slowness in transit and, secondly, the lower cost of water transportation very many years ago. But you will probably be surprised to know that the cost of water transportation for package freight is just as high, or higher, than if it were carried by rail.

Mr. FISHER: This, to me, is going to be a key point in so far as this subsidy is going to apply. It is one of the important points that I want to find out about in this investigation. If this subsidy is not going to apply to differential rates existing between all-rail traffic and water traffic, the package traffic we have on the lakes is going to be in an invidious position?

Mr. KNOWLES: No. The bill as drawn provides for a subsidy for the lake and rail rates between eastern and western Canada.

Mr. DRYSDALE: I am interested, Mr. Knowles, in knowing what companies other than the C.N.R. and C.P.R. are covered by bill C.38 and are entitled to the increase.

Mr. KNOWLES: The Northwest Steamships, which operate from the western part of Ontario around Windsor to the head of the lakes—

Mr. DRYSDALE: I am interested in knowing the railway companies.

Mr. KNOWLES: You want to know the steamship lines that operate in connection with these lake and rail routes?

Mr. DRYSDALE: No; I just want to know what companies are covered by this increase. At page 2207 of *Hansard* the minister stated, when he gave his initial review of the bill, "The companies that are subject to order No. 96300, and thereby come within the scope of this legislation, are principally

the Canadian National Railways, the Canadian Pacific Railway Company and its leased lines, and a number of smaller railway companies which are member lines of the railways association of Canada"—

I would be interested in having the names of those companies, and I am particularly interested, coming from British Columbia in knowing whether or not the P.G.E. is within that list.

Mr. KNOWLES: The Pacific Great Eastern did not apply to the board for permission to increase its rates, because they are not under the jurisdiction of the board.

Mr. DRYSDALE: I appreciate the jurisdiction problem, but they are a member of the Railway Association of Canada, are they not?

Mr. KNOWLES: That is right. But the Railway Association specified the carriers that it was acting for, and this is a copy of the application. If you like, I will read them off.

Mr. DRYSDALE: I should like to have a list.

Mr. KNOWLES: The Algoma Central and Hudson Bay Railway, Canadian National, Canadian Pacific and its leased line, (which consist of the Dominion-Atlantic Railway, Quebec Central Railway, Esquimalt and Nanaimo Railway) the Midland Railway Company of Manitoba, the Northern Alberta Railway, the Ontario Northland Railway.

I want to say there, that is only the line from Swastika to Rouyn which is under the jurisdiction of the board. All the rest is not under the jurisdiction of the board; it is a provincially chartered line. Then there is the Toronto, Hamilton and Buffalo Railway.

There are several United States railways which operate in Canada and which joined in the application. They are the Great Northern Railway Company, the Michigan Central Railroad, the New York Central System, the Chesapeake and Ohio Railway Company (northern region) and the Wabash Railroad Company.

Then there are two small lines which join, the Canada and Gulf Terminal Railway and the Napierville Junction Railway. There are three or four small lines omitted from there which did not join in this application. The Sydney and Louisburg Railway is one; the Pacific Great Eastern is another. I think there are one or two more, but I cannot recall them at the moment.

Mr. DRYSDALE: I realized the jurisdictional problem before I raised the question; but is it not possible for a railway such as the Pacific Great Eastern to come under, shall we say, the benefits and detriments of the Board of Transport Commissioners? In other words, the P.G.E. is conforming with the other railways as far as the rate increases are concerned. As far as the 17 per cent is concerned, does that mean they do not get any benefit under this act?

In other words, they are left up at the 17 per cent, whereas the C.N.R. and C.P.R. are entitled to get this 17 per cent, also, and some of the smaller lines.

Mr. KNOWLES: That was a government decision, to apply that reduction only to those railways who applied for the increase and had received the increase of 17 per cent.

Mr. DRYSDALE: Could the P.G.E. on a future occasion apply and come under the jurisdiction of the board?

Mr. KNOWLES: No, not unless parliament passes a bill. Not until they say it is to the general advantage of Canada, which would automatically bring it under the jurisdiction of the board.

Mr. CHEVRIER: Who fixes the rates for the P.G.E. now?

Mr. KNOWLES: They fix them themselves.

Mr. DRYSDALE: But in conformity with the Board of Transport Commissioners?

Mr. KNOWLES: Not exactly. They had quite a different scale at one time; but I think they have brought their rates pretty well in line with the Canadian National and the Canadian Pacific rates during the past few years.

Mr. BROWNE (*Vancouver-Kingsway*): I believe they do implement the Crowsnest pass rates, just the same as the other railroads.

Mr. KNOWLES: No, they do not.

Mr. BROWNE (*Vancouver-Kingsway*): My information is that they do.

Mr. KNOWLES: I do not think so. They do not joint in the Crowsnest pass rate.

Mr. BROWNE (*Vancouver-Kingsway*): My understanding from officials of that railroad is that they do.

Mr. KNOWLES: Unless that was recently, when they got it connected up at Dawson Creek.

Mr. BROWNE (*Vancouver-Kingsway*): My understanding of this bill is that it is to subsidize the shipper, and in this particular case it would depend on what railroad the shipper is using as to whether or not he is going to be covered by this subsidy.

Mr. KNOWLES: That is something I cannot answer. The board is given directives by the government. That is a matter of government policy, as I understand it. The Minister of Transport could perhaps answer a question of that kind, as to why it does not apply to the Pacific Great Eastern Railway.

Mr. BROWNE (*Vancouver-Kingsway*): Yes. And there is one other line in British Columbia in which I am interested. I was under the impression it was a leased line of the C.P.R. The line I am interested in is the Vancouver-Lulu island line.

Mr. KNOWLES: I understand they have leased that line, yes.

Mr. A. S. KIRK (*Director of Traffic, Board of Transport Commissioners*): That is now C.P.R.

Mr. BROWNE (*Vancouver-Kingsway*): They carry on their own operation; they do not operate from the headquarters of the C.P.R.?

Mr. KNOWLES: That is part of the C.P.R. They have increased their rates and they will get the reduction—although they are not shown here in the application.

Mr. DRYSDALE: You mentioned the route from Swastika to Rouyn, the Ontario Northland Railway. How did they come under this?

Mr. KNOWLES: As soon as any provincial railway crosses a provincial boundary, it automatically comes under the Railway Act. They have a separate corporation for the Nipissing Central Railway.

Mr. CHEVRIER: Is there nothing the P.G.E. can do to come within the purview of the Board of Transport Commissioners and therefore under the operation of this subsidy?

Mr. KNOWLES: No, they cannot put jurisdiction on us. All they can do is ask parliament to pass a bill saying their work is for the general advantage of Canada, and there are lot of considerations involved in that.

Mr. CHEVRIER: Then how does the Ontario Northland Railway come within the jurisdiction of the board, other than that part from Swastika to Rouyn?

Mr. KNOWLES: It is not under our jurisdiction.

Mr. CHEVRIER: I understood it was, for the fixation of rates.

Mr. KNOWLES: The only operation under the jurisdiction of the board is local traffic from Swastika to Rouyn. We have no jurisdiction from North Bay to Cochrane.

Mr. SMITH (*Lincoln*): Mr. Chairman, I should like to ask one or two questions in connection with the shipment of fruit and vegetables from the United States, which is big business. With regard to shipping fruit from Georgia to Winnipeg or Montreal, for instance, when it crosses the border at, say, Niagara Falls, will it be subject to the same freight rates and the same cost as Canadian goods being shipped, say, by the Niagara peninsula?

Mr. KNOWLES: Generally speaking, with fruit there are through rates between the southern states and points in Canada. They are not subject to the local rates at all when they get to Niagara Falls, unless there happens to be no through rates, in which case you would have to pay the combination of the United States rate up to the border and the Canadian rate after that. But, generally speaking, there are through rates which are arranged between the Canadian lines and the United States lines; and generally they are on the basis of the United States rates, because the United States lines, in order to avoid charges of discrimination, will not join in rates between their territory and Mexico and Canada unless they are on the basis of the American rate or a little higher. They cannot have them lower.

Mr. SMITH (*Lincoln*): I understand that the United States government subsidizes fruit and vegetables that are being exported out of the country. That would mean—I take it from your remarks—that American fruit could be shipped from, say, Niagara Falls to Montreal more cheaply than Canadian fruit could be shipped to Montreal?

Mr. KNOWLES: No, I would not say that. I would not say that without taking out the tariffs and going into quite an investigation of that.

Mr. SMITH (*Lincoln*): Would it be possible to get something a little more definite?

Mr. KNOWLES: I am afraid not.

Mr. SMITH (*Lincoln*): Because I am inclined to believe that there is a preferred rate which American shipments enjoy that Canadian shipments do not, and I have not been able to get clarification on that yet?

Mr. KNOWLES: If it is subsidized, there is nothing the Transport Board can do about it.

Mr. SMITH (*Lincoln*): So it is quite permissible for American railroads to subsidize their exports after they reach the Canadian border, going to any point in Canada?

Mr. KNOWLES: I am not familiar with that situation. That is one question I cannot answer.

Mr. CHEVRIER: Mr. Chairman, may I come back to a question which I asked originally? It has been stated that this subsidy is going to the long-haul provinces; but it is also a fact, is it not, that the benefit of it will go to the short-haul provinces?

Mr. KNOWLES: It goes to everybody who sustains the 17 per cent increase on the normal rates. We tried to work out schemes that would put it on the long haul and not on the short haul, and I found it could not be done.

Mr. CHEVRIER: Have you a division of the class and commodity rates as it affects the long and short haul provinces; in other words, what I am trying to find out is how much traffic moves on class and commodity rates in the long haul provinces as opposed to class and commodity rates in the short haul provinces.

Mr. KNOWLES: I compiled a few figures, Mr. Chevrier; I hope I have them here.

Mr. BELL (*Saint John-Albert*): At the same time could we have some definition of a short haul and a long haul?

Mr. CHEVRIER: I was going to ask that; I have that noted under my list of questions here.

Mr. DRYSDALE: It would also be appreciated, Mr. Chairman, if a definition could be given for class rates, commodity rates and competitive rates as used in this particular order.

Mr. KNOWLES: We have a document which explains that very briefly. Although I do not have it with me, we could file it later on.

Mr. CHEVRIER: I am willing to leave it at that. I could go on with a few other questions.

Mr. KNOWLES: I was speaking to this gentleman, Mr. Chevrier.

Mr. CHEVRIER: I beg your pardon.

Mr. KNOWLES: I had the waybill study for 1957. I had the cards run off through the calculating machine for the purpose of telling me how much traffic moved at different mileages. I think this will perhaps give you the figures you wish. Up to 500 miles there was \$1,234,000 moved out of a rough total of \$3 million. From 500 miles to 1,000 miles it was \$732,000; from 1,000 to 1,500 miles it was \$456,000; from 1,500 to 2,000 miles it was \$194,000; from 2,000 to 2,500 miles it was \$266,000; 2,500 miles to 3,000 miles, \$75,000; and over 3,000 miles it was \$8,000. Now, a percentage could be worked out from that.

Mr. CHEVRIER: Well, in the mileage block, from 0 to 249, how were the class and commodity rates distributed?

Mr. KNOWLES: I do not get your point, Mr. Chevrier.

Mr. CHEVRIER: I understand there are ten blocks, and you have proceeded to give me some figures for some of them; but I would like to get them all for the ten blocks or the nine blocks.

Mr. KNOWLES: I have not the figures here. I just had it in 500-mile blocks.

Mr. CHEVRIER: Would you get them for me, as you have given them for five or six blocks? Would you get the figures for the nine blocks, that is 0-249, 250-499, 500-749, 750-999, 1000-1499, 1500-1999, 2000-2499, and right down to 4000 or 4500, whatever is the last block. Could you get the amount of class and commodity rates that move to those various blocks?

Mr. KNOWLES: It would take quite a while to get that information. I would say it would take a few days. We can get it by running these cards through again and setting the machines to take off the totals at each mileage block. I suppose the class rate mileage blocks would suit you.

Mr. CHEVRIER: Yes. I am trying to find out how much of this benefit or subsidy is going to go to the long haul as opposed to the short haul provinces, and I think the best thing is to divide them up into the nine blocks.

Mr. KNOWLES: It all depends what you would call long haul and what you would call short haul.

Mr. CHEVRIER: That brings us to the question: what is the definition of a long haul?

Mr. KNOWLES: I could not tell you; it all depends on the provinces and the territory. If we are talking about Canada, I would say a short haul is 500 or even 1,000 miles; and it goes up to 4,250 miles, which is the distance from St. John's, Newfoundland to Prince Rupert.

Mr. CHEVRIER: Who determines whether the haul is long or short?

Mr. KNOWLES: No one has ever determined that.

Mr. FISHER: Are the terms long haul and short haul a factor in any of your rates?

Mr. KNOWLES: No; every rate beyond five miles starts to taper off until you get up to 4,500 miles. It depends what province you are in whether you have 100 miles or 1,000 miles. For example, the longest haul in Prince Edward Island would only be 100 or 150 miles and a short haul would be 10, 20 or 30 miles. It has no relationship to Ontario or Quebec, or from the east to the west.

Mr. CHEVRIER: I think the committee would be interested in knowing who is going to get the benefit of this subsidy of 7 per cent; is it going to be the short haul provinces as well as the long haul provinces?

Mr. KNOWLES: Oh, yes.

Mr. CHEVRIER: And how much will the short haul provinces receive as opposed to the long haul provinces?

Mr. KNOWLES: I cannot give it to you by provinces because there are no statistics kept.

Mr. CHEVRIER: Have you a plan?

Mr. KNOWLES: So far as the three regions are concerned, I have given you the information already.

Mr. CHEVRIER: I know, but I am not satisfied that the information is sufficient. I would like to receive it with reference to these blocks, because that breaks down in further detail the effect of the class and commodity rates within these three regions that you mentioned.

Mr. KNOWLES: The Department of Transport handles this matter and they have punched a card for every waybill; so there is 20,000 to 25,000 cards to be run through. The machines would have to be set to trip at each ten miles. I do not think we can trip it at five miles; it is not made that way. However, for every ten miles, I think we can give you a figure of the earnings under this \$3 million to show you at what mileages the money was earned. However, Mr. Scott, who supervises these things, advises me it will take a few days to get the cards set up and the information run off.

Mr. CHEVRIER: Well, could we have it? It does not matter if it is not completed before the committee's sittings are completed. As long as it is made part of the record, I am satisfied. It could be annexed to the evidence.

Mr. FISHER: Is this subsidy application as simple as this: the western region has 56 per cent of the class and commodity traffic at the present time. That is the latest analysis you have. Do I understand that 56 per cent of the class and commodity traffic would get approximately 56 per cent of the subsidy?

Mr. KNOWLES: That is right.

Mr. FISHER: It is as simple as that?

Mr. KNOWLES: It is as simple as that.

Mr. CHEVRIER: It does not work out that way.

Mr. FISHER: Could you go on from there and give us an explanation of how the application is going to be determined?

Mr. KNOWLES: Do you mean how the rates are going to be reduced?

Mr. FISHER: Yes?

Mr. KNOWLES: It is extremely simple. There is a master tariff in effect which sets out columns (a) and (b); the rate is \$1 in column (a) and \$1.17 in column (b). Every tariff subject to the 17 per cent is referenced by a connecting link supplement to that master tariff. All the railways will have to do is

reissue that master tariff and where it says \$1 in column (a) it will be \$1.10 in column (b). They will have to issue new connecting link supplements. No, I am sorry, they will not need that because it applies to whatever rate in the master tariff—

Mr. FISHER: This is not going to be applied at all in the way the bridge subsidy is applied.

Mr. KNOWLES: No. It will require the railways to make just as many calculations and submit as many bills; but the work of the bridge subsidy was different from this.

Mr. FISHER: In essence, it is a restrictive sort of thing. It goes back for a year; but with this you are going to start with a clean slate. You are going to have your \$1.17 and then your reduction, and that is going to be the rate on all this class and commodity traffic.

Mr. KNOWLES: Yes.

Mr. TUCKER: I would like to know whether the summer rates published by the Canadian National Railways on movements, say from Toronto to St. John's, Newfoundland, will be eligible for subsidy.

Mr. KNOWLES: It will come under the subsidy if it is a normal rate. If it is a normal rate, it will apply through from Montreal, Toronto, Windsor, Vancouver to St. John's, Newfoundland.

Mr. BROWNE (*Vancouver-Kingsway*): One of the things that was pointed out in the Turgeon royal commission's report was that when there were horizontal freight increases it had a great deal more effect on the long haul shippers than on the short haul ones, because the existing relationships were disturbed. Because of his cost the amount of a long haul shipper into a market was increased more than a short haul shipper. It was said there should be more of a tapering of rates there. Has any consideration been given in the application of this subsidy to apply it on a greater scale to the long haul rates, or is everyone going to get exactly the same?

Mr. KNOWLES: I tried to work it out, but it cannot be done. We were getting into so many complications that we would have the freight tariffs so tied up no one would be able to read them.

Mr. BROWNE (*Vancouver-Kingsway*): Supposing the 17 per cent increase has not been taken, say for competitive reasons, marketing competition, competition not only with other firms but the market competition, and for that reason the railroad only decided to take 10, 12 or 15 per cent, or in an extreme case 16 per cent, and subsequently they only increased them 15 or 16 per cent, they would not then get anything under this.

Mr. KNOWLES: The railways do not change their rates that way. When we authorize them to put in the 17 per cent they file this matter tariff with the 17 per cent and all the normal traffic tariffs have a connecting link supplement to the tariff, and everything goes up 17 per cent. It may be that later on the railways would find out they cannot get the traffic with the 17 per cent, and they would reduce the rates. We consider those are competitive rates.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, if they took the 17 per cent and got their 7 per cent subsidy—we will assume it is 7 per cent—then they found that competition had developed at that time and they had to reduce it lower, what would happen then; would the 7 per cent still be applied?

Mr. KNOWLES: It would be applied to the normal rate; the normal rate will take the 7 per cent reduction.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, it would become a competitive rate and still be getting a subsidy?

Mr. KNOWLES: No, they will not get a subsidy under any competitive tariff.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, the 7 per cent would be taken off on that particular item?

Mr. CHEVRIER: They will not get it.

Mr. BROWNE (*Vancouver-Kingsway*): They have increased it 17 per cent and have got their 7 per cent; subsequently they find competition develops and that rate is no longer satisfactory because they are not getting the business and they have to reduce that by another 5 per cent. What is going to happen then? Are they still going to continue to draw the 7 per cent subsidy?

Mr. KNOWLES: No, they can only submit bills for shipments that were increased originally 17 per cent and were reduced to 10 per cent.

Mr. CHEVRIER: Was not that whole problem determined by November 18, 1958, I am talking about the judgment now. Is not that the governing date in so far as the 17 per cent increase is concerned?

Mr. KNOWLES: That is right. This bill simply says, "where the board authorized in that order".

Mr. CHEVRIER: And if the railroads did not take the benefit of the 17 per cent increase from the time that judgment came into effect and the time the subsidy comes into effect, then the subsidy does not apply.

Mr. KNOWLES: That is quite correct.

Mr. CHEVRIER: I now go back to my original question where you were saying how simple this was. I respectfully disagree with you, because there are many rates filed by the railways that do not benefit by the 17 per cent increase because the traffic would not have moved had they increased them to the full 17 per cent. They may have only increased it 3 per cent.

Mr. KNOWLES: This would be for the category of competitive rates.

Mr. CHEVRIER: And they would not get the benefit of the subsidy.

Mr. KNOWLES: That is right.

Mr. CHEVRIER: There must be many of those.

Mr. KNOWLES: I have no doubt there are, but as I understand it this is a bill to help the fellow who is paid the full 17 per cent increase and nothing else.

Mr. CHEVRIER: Well, it is to help the fellows themselves to help the railroads who incur—

Mr. HEES: This is to help the shipper; the consumer, really.

Mr. CHEVRIER: Just a moment. I have been through this long before you have. I say this with deference now. It is to help the shipper but also to help the railroads because the railroads are in a pretty serious position at the present time. I do not think there is any doubt that the railroads position from the point of view of moving traffic is more serious now than at any other time. Is that a fair way of putting it?

Mr. KNOWLES: Well, I can see your point, that the railroads will get some benefit from it. They will not have to maintain such high rates because the government is paying 7 per cent of the cost of hauling the traffic.

Mr. CHEVRIER: May I go back to this simple order which seems to be so clear in the minds of the public. I do not know that it is. Perhaps it is not clear in my mind; but if it is not you might be able to help me. If it is a fact that there are thousands of rates that have not benefited by the 17 per cent increase because it was impossible to raise them that amount, is it then going to be as simple as you say to apply the effect to the subsidy on these rates?

Mr. KNOWLES: Yes, because the tariffs showing these lower rates are not cross-referenced to the master tariff.

Mr. CREAGHAN: Could I ask a question, Mr. Chairman. My understanding of this legislation is that the \$20 million could only be used to subsidize freight

that was non-competitive shipments in class or commodity and that they had to be on a schedule before November 17, as such, to be eligible for the subsidy. In other words, there is a small subsidy going into central Canada, or the central region of Ontario and Quebec because of the fact very little of the shipment within these provinces is non-competitive. Is that a correct assumption?

Mr. KNOWLES: Well, I gave the figures a while ago, that the central region would have 26½ per cent of this subsidy because there are a lot of normal rates in Ontario and Quebec and it is a mistake to assume that every rate in Ontario and Quebec is a competitive rate.

Mr. CREAGHAN: I do not assume it. I am suggesting the majority of the rates in Ontario and Quebec are not non-competitive; that means there are no competitive agreed charges or—

Mr. KNOWLES: There is still 26½ per cent of the traffic in Ontario and Quebec which takes the full 17 per cent increase.

Mr. CREAGHAN: I thought you were going to say "only 26½ per cent".

Mr. FISHER: I thought that 26½ per cent was the value.

Mr. CHEVRIER: It is the percentage of the total traffic, is it not?

Mr. KNOWLES: The percentage of the total normal traffic.

Mr. HEES: Of Canada.

Mr. CHEVRIER: May I follow up the last question asked by the member? How are the class and commodity rates divided between the three regions that you have mentioned, western, central and maritime? How are they divided?

Mr. KNOWLES: They are not divided at all.

Mr. CHEVRIER: How are they distributed?

Mr. KNOWLES: If a car passed from St. John's, Newfoundland, to Vancouver over the three regions, there is no division. There is no necessity for making it. This is for traffic that originates in these regions.

Mr. CHEVRIER: Well, if you cannot break it down, is it possible to say then how the rates are distributed other than the three percentages which you have given.

Mr. KNOWLES: I think one would offset the other—originating in one region and going into another. There is a lot of interchange between the three regions.

Mr. CHEVRIER: May I put it this way; it is not the length of the haul that determines the application of this subsidy?

Mr. KNOWLES: No, you can get a subsidy on a five-mile haul, if it was increased 17 per cent.

Mr. CHEVRIER: If that is the answer, this is the kind of rate that the shipper is using.

Mr. KNOWLES: Yes.

Mr. CHEVRIER: It is the kind of rate that the shipper is using that is going to determine the application of this subsidy to him.

Mr. KNOWLES: That is correct.

Mr. CHEVRIER: Now, you cannot tell me how that kind of rate is distributed?

Mr. KNOWLES: Only to the extent that I have done here in these percentages.

Mr. CHEVRIER: Well now, can you give us the percentage? I suppose we could work them out ourselves. Could you give us those percentages in dollars and cents?

Mr. KNOWLES: It would be a simple matter of calculation, western Canada 56.7 per cent of \$348,300,000. Apply those percentages to that figure and you will find out what traffic is originating in each region.

Mr. CHEVRIER: I was trying to get you to do that for me.

Mr. SMITH (*Lincoln*): I will be as brief as possible. I asked two questions and received a good reply to the first one. The second question was this: can and does the American government subsidize American fruit and vegetables, that is the freight rates on them, when it is crossing Canadian rail-railways?

Mr. KNOWLES: I do not know.

Mr. SMITH (*Lincoln*): Then leave my question on the minutes and prepare an answer for it.

Mr. KNOWLES: I do not know anything about subsidies on the American railways or on the fruit itself.

Mr. SMITH (*Lincoln*): It is information which I would like to obtain. If you cannot supply me with this information, I will get it somewhere else.

Mr. KNOWLES: I think you are talking about the fruit itself.

Mr. SMITH (*Lincoln*): No, the freight rate subsidy.

Mr. KNOWLES: I do not know anything about it.

The CHAIRMAN: We will endeavour to get that answer for you, Mr. Smith.

Mr. KNOWLES: We will endeavour to obtain it from the Interstate Commerce Commission.

Mr. SMITH (*Lincoln*): During the off-season we are not concerned, but when our fruit is in season it amounts to quite a problem.

Mr. KNOWLES: This is something of which I am not aware. We have \$20 million that is going to be spent in one year. Could you trace through that money from its origin in the Department of Finance until it is paid and just tell us how the whole thing is done? Where is this \$20 million fund going to? Is it going to be paid out by the Board of Transport Commissioners?

Mr. HEES: It will be paid by the Department of Finance to the railways, as I understand it, on information they receive from the Board of Transport Commissioners indicating that railways and water carriers have reduced their freight rates by a certain amount.

Mr. FISHER: Well, this round figure of \$20 million is perhaps bothering me. But is it not a 7 per cent decrease based upon an estimate of the past year?

Mr. HEES: Yes.

Mr. FISHER: You have another year that you cannot analyze statistically. How are you going to equate the difference? Is it not possible that the railways might be entitled because of traffic increases, to 21 or 22 per cent? How can you get the ceiling?

Mr. HEES: This will be worked out as the year goes along. My statement has always been that it will be reduced by approximately 7 per cent. There is \$20 million to spend, and as the railways proceed during the year reducing their freight rates, according to the instructions contained in this bill they will be reimbursed by the Department of Finance. We will try to get the thing to come out even at the end of the year. It will be quite a job.

Mr. FISHER: We are talking about coming out of the recession. If carloads increase, it is quite possible that this whole thing may change drastically and the railways might have to issue new rates within the year?

Mr. HEES: That is right. We will be entitled, when the bill passes—if, as and when the bill passes—to pay out \$20 million. If there is a great increase in traffic, then the reduction might not be possible by a full 7 per cent. It might be less than that.

Mr. FISHER: On the other hand, as you move towards the end of the year, if traffic slumps—

Mr. HEES: Then it will be more. We will pay out \$20 million in a twelve-months period.

Mr. FISHER: Those payments will start almost immediately the bill is passed; is that correct?

Mr. HEES: Yes.

Mr. FISHER: So by the end of the year the \$20 million will be exhausted?

Mr. HEES: It will.

Mr. FISHER: There is one other question, Mr. Chairman. We are providing here just for an interim period of one year?

Mr. HEES: That is right.

Mr. FISHER: Is it fair to ask you this question, Mr. Minister? If we do not have a new enunciation of policy by parliament with regard to freight rates at the end of that period, is it quite possible that this legislation may have to be extended?

Mr. HEES: If a report is not down within a year, or if it becomes obvious that it will not be down within a year, then the government will have to give very serious consideration to what course of action it will follow.

Mr. DRYSDALE: I am interested in this matter of order No. 96300 coming into effect on November 17, and this matter of there being a full 17 per cent.

Supposing that in the interval between November 17 and 1958 the first situation develops that the railways decide to reduce it to 10 per cent or 5 per cent. Is there anything prescribed which would make them raise it back to 17 per cent during that interval?

Secondly, with order No. 96300 being, as I understand it, permissive, if the railway did not add the 17 per cent on a particular item, can it now right up to the date of the coming into effect of this act, for example—hearing the good word—suddenly rush out and raise their rates to 17 per cent in order to come within the subsidy? And if not, why not?

Mr. KNOWLES: The answer to that is that the order of the board is permissive. If they have not taken the increase up to now, I see nothing to prevent their taking it.

Mr. DRYSDALE: And coming within the act?

Mr. KNOWLES: And coming within the act.

Mr. DRYSDALE: And that would apply to reducing one down to, say, 10 per cent and then raising it up to the 17 per cent?

Mr. KNOWLES: Yes. It might give the shippers some benefit—

Mr. DRYSDALE: But the only qualification is to get it up to the 17 per cent before the act is passed?

Mr. KNOWLES: Yes. I think they could do that. I may be wrong. Mr. Kerr is a lawyer, and he can tell you whether or not I am right on that.

Mr. DRYSDALE: You mentioned a master tariff. Being a relative novice of this committee, I am still interested in a definition of class, commodity and competitive rates. I wonder if the master tariff would at least be available for interested people such as myself to see?

Mr. KNOWLES: We can get a copy of the master tariff for you, if you wish it, and a copy of the connecting link supplement to one or two of the tariffs.

Mr. FISHER: When you talk about the “master tariff”, is that the railway association book with all the classes in it?

Mr. KNOWLES: No; you are thinking of the freight classification, which takes 8,000 groups of articles and divides them into ten classes for the purposes of having a rate of some kind on everything.

You start from there with your class rates, working down to your commodity rates. A commodity rate is simply a rate that is lower than the class rate.

Mr. FISHER: Would it be possible, Mr. Chairman, for each member to be provided with those Canadian Railway Association class rates?

Mr. KNOWLES: The class rates, the freight classification?

Mr. FISHER: Yes.

Mr. KNOWLES: I do not know what supply of these they have left; but someone, either you or I or the government, would make application to the Canadian Freight Association and I am quite sure they would send you enough copies of the classification for the committees.

Mr. DRYSDALE: Mr. Chairman, could I get those definitions before we push on? I have been trying to get them two or three times.

Mr. KNOWLES: The Railway Act, section 331, says, "The tariff of tolls that the company is authorized to issue under this act for the carriage of goods between points on the railway are (a) class rate tariffs; (b) commodity rate tariffs; (c) competitive rate tariffs; and (d) special arrangements tariffs".

The railway is authorized to issue four different kinds of tariffs. The bill deals with tariffs under (a) class rate tariffs, and (b) commodity rate tariffs.

The class rate tariff simply specifies the rates on the ten classes in the freight classification. First of all, before you start to run a freight traffic department you have to have a freight classification, under which the railway finds out everything that is made or sold, imported or exported, in the dominion. They list them all down and, according to their traffic characteristics—whether they are valuable or not valuable; whether they are fragile; whether they are heavy or whether they are light—goes into these classes.

You might find groceries in the first class, and you will find lumber and cement in the tenth class. In order to use that classification you have to have a tariff—another tariff—called a class rate tariff, which specifies the origin and destination point and shows by an index number, the class one or the 100 per cent, and then the other nine classes are percentages of the class one rate. That gives you a freight tariff that will apply on everything between every point in Canada. The tariff would be too big to have it apply between all stations, so there are several issued. There are maritime provinces tariffs, central region tariffs and western region tariffs. Originally all traffic was carried at the class rates back in 1881, but with the growth of bulk traffic the railways found the classification too high and they pulled some of them out of the classification and called them commodities, and applied commodity rates to them.

A commodity rate is simply a rate that is lower than the class rate. You will find a class rate between every point in Canada. That is there as a standard. If there is no other rate, such a competitive, commodity, agreed charge, or anything else, that is the rate you apply. It is always there, and when you publish a rate, say, on lumber or cement, on a commodity basis, it is lower than the class rate. The class rate still stays in the class rate tariff; it is not cancelled out. It is there in case you cancel the commodity rates. That is a brief description of the class and commodity rates.

Then you have competitive tariffs. The railway has put in the normal rate by the class or commodity and then discovers the truckers, or the water lines, or somebody else, is carrying traffic at a lower rate. It then has the privilege of publishing a competitive rate, which is lower than the normal rate which has been authorized by the board over a great many years. The railways

try to ascertain what their competitors are charging, and many times will apply the same rate. Other times it might be higher, or lower, depending on the value of the railway service compared with the competitive service.

Mr. CHEVRIER: Are some of those rates non-compensatory?

Mr. KNOWLES: I do not think so, Mr. Chevrier. They are usually on high-rated articles that simply will not stand the high classification. They have to be brought down. I would say the competitive rates yield as good revenue as a lot of the other traffic.

Mr. CHEVRIER: Yes, I see that.

Mr. DRYSDALE: Have competitive rates always been related to the railways, or have they ever been used on other forms of transport?

Mr. KNOWLES: If it was a matter of cutting the other fellow's throat all the time, you would simply have chaos in your freight rate structure. So there is an association, the Canadian Freight Association, to which the two principal railways and about 15 of the smaller railways belong. They meet once a month and determine the rate applications that are being made to them by the shippers, and they determine what the rate shall be.

Mr. CHEVRIER: It is \$73.8 millions for one year—is that the figure—that moves on competitive rates for the Canadian National?

Mr. KNOWLES: That is on the Canadian National. On the Canadian Pacific it was slightly different. You have not got the Canadian Pacific figures down, I think, Mr. Chevrier. I will put them on the record if you wish. The total revenue is \$406.2 million, and the grain products account for \$37.7 million. The international export and import traffic is \$121.3 million; coal and coke \$15.5 million; competitive rates \$50.6 million; agreed charges \$48.4 million; and all other freight traffic—which would be the normal traffic—is \$132.7 million.

Mr. CHEVRIER: Coming back to this question of competitive tariffs and their compensatory aspect, the board has a provision that allows it to examine whether the competitive rate is compensatory or not, has it?

Mr. KNOWLES: We have used that quite a few times, Mr. Chevrier. It has been a very useful section of the Railway Act, section 334. It was something that I myself recommended to the royal commission. They adopted my recommendation and parliament enacted it, as you know.

Mr. CHEVRIER: Hear, hear.

Mr. KNOWLES: Ordinarily, the railways file these competitive rates, and unless somebody complains about them there is no investigation of them. If somebody complains about them, or if our traffic department—Mr. Kirk is the supervisor of this—hears about a complaint; we also take a look at these tariffs as they come in. If anything looks suspicious, we ask the railways to submit the information—under section 334—on which they published this rate. I have one under investigation now and I have asked the railways to submit the information required under that section.

Mr. BROWNE (*Vancouver-Kingsway*): What percentage of the competitive rates would be envisaged in that? On what percentage of the rates would you call for information?

Mr. KNOWLES: It would be a very small percentage.

Mr. CHEVRIER: But if there was any complaint by anyone, you would examine it at once, would you not?

Mr. KNOWLES: At once, yes. We examine every complaint that we get.

Mr. FISHER: Since we are on this question of compensation, would you give us a definition of these out-of-pocket expenses, out-of-pocket costs, fixed costs, joint costs?

Mr. KNOWLES: I would hate to go into that because there are so many opinions as to what constitute out-of-pocket costs.

Mr. FISHER: I imagine we are going to get representations from trucking interests later on this point, and I would just like to start with a little information as to what you define as out-of-pocket expenses.

Mr. KNOWLES: I would rather produce somebody here who is a cost accountant, who could give you all those definitions. But I have had to use them myself as freight traffic manager in the Canadian National Railways on many rates. When a shipper came to me and asked for a very low rate, and I knew it did not fit into the normal picture, I used to ask our research department to tell me whether that was a remunerative rate or not. I had great difficulty in ascertaining what rate I should charge, because we have certain positive figures. We know the wages of a train hauling freight; we know what it costs for coal; we know what it costs for oil and that sort of thing. But when you get into the realm of comparing the cost of maintaining the track over which a freight train runs and over which a passenger train runs you get into the realm of arbitrary divisions regarding rates.

We had an investigation, as required by a parliamentary committee, of the cost of hauling coal from Alberta into Ontario and, based on the evidence, we obtained three different results. Different commissioners took a different view of it. One commissioner said the out-of-pocket cost is just the wages and the coal in running that train. The next one said, "You have to add something for the maintenance of the track and the equipment". The other one said, "You have to add overheads too".

It finally ended up by the board getting an expert from the Interstate Commerce Commission, who went into all the figures and said, "This board is not entitled to use cost figures of that kind in determining rates. You have to cover all your costs, and the normal rate just about covers the total distributed cost".

I have issued one or two decisions, in the last year or two where I have said that a rate should not be established unless it covers all fully distributed costs. The great difficulty is to find out what that cost is.

Mr. FISHER: This is a very contentious point, is it not, to competitors of the railway?

Mr. KNOWLES: That is right; it is very, very contentious, Mr. Fisher.

Mr. FISHER: Let us take a situation such as you have with agreed charges. Are most agreed charges supposed to be, or are they required to be, remunerative or compensatory?

Mr. KNOWLES: They were, under the original legislation; but they are not now since the act was changed in 1955. Practically the only thing we have to do with agreed charges is, they are filed with the board for information and the only time that we get into any question of the rates under the agreed charges is when some shipper complains that he ought to have the same rate, or a similar rate, somewhat a little higher or somewhat a little lower. Then we go into the whole story.

Mr. FISHER: There was a tremendous acceleration the last year or so in the number of agreed charges. Do you agree with that?

Mr. KNOWLES: Yes.

Mr. FISHER: Do you see this subsidy having any effect upon the rate of entry into those agreed charges?

Mr. KNOWLES: It might have a slight effect. With 7 per cent taken off the normal rate, it may not be necessary to make a contract rate under an agreed charge. I do not know, but I would say it would not make very much difference on the agreed charges.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, may I ask if there is any application in this legislation to agreed charges?

Mr. KNOWLES: No, it does not apply at all.

Mr. CHEVRIER: I was going to ask, if I might, something about horizontal increases. The judgment of 17 per cent applies uniformly and, therefore horizontally, to all class and commodity rates, with the exception of those which were mentioned by the minister in his statement. That, I presume—before I go further—includes as an exception coal and coke. That was increased by 22 cents a ton. Why is that?

Mr. KNOWLES: Well, the railways proposed that themselves, to limit the increase.

Mr. CHEVRIER: Yes, but why is the subsidy exclusive of the rate on coal and coke?

Mr. KNOWLES: As I understand it, partly it was a matter of government policy, because there are so many subventions on the freight rate for coke and coal and they did not think it was necessary to make any contribution in the way of a reduction on coke and coal.

Mr. CHEVRIER: I am not complaining about that; but may I come back now to the horizontal increases. The 17 per cent applies uniformly to all the class and commodity rates?

Mr. KNOWLES: To all normal class and commodity rates.

Mr. CHEVRIER: And the subsidy will apply equally to the same body of rates.

Mr. KNOWLES: That is right.

Mr. CHEVRIER: So that the horizontal and uniform increase, instead of being 17 per cent, will now, if this goes through, be 10 per cent?

Mr. KNOWLES: That is right.

Mr. CHEVRIER: Has the board done anything within the last few years to alleviate the impact of this horizontal and uniform rate increase?

Mr. KNOWLES: Yes. In one case we specified fixed amounts. It was one or two cents 100 pounds on some low-rate commodities, and we had no sooner done so than we had complaints about what we had done. Everybody was happy that we took these specific increases out of our order and applied the percentage increase.

Mr. CHEVRIER: So it is a pretty difficult thing to limit the application?

Mr. KNOWLES: Yes, it was an extremely difficult thing to do that. I will illustrate that by the fact that in the last freight rate increase in the United States the railways proposed increases ranging from 3 per cent, 5 per cent, 7 per cent, 10 per cent, or 2 cents 100 pounds, or 3 cents per 100 pounds, or 10 cents a ton. They are in such a mess now with discrimination that they do not know what to do about it. I would hate to see that started over here.

Mr. CHEVRIER: Mr. Knowles, can you tell the committee something about equalization and what the board has done in order to equalize rates from one end of the country to the other, and to what extent you have been successful in equalizing them?

Mr. KNOWLES: I have been in charge of that program. I recommended the equalization to the Turgeon commission and they adopted it, and I have been trying to put it into effect. That is what the government engaged me for, as advisor to the board to get that started; and later they appointed me a commissioner, very largely for the purpose of following that through.

I would say the work is about 75 per cent done. It has been an extremely difficult job and it has been delayed, first of all, because after you passed P.C. 1487 requiring such an investigation, but with the limitation on it, under

the Railway Act, that the rates equalized must be under similar circumstances and conditions, the western provinces did not submit any case to the board in connection with it. They waited until they got a royal commission, which finally recommended section 336, eliminating that phrase and enabling the board to wash out all miscellaneous differences between the regions.

The first thing I did was to spend two years making a new class rate scale as the basis for equalization. That required a new freight classification, and the railways were good enough to set a team to bring the classification up to date, and they had it ready by the time I got my new scale ready.

That has gone into effect since 1955, and I am not aware of any complaints today about that scheme at all. It was subject to several public hearings.

Mr. CHEVRIER: Public hearings and orders of the board?

Mr. KNOWLES: Oh, yes. Then the next thing was, we made a list of all the articles where there was a mileage scale in the west and a mileage scale in the east on the same mileage. We found there were 17 of them. I think we have come to a conclusion on about 13; four others still have to be dealt with.

Then we tackled what we call the specific rates, the point to point rates where you do not have a mileage scale. The origin is down the side and the destination across the top. It is a point to point rate. Cement is one example, and lumber, and building materials, such as brick and stone, and things of that kind. I think 14 out of the 17 mileage scales were completed and put into effect.

It gives everybody the same rate on the same article on the same distance. We have also had hearings on 76 scales, where there was a rate in the east and none in the west; or where there was a rate in the west but none in the east. A judgment on that is being prepared now. I do not think there is a great deal to do on equalization, with the exception, perhaps, of the big items of steel, paper and pulp. We have heard the submissions on the pulpwood. Then there is domestic grain. We have also dealt with that to a very large extent. But there is still one more scale to be prescribed in connection with that.

So I think I can safely say that the work on equalization is about 75 per cent completed.

Mr. CHEVRIER: Can you say what length of time it will require to complete the job?

Mr. KNOWLES: Well, I think you will remember that it was first put in the act in 1951. A special committee was dealing with it and Mr. Argue asked me how long it would take. I said it would take five years, and he said, "Can not you do it in less time than that?" I said, "I do not think so, Mr. Argue. The class rates alone will take two years". They did take two years.

I have had to deal with eight or nine freight rate increase cases in the meantime, and it is simply impossible to work on that and on equalization at the same time.

Mr. CHEVRIER: How long did it take to equalize freight rates in the United States?

Mr. KNOWLES: They have only equalized their class rates, Mr. Chevrier, and it took them about 15 years to do that. They have not tackled their commodity rates at all. I think we are far ahead of them.

The CHAIRMAN: Gentlemen, we have just a bare quorum now and we have been sitting for two hours. Probably we should adjourn.

Mr. FISHER: Mr. Chairman, I want to ask a question on equalization. The board's ruling on December 2 said "From the foregoing excerpts it will be noted that there is considerable lack of enthusiasm, except in the province of Alberta, towards any further equalization of freight rates".

Mr. KNOWLES: Some of the advocates of equalization, which resulted in section 336, have found to their sorrow a lot of the western rates are lower than they are in the east, and they do not want them increased. Mr. Frawley of the province of Alberta has said many times, "I am not going to be accused of trying to eat my cake and have it too. If it means that Alberta has got to stand an increase on some commodities, the government of Alberta is willing to do that in the interests of getting equalization completely". Other provinces have not taken that attitude.

Mr. FISHER: Do you feel that that has had any effect in so far as most provinces are concerned?

Mr. KNOWLES: Yes. The western provinces were all for hurrying up the class rate structure, because it meant tremendous reductions in the class rates for western Canada. But there are quite a few commodities in the west that are actually lower than they are in the east.

Mr. BROWNE (*Vancouver-Kingsway*): If I might ask a question, Mr. Chairman. The passenger rates were not included in this equalization; why was that?

Mr. KNOWLES: The passenger rates were equalized four or five years ago by the elimination of the last high rate above four cents a mile for the standard mileage of the railways.

Mr. BROWNE (*Vancouver-Kingsway*): I understand the mountain differential in British Columbia was never reduced on passenger rates, but it was on freight.

Mr. KNOWLES: Oh, yes, it was. It is four cents a mile, the same as any other province.

Mr. BROWNE (*Vancouver-Kingsway*): There is no charge on British Columbia passenger traffic, then, for mountain differential; is that correct?

Mr. KNOWLES: No.

Mr. FISHER: Mr. Chairman, I should like to return to my request for each member having a copy of the freight classification. I look on this as being sort of a "Hees college" on freight rates.

Mr. HEES: Mr. Knowles' college.

The CHAIRMAN: I think you are looking after that, are you not, Mr. Scott?

Mr. G. A. SCOTT (*Department of Transport*): Yes; but I do not see how they can get the number of the classifications.

Mr. CHEVRIER: Why not explain to the committee what it is? Are there not hundreds of thousands?

Mr. SCOTT: Mr. Fisher has asked for, as I understand it, a copy of the classification, which merely lists all the several thousands of items which may move by the railways, and it assigns to each of these a class.

Mr. FISHER: One of the purposes of the request is an educational one. It is obvious that Mr. Drysdale and several more members of the committee have admitted—and I am certainly prepared to admit this—that they do not know very much about this. Therefore, any information we can get on this subject would be valuable. Our library downstairs has not got it.

Mr. HEES: We will get you all we can, as fast as we can.

Mr. DRYSDALE: One of the underlying implications of this \$20 million increase, I think, is the fact of the Crowsnest pass rate agreement. I realize that is perhaps a rather touchy subject, but I am interested as to what Mr. Knowles, as a commissioner, might have proposed, looking towards the overall railway picture.

In other words, does Mr. Knowles feel that the statutory Crowsnest pass agreement would be better taken out so that, in effect, the grain growers would have perhaps to see what cost they would be bearing to transport the grain; and then consider whether parliament should be applying a subsidy to them.

Mr. HEES: I think, Mr. Chairman, that is a question of government policy and it is not one on which it is fair to ask Mr. Knowles to give an opinion. He is here to give specific information on rates, and so on. The Crowsnest pass rates are a matter of government policy, and always have been.

Mr. FISHER: Has Mr. Knowles any idea on this. If the Crowsnest pass rates had not been in effect, grain rates would have come up comparably, perhaps, with other rates. Has Mr. Knowles any idea what additional revenues, each or both, of the railways would have obtained?

For example, the magazine "Saturday Night" made an estimate. They said that if the rates had gone up, the C.P.R. last year, in 1958, would have got some \$58 million.

Mr. CHEVRIER: I think that if the minister will tell us the royal commission will cover this matter, that probably will answer the question.

Mr. HEES: I will never trespass on the Prime Minister's prerogative, Mr. Chairman.

Mr. CHEVRIER: Oh, it is yours.

Mr. HEES: He will be announcing it.

Mr. CHEVRIER: When?

Mr. HEES: Soon.

Mr. CHEVRIER: Well, we have had that answer now for three weeks.

Mr. HEES: It is still just as good as it was in the first instance.

Mr. DRYSDALE: Could we get Mr. Knowles' comments, before he forgets, or before the minister forgets?

Mr. KNOWLES: My comment is, I do not think it is a question that I should answer, with all due respect to the committee.

Mr. DRYSDALE: As a commissioner, do you find that having the Crowsnest pass agreement and the maritime freight rates gives a fair rate structure across Canada?

Mr. KNOWLES: My trouble is this. I am a commissioner authorised to deal with the law as it stands today and as it is laid down for me. Other commissioners are required to do the same thing. I cannot express an opinion on a matter that might come up as a matter of controversy. I cannot express it here, because I would have to hear all the evidence and all the facts before I could even make a comment on it.

Mr. DRYSDALE: Has the minister any comments?

Mr. HEES: No.

Mr. FISHER: Is it true that one of the commissioners at least—Mr. Chase—has made a statement with regard to the statutory rates and has said it was time that parliament reappraised the whole thing?

Mr. KNOWLES: He did.

Mr. FISHER: When did he make that statement?

Mr. KNOWLES: In the same case.

Mr. FISHER: So that in effect commissioners have commented on the same situation?

Mr. KNOWLES: Well, I would not have followed Mr. Chase.

Mr. CHEVRIER: Mr. Chairman, may I follow that up perhaps with one question? In these applications, as well as in the subsidy, is it not a fact

that all of these exceptions that have been mentioned by the minister and are also mentioned in the application, including the Crowsnest pass rates have no application either in the judgment or in the subsidy?

Mr. KNOWLES: That is right. The railways themselves specified the exceptions that they want to make, and they know they must keep to them. They cannot come and apply to the Board of Transport Commissioners for a 10 per cent or a 20 per cent increase on the Crowsnest pass rates.

Mr. CHEVRIER: Perhaps you might ask the chief commissioner to clear it up for us. Or perhaps the minister might tell us what is going to be in the terms of reference of the royal commission. You have a request to state what the terms of reference of the royal commission are going to be as far as the Crowsnest pass rates are concerned.

Mr. HEES: That is something that will be announced by the Prime Minister when he announces the royal commission.

Mr. CHEVRIER: The same answer.

Mr. HEES: Yes, consistent.

Mr. FISHER: Mr. Knowles, is it a fair statement that in the United States, where they do not have anything parallel to the Crowsnest pass rate, grain rates on long hauls are much higher than they are in Canada?

Mr. KNOWLES: Not only with regard to long hauls, but with regard to short hauls too. They are two or three times as high as the Crowsnest pass rate.

Mr. FISHER: Let me get a particular case. At the present time lumber and plywood shipped out of British Columbia into the Ontario market, the 17 per cent increase does not apply because there are competitive American rates from Seattle?

Mr. KNOWLES: Yes; but do not overlook the fact that those American rates have taken a 112 per cent increase.

Mr. FISHER: But even so, they were so competitive that the 17 per cent could not go on. The point I am interested in is this. Is one of the reasons the Americans are able to keep the rates low on plywood being shipped east because they have what may be closer to a true income on their grain rates?

Mr. KNOWLES: I would agree with you on that; the American carriers in the northwest get so much money on grain that they can afford to publish lower rates on apples and lumber and a lot of other commodities.

Mr. FISHER: In other words, with the statutory grain rates that we have in Canada, it is possible that adjustments or changes in them could open up completely new competitive factors, in the other rates?

Mr. KNOWLES: You are asking me the same question in another form. I would not like to comment on government policy in retaining those rates in the rate structure.

Mr. SMALLWOOD: I should like some of these gentlemen to remember, with regard to the Crowsnest pass agreement, that the railways were given a great deal of land in the west.

Mr. FISHER: I would not like Mr. Smallwood or any of the other western members to understand that we are necessarily against the Crowsnest pass rates.

Mr. BELL (*Saint John-Albert*): It is a new C.C.F. policy.

Mr. DRYSDALE: I should like to exclude myself from C.C.F. policy, Mr. Bell.

Mr. CHEVRIER: May I come back to the bill again. It has been stated—this question is to the minister—that the effect of this bill is to decrease the

rates by 7 per cent approximately. In some cases you have stated that it may be less and in other cases it may be more, the aggregate amount being \$20 million.

Mr. HEES: That is right.

Mr. CHEVRIER: What objection would there be in providing in the bill for the reduction to be not less than 7 per cent?

Mr. HEES: Because, Mr. Chairman, the bill specifies that the total amount which the government is proposing to be spent is \$20 million. We are limited in the bill to the spending of \$20 million.

Mr. CHEVRIER: Well, you could spell that out, could you not, if you provided that it was to be not less than 7 per cent over and above the \$20 million? What harm would there be, Mr. Knowles, if over and above the aggregate subsidy of \$20 million you, as it were, guaranteed—let me use that phrase—the reduction to be not less than 7 per cent?

Mr. KNOWLES: The 7 per cent, Mr. Chevrier, uses up practically the whole subsidy, according to my calculations, based on the Canadian National and Canadian Pacific estimates of traffic for the year 1959.

If the traffic increases, then the \$20 million might be used up in ten months unless we reduce the amount, say to 6 per cent reduction. We may have to change it. On the other hand, if traffic slumps off, we could increase the reduction to maybe 8 or 9 per cent, depending on the amount of money we have left.

Mr. CHEVRIER: Then there would be no harm in saying “not less than 7 per cent”?

Mr. KNOWLES: If the minister wants to do that, but we may run out of money in 10 or 11 months instead of a year.

Mr. CHEVRIER: You cannot run out of money if the maximum is \$20 million.

Mr. KNOWLES: We will use up the \$20 million.

Mr. CHEVRIER: You cannot go beyond the \$20 million; it says so in the bill.

Mr. KNOWLES: But if you make a guaranteed 7 per cent reduction and your traffic increases, the traffic that is moving will get the 7 per cent reduction and at the end of the month, each month it will show we are getting to the point where we have used up the \$20 million. That is the trouble.

With the bridge subsidy we have to watch that like a cat watching a mouse to see we do not get over the \$7 million.

Mr. BELL (*Saint John-Albert*): Is there any precedent for this type of legislation in our history? Is there any precedent for this type of repayment?

Mr. KNOWLES: Yes; you have the bridge subsidy; you have the Maritime Freight Rates Act. They both require reductions in freight rates and the payment by the government of the balance.

Mr. FISHER: I would like to ask the minister how the figure of \$20 million is arrived at?

Mr. HEES: That was arrived at in a cabinet discussion, and my oath of office does not permit me to say what went on in the cabinet, Mr. Chairman.

Mr. FISHER: Let me put it this way. Was it felt that the 7 per cent reduction would take care of most of the major grievances?

Mr. HEES: It was felt that \$20 million was the amount that the government felt it could expend in this way, at this time.

Mr. CHEVRIER: Having regard to its budget which it brought down the other evening?

Mr. HEES: Always having regard to our budgetary position.

Mr. CHEVRIER: Mr. Chairman, may I follow up the question by Mr. Bell about precedents—and you have given a number of them, Mr. Knowles. Can this also not be considered a precedent, that from time to time in the past the board has, of its own volition and free will, under the statute, decreased the effect of certain increases?

For instance, in the 40 per cent place, which was applicable over a period of some time, the board reduced the effect of it to 25 per cent and then 17 per cent.

Mr. KNOWLES: Yes, the board acted of its own volition there to make reduction in the 40 per cent. In fact, in the order which was issued allowing the 40 per cent—which became effective September 13, 1920—it was stated that the 40 per cent must be reduced to 35 per cent on January 1. That gives the railways a little over three months at the 40 per cent for the purpose of recouping them for the fact that they had been waiting a long time for this increase. That was the only reason for the 5 per cent reduction.

But in 1921 the board saw that the railways were earning very substantial sums of money under the 35 per cent increase, and they altered it and reduced it to 25 per cent, and that reduction took effect.

Later on, in 1922, they ordered a 7½ per cent reduction on basic commodities because there was not enough money in the surplus that the Canadian Pacific Railway had to make any reduction on other traffic.

Mr. FISHER: In connection with the bridge subsidy, it has been fixed at the same level ever since it was introduced?

Mr. KNOWLES: No, we have changed it twice.

Mr. FISHER: What was the change?

Mr. KNOWLES: Mr. Kirk has been following that right through, and if there is any question on the bridge subsidy, I think he could answer it quite readily.

Mr. FISHER: Could you just, perhaps, give us a sort of history of the bridge subsidy, the changes and how it has been applied?

Mr. KNOWLES: I could do it, but I think Mr. Kirk could do it better.

Mr. KIRK: Mr. Fisher, the bridge subsidy, as you know, starts with the premise that payment of the maximum \$7 million, for the actual amount of the cost of maintaining—

Mr. FISHER: I am sorry, I cannot hear your answer.

Mr. KIRK: The bridge subsidy starts with the premise that payment is made to a maximum of \$7 million for the cost of maintaining the trackage between Sudbury and Fort William, which is 551½ miles, and an equivalent amount of mileage of the Canadian National in the same area.

That money which is designated to be paid has been used in each year, because the actual cost of maintaining the trackage has been in excess of \$7 million. So there was, in effect, a fund of \$7 million.

We started to take that money away from the railways to make a freight rate reduction by a compromise basis that took half of a reduction in the terms of a percentage and half on a fixed charge per 100 pounds, or a ton. We started on May 1, 1952—and I have to quote these two factors, because I cannot keep it straight otherwise. The percentage reduction was 2.53 per cent and the factor on weight was 5.8 cents per 100 pounds. That is all worked out on a master tariff, again, and those come together, and this kind of a tariff comes out of it. You take the rate in the tariff as it stands, and this gives the other rate.

Now, as time went on we found our first calculation was wrong, and one year later—on May 1, 1953—we made the percentage reduction 3.5 per cent and the weight factor 9.5 cents per 100 pounds. Then in November, 1955, we realized that there was going to be some surplus left out of this \$7 million that the railways were getting, and we made a temporary reduction by increasing the 9.5 cents to 16.5 cents.

And that applied roughly for four months. Then we adjusted it back on March 1, 1956, to the same basis as 1953. Then again, in 1957 we found—I might say, as in this particular case—that when you have a freight rate increase, you should reduce the freight subsidy because you only have \$7 million. So we had to do that.

Mr. FISHER: Will you please explain that again?

Mr. KIRK: We have a percentage factor which relates to the freight revenue. We have a factor which relates to the weight. If the freight rates are increased, then the revenue will increase. Consequently, we have to look at the percentage factor to see whether or not it should be changed. But there are certain tolerances between these factors which enable us to do it a little easier. So we changed the weight factor from 9.5¢ to 7.5¢, at March 1, 1957.

Now we come to the year 1958 where traffic had gone down, and we have some money left, or we would have. So, on March 1 of this year we changed the weight factor to 10.5¢, and we anticipate that will use up \$7 million for the coming year.

Mr. FISHER: What effect is there going to be on the subsidy from the application of it, as a result of this particular cut?

Mr. KIRK: It might tend to give us a little more money and perhaps enable us to increase the reduction. It is hard to say at the moment.

Mr. FISHER: When I said the figure had been constant, you have had \$7 million each year with which to operate and in each year the cost to the railways of the maintenance of this practice has been more than \$7 million.

Mr. KIRK: Yes, substantially more.

Mr. FISHER: Is it fair to ask if there has been any reduction in the maintenance cost in the last few years?

Mr. KIRK: I can give you the composite figures for both companies or I can give them to you separately.

Mr. FISHER: I do not want to take up the time of the committee, but if I know I can have them, it is all right.

Mr. KIRK: We can give them to you. We do not have the figures yet for this year, but we expect to have them very soon.

Mr. FISHER: Has there been any feeling or any consideration on the part of the board that this maximum of \$7 million should have had some kind of escalator clause to go up higher or even to go down lower?

Mr. KIRK: I do not think that the board would take any position as to whether the amount should be larger or smaller. What we did try to secure was some leeway from the absolute maximum. In other words, if our calculations did not work out exactly correctly, and we put the railways to the expense of reducing the rate for which they would not be compensated—it might be in the order of one quarter of a million dollars or one half million dollars; we did think we might get some authority to put that through on the estimates at the end of the year. But we did not succeed. The figure has remained at the maximum, and we are trying our best to expend it.

Mr. FISHER: Is it the general feeling on the part of the board that the freight subsidy has worked satisfactorily?

Mr. KIRK: We are making it work.

Mr. FISHER: I mean in its effect? Has it tended to do what it was supposed to do?

Mr. KIRK: We think so.

Mr. FISHER: You would say that it is a vital part of the freight rate structure?

Mr. KIRK: I think so. It has achieved the purpose already of reducing the cost of hauling traffic across the so-called bridge. Of course, it was not put into effect without a great deal of difficulty, but we think we are making it work. It might interest you to know—although I cannot give you the complete current figures—that for the fiscal year ending 1958 the reduction averaged about 6½ per cent in freight revenue.

Mr. CREAGHAN: Does \$7 million go to each company?

Mr. KIRK: No, it is a total of \$7.

Mr. CREAGHAN: Which company gets the larger share?

Mr. KIRK: It depends on who handles the traffic. We pay or reimburse them on the amount of traffic carried.

Mr. CREAGHAN: The actual maintenance has nothing to do with it?

Mr. KIRK: Only to measure the amount of money available to make the reduction work.

Mr. FISHER: How does that subsidy get back to the shipper?

Mr. KIRK: Because the tariffs have been so arranged that when a shipment is made and a billing is made, the reduction is made immediately. The company is the one who is out the money for at least two months. We reimburse the company for the loss of revenue.

Mr. CREAGHAN: Is there the same type of reimbursement as contemplated in bill C-38?

Mr. KIRK: I have had little to do with this particular aspect, but I think it would have to follow somewhat the same procedure. However, I do not think it has been worked out yet.

Mr. CREAGHAN: You more or less approve the bill, do you not?

Mr. KIRK: We receive the bill from each railway, and we check it. If it is correct, we pass it on forth payment, and it is paid directly to the railway.

Mr. FISHER: Has the freight subsidy ever been a contentious issue in any of the hearings that the board has held?

Mr. KIRK: I would not think so in the sense of contentious. It was involved in a case dealing with rates on lumber from the Pacific coast, and it was withdrawn from that traffic.

Mr. FISHER: It would be involved in any question of this rail rate differential, would it not?

Mr. KIRK: It is not paid in any way to the steamship lines. The steamship lines absorb the same amount of subsidy that the railways receive in compensation per unit of traffic, of course, but the steamship company advances the amount itself.

Mr. FISHER: There is a statement in one of the board's hearings that the first year the subsidy was introduced, Canada steamship lines lost \$500,000. Do you remember that?

Mr. KIRK: Yes, I do.

Mr. FISHER: Was a check made to guarantee or to substantiate that this loss was effective? Did you have an opportunity to look at the books of the Canada steamship lines?

Mr. KIRK: No, I do not think we did. But we did make a simple check, and we were satisfied that it was not overstated.

Mr. FISHER: Have you followed the effect of this subsidy on Canada steamship lines in the years since?

Mr. KIRK: No.

Mr. CHEVRIER: Have you been asked to by the steamship lines?

Mr. KIRK: Not recently.

Mr. FISHER: The introduction of the bridge subsidy must have given you extra administration costs. Have you any idea of them? Thinking in terms of this legislation, it will undoubtedly cost you money in the way of administration?

Mr. KIRK: The bridge subsidy has not cost the government any money in administration.

Mr. FISHER: What will the result be so far as the board is concerned in connection with this proposed subsidy?

Mr. KIRK: I cannot say at the moment. I do not know what the procedure will have to be. It may be that we will have to augment our staff, but I am not sure.

Mr. DRYSDALE: Do you think that the bridge subsidy will result in a percentage of reduction in that method? From what I have read there is a combined method, and these two methods are not analogous.

Mr. KIRK: No. I think the bridge subsidy basis was a compromise. The western provinces are divided more or less into two camps. Manitoba, western Ontario west of Port Arthur, and part of Saskatchewan would obtain the greater benefit if the bridge subsidy was placed on a factor of weight alone; it may be per one hundred pounds; and if you divide \$7 million into the anticipated traffic, you can say that every ton going across the bridge will get so much reduction. But the more eastern of the western provinces would probably get a greater benefit than the western ones.

Alberta, western Saskatchewan, and British Columbia would get a greater benefit by taking a percentage of revenue, because the rate is greater and the distance is greater.

It was rather difficult to reconcile those two views. So we split the baby in the middle, like King Solomon did, but it has added to our work. It is quite a difficult thing to compute it, but it has been worked out.

Mr. FISHER: The western provinces or their representatives have been before the board a number of times in recent years. Have they ever brought out any suggestion in connection with the bridge subsidy that you know of?

Mr. KIRK: I think there were some representations made but I cannot recall them. Perhaps they were made by the British Columbia tree fruits. I think the contention there was on a different basis entirely, not as to the method we were using, but that there should be a sort of bridge subsidy in a reverse way.

Mr. BROWNE (*Vancouver-Kingsway*): Does this apply both ways?

Mr. KIRK: The bridge itself is both east to west and vice versa. They want another bridge in the west.

Mr. CHEVRIER: It came about because of representations which were made to the royal commission on transportation. Was it not one of those recommendations which were made by the Turgeon Royal Commission?

Mr. KIRK: That is right.

Mr. CHEVRIER: Representations were made by various groups in western Canada.

Mr. KIRK: About the so called bridge. That was my understanding.

Mr. FISHER: Back in the Turgeon report, in the opinion of Dr. Angus, there was a certain statement made with regard to the position of railway workers. It is to be found at the back of the book. It had to do with the railway workers and their wage position. Since then I gather that the board has made certain rulings, or advanced certain opinions, trying to relate the wages of the railway workers to the wages of the workers in the durable goods field.

Mr. KNOWLES: Not this board, but various conciliation boards have done it.

Mr. FISHER: I think this would be welcome at a later stage when we get certain briefs presented. We can leave it for the present. Perhaps the minister would be prepared to express some views as to how railway wage negotiations came into this picture, and the question of a subsidy.

Mr. HEES: I am not saying that railway wages do come into the picture. There was a freight rate ruling, and there was an award which was brought down by the Board of Transport Commissioners. It was appealed by eight provinces. We dealt with the appeal and we said we would take steps to alleviate the burden. The purpose of this bill is to do just that.

Mr. FISHER: Are you saying that anything which has to do with railway wages is irrelevant?

Mr. HEES: I am not saying anything at all. I am simply saying that we are dealing with this bill which is to assist the burden borne by consumers across Canada who pay the increased freight rates. That is what we are dealing with.

Mr. FISHER: Might I carry that a step further in saying that the Board of Transport Commissioners had a hearing in connection with this application of November 19, 1958, which was brought about, was it not, by an increase in wages?

Mr. HEES: Yes.

Mr. FISHER: Following the judgement of a conciliation board; and what the board did was simply to put into effect in its judgement the amount of money required by the railways to implement the judgment of the conciliation board.

Mr. HEES: That is right.

Mr. CHEVRIER: That is why I asked this question in the house: is this subsidy associated in any way with the wage increase?

Mr. HEES: The hon. member has already said that it is.

Mr. CHEVRIER: Yes; but I am asking you.

Mr. HEES: I would think it was obvious to everybody.

Mr. CHEVRIER: That it is?

Mr. HEES: Well, yes.

Mr. FISHER: Mr. Chevrier has already suggested some of the things that should be in the terms of reference of the royal commission, and I humbly suggest that this might be one.

Mr. HEES: All suggestions will be given very serious consideration, Mr. Chairman.

Mr. SMALLWOOD: Mr. Chairman, it seems that from time to time the railroad comes before the commission asking for freight increases, and at no time have they suggested that decreases should become effective. All the big business is carried on on volume and less profit. It does seem that the railroad will not even consider that.

In our town we have a line and all the merchandise is coming in by trucks. The train is running through that town, and the station agent contacted all the merchants regarding freight haul. They said that the railway could not compete with trucks. But the railway would not consider this at all.

Therefore, I travelled in a freight car, and in one car there were two men, one piece of pipe and some eggs. We had the car, we had the men, and that train could have been bringing in revenue of \$100 a month. That one line is considered as being competition. Now we have cars being hauled by truck. If the railways would consider becoming competitive, we would not have so much trouble with these freight rate increases.

Mr. HEES: I think that is something that could more properly be brought up when the affairs of the Canadian National Railways come before the house, because that is a matter of railway policy and not board policy.

Mr. MACINNIS: Mr. Chairman, getting back to the wage increase—this increase was not entirely due to wages, but was partly over-all picture.

Mr. HEES: That is right.

Mr. DRYSDALE: Mr. Chairman, I wonder if I could get back to a slightly different point. According to this particular bill there is \$20 million over one year on the items that had the 17 per cent and will permit a reduction of 7 per cent.

I wonder if Mr. Knowles or anybody has made any calculation as to what it would be, say, on the items, that had only 16, 15, or 14 per cent, or has there been any similar calculation on perhaps the remaining group? In other words, to have a 7 per cent reduction on the items less than 17 per cent, how many dollars would be required—would it be \$40 million, \$50 million, \$100 million? I just want to try and put it roughly in respect of the \$20 million.

Mr. KNOWLES: As I said before, I do not think the railways advanced their rates in that manner. They take the full 17 per cent, or they do not take it at all, or they put in the 17 per cent first, and if they find it is too high, they put the rate in a competitive tariff.

So far as we are concerned, under this bill that rate just disappears and we make no calculations to that effect. I might say that when you gentlemen start figuring these percentages, there is a factor in here that I should mention so that you will not be confused. Of the \$348.3 million the railways estimated, in the last case, that they would not get the full 19 per cent that they asked for, because any increase in freight rates drives a certain amount of traffic away.

The C.P.R. figures that they would have 22 per cent of their traffic disappear, and the C.N.R. figures 20 per cent—or vice versa; I do not know which. But those are the two figures for the two roads. So that if you multiply the 19 per cent by the amount of traffic in these reports, it does not come to the amount that the railways expected to get. There is that factor in it.

With a smaller increase of 10 per cent instead of 17 per cent, I took the figure of 19 per cent, which reduces the amount of traffic on which the reduction will apply to \$282,100,000. That is the figure to which 56 and 26 and 16 per cent should be applied. That takes care of the factor that you are concerned about as traffic. Where they put something on, your traffic disappears, so they do not put an increase on it. That is the factor which the railways have allowed, up to 22 per cent. I took 19 per cent.

Mr. CREAGHAN: Are there two purposes behind that, one to give aid to the shipper of 7 per cent, and it might be implied that the other purpose is that the railways might salvage some of the business they might be losing to competitive industry?

Mr. KNOWLES: It would have both those effects, I think; but the shipper gets the reduction. That is the main point of this \$20 million. It goes directly into the shipper's pocket, because the rate is reduced when he makes his shipment.

Mr. CREAGHAN: The railway gets the business in the first place?

Mr. KNOWLES: Oh, yes.

Mr. DRYSDALE: With regard to these various small railways you have mentioned, are any of them connecting with the American railways?

Mr. KNOWLES: Five of them are; but they operate locally within Canada also.

Mr. DRYSDALE: But would the subsidy apply on through traffic into the United States as well?

Mr. KNOWLES: No, it does not.

Mr. DRYSDALE: It is restricted to the Canadian traffic?

Mr. KNOWLES: Advances and reductions in the United States—on what we call the international rates—are on a different basis altogether from the Canadian increases within Canada.

Mr. FISHER: Even if you wanted to, could you make them apply?

Mr. KNOWLES: Could we make the reduction apply? Well, I suppose we could do anything by an act of parliament. But there is no necessity for it. The rates are considerably lower on the international traffic. The increase on the international traffic has been considerably lower than the increase within Canada. That is on this normal traffic. It is only 112 per cent in the United States; it is now 157 per cent in Canada.

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. BELL (*Saint John-Albert*): I move that we adjourn.

The CHAIRMAN: Would it be agreeable to start on the brief this afternoon at 3.30, in room 253D, the railway committee room?

Mr. CHEVRIER: Who is the first witness?

The CHAIRMAN: Mr. McGee, from the Canadian Trucking Associations.

Mr. HEES: Might I say, Mr. Chairman, that I have to see a delegation between 3.30 and 4 o'clock this afternoon. The delegation is from the Gaspé peninsula, and the meeting is on important matters. I cannot be here until 4 o'clock. It is no discourtesy to the committee, but I am afraid I must be there. I will be at the committee at 4 o'clock sharp.

Mr. CHEVRIER: That is another reason why we should not sit while the house is sitting.

Mr. HEES: That business must go on.

—Luncheon adjournment.

## AFTERNOON SESSION

TUESDAY, April 14, 1959.

3:30 p.m.

The CHAIRMAN: Gentlemen, I see we have a quorum. I think the first thing we will deal with is a question which was raised by Mr. Fisher in regard to the procedure of calling witnesses.

I consulted with the Speaker of the House and with the Clerk and this is their report. To begin with the decision is made by the committee. Witnesses are summoned by an order signed by the chairman; no witness shall be so summoned and paid unless the certificate shall have been first filed with the chairman by a member of the committee, according to the standing order.

This morning we had a motion by Mr. Fisher in this regard. What is the feeling of the committee? I will read the motion.

Moved by Mr. Fisher and seconded by Mr. Howard that Mr. H. Styffe and Mr. E. G. Charnock, Port Arthur and Fort William be called before this committee and that their travel and other expenses be paid.

Mr. CHEVRIER: Mr. Chairman, may I say a word on the motion?

When the motion was made this morning I did not know who the members or the witnesses were to be called. I have since met one—one that I know—and who has made representations to me before, not in committee but to me personally when I was in the capacity that the Hon. Minister of Transport now occupies, and I have some idea of what the representations are going to be. It would seem unfortunate to me if the motion is not adopted, in so far as he is concerned.

Mr. BELL (*Saint John-Albert*): I did not have a chance to spend much time on the actual rule applying to this but I did look up section 263 and it says, "material witnesses shall be summoned".

I do not think there has been a meeting of this committee whereby it was agreed that these witnesses should be summoned in this particular instance and I feel they have not even begun to qualify to enable them to submit a claim for expenses. The clause we have not decided on as a committee is, that these particular witnesses are necessary, material or expert and that they should be called. I do not think the point has been raised of deciding whether or not the witnesses should be paid.

As I said this morning, if we begin this procedure, which is distinctly a new one, while these gentlemen are very knowledgeable and may speak about very special business interest, I can see where every section of this country, within provinces—true, there are always disagreements within provinces—is going to put forth the considerations of those areas or regions. I do not see how this can be entertained.

Mr. MCPHILLIPS: I agree. I think we would get into a terrible state if every member simply wanted this person or that person summoned. I may be wrong, but I do think that this is a result of the railway rates case and that we do not need any expert testimony on that. Arrangements were made for the witnesses who are appearing here. Surely we do not need expert witnesses on freight rates.

Mr. CHEVRIER: Why did you not move this morning for the exclusion of witnesses?

Mr. BADANAI: It stems from the factor that northwestern Ontario is completely isolated due to the province of Ontario failing to oppose the increase in freight rates. Therefore we are in a special category and should be considered.

The gentleman who will be appearing here tomorrow morning is an expert in the matter of freight rates.

The CHAIRMAN: It is not a question of whether or not we will hear your witness, it is a question of whether or not his expenses will be paid.

Mr. BADANAI: It would seem only fair that we do pay them.

The CHAIRMAN: Gentlemen, we have a motion before us. Those in favour of this motion by Mr. Fisher, so signify.

Motion negatived.

The CHAIRMAN: We have a brief here by Mr. W. A. Wallace, the general manager of—

Mr. CHEVRIER: Mr. Chairman, may I ask Mr. Knowles one or two questions? I would like to try to clear up a few points.

Mr. BELL (*Saint John-Albert*): I do not object to that but I do feel that Mr. McPhillips has made a very good point. Obviously this is important and undoubtedly it is very interesting and I am wondering whether we should not hear these briefs of the various trucking associations now and then recall Mr. Knowles. Perhaps it is only my personal thought, but I can see where Mr. Knowles would have the stand most of the afternoon. We could then get the briefs in and for those of us who do not understand the freight rates, we would have to recall Mr. Knowles. That is my objection. I am not speaking on it but it would seem to be a more reasonable approach.

Mr. CHEVRIER: It does not mean that Mr. Knowles would have to be here all afternoon because I was only going to ask two or three questions.

Mr. BROWNE (*Vancouver-Kingsway*): The question arose because each member might want to ask two or three more questions.

Mr. CHEVRIER: If they wish why should they not be allowed to ask even five or ten questions? Let us get this straight.

The CHAIRMAN: We are still on the first item.

Mr. CHEVRIER: That is the point. If we are not going to be able to ask questions, let me know. I have a lot to do and would be able to do it.

Mr. BELL (*Saint John-Albert*): You are the one who started to object.

Mr. CHEVRIER: Certainly, but my objection was to the committee meeting while the house is in session. However, now that we are meeting I would like to proceed and ask my question; I would like an explanation.

Mr. FISHER: It seems to me to be going beyond the scope and I am a little disturbed. I understood from the minister's statement in the house that the purpose of this committee was to give us an opportunity to go in detail into the matter of freight rates. This is not a hearing of the board of transport commissioners, it is the railways committee. It is an investigation to determine how the question of subsidies will affect the rail freight rate structure. If we are going to have Mr. McPhillips' interpretation of this, it can be automatically checked. I will be very disappointed if that is the aim of the committee. I would like a statement from the minister as to how far he thinks we are entitled to go into this particular thing.

I certainly agree with Mr. McPhillips' point of view because we do feel very strong about it.

Mr. HEES: As far as I am concerned any member who wishes to ask any questions is perfectly entitled to do so.

Mr. CHEVRIER: May I go ahead then? Mr. Knowles, this morning you were good enough to give us a breakdown of percentages in so far as the application of the subsidy is concerned to the western, central and maritime regions. I was particularly interested in the provinces of Ontario and Quebec—that is the

central region—which you said is 26.5 per cent to be applied on a total class rate and the Canadian percentage commodity was \$348 million. I work that out to be \$5,300,000.

What I would like to ask you is this: I would like to know where the incidence of this benefit is going to be. You told me this morning that you were going to have these blocks brought down at a later date, but I understand it is from the waybill analysis of the board of transport commissioners. That is, additional information in so far as the incidence of this 26.5 per cent to the central region is concerned. I would appreciate it if you could give this to me.

Mr. KNOWLES: First of all, Mr. Chevrier, I would like to correct the total figures. You quoted \$348 million and just before the noon recess I corrected that to \$282.1 million because of the 19 per cent attribution which came about because of these increases. I want to get this corrected.

Mr. CHEVRIER: I see, the 348 now reads 282?

Mr. KNOWLES: It reads \$282.1 million.

Mr. CHEVRIER: Thank you.

Mr. KNOWLES: I think if you apply the percentages I have given you, that you will get a correct figure of the distribution of the subsidy.

You asked me if there was any calculation which I could give you—I think you said in 10 or 20 mile blocks.

Mr. CHEVRIER: Could I put that again? That is what I said this morning, but could I amend my question and put it this way; is there not some evidence arising out of waybill analysis of the board of transport commissioners which would indicate the number of cars, dollars of revenue, the movement of traffic, non-competitive commodity rates and class rates within the province of Ontario, for the year 1957?

Mr. KNOWLES: Yes. I understand that Mr. Frawley of the province of Alberta requested that such a statement be compiled. I was unaware of that when I gave my evidence this morning, but I have a copy of the basic statement from which that information for Mr. Frawley was compiled. I would be glad to hand you a copy of it, Mr. Chevrier, and you can have that segregated any way you like. It shows shipments from each province to every other provinces of every article of class rate traffic.

Mr. CHEVRIER: Thank you. Could I go a step further and ask you to look at this statement which covers class rates and non-competitive commodity rates for Ontario on the basis of the number of cars, dollars of revenue and average haul? I wonder if you could tell me whether that statement is an accurate statement, arising out of waybill analysis made by the board of transport commissioners?

Mr. KNOWLES: I would not know without making a detailed check of this statement and without the basic material in hand. I know it would take me some hours to do it. If Mr. Frawley prepared this information for you, I have no doubt it is correct.

Mr. CHEVRIER: Would you be good enough to do that for a subsequent meeting?

Mr. KNOWLES: I will make an attempt to do it, sir.

Mr. CHEVRIER: May I go a step further and ask another question? Could I have a similar statement to the one you have there, indicating the movement from Quebec to Ontario and from Ontario to Quebec, and within the province of Quebec covering, as it is stated there, the number of cars, the dollars of revenue and the average haul for each category of movement?

Mr. KNOWLES: I do not know what labour is involved in compiling this information, Mr. Chevrier. I can certainly do it for you with that basic information, if you will pass the statement back to me so I can take it to the office.

Mr. CHEVRIER: I do not want you to do it now but you could do this before the end of the hearing?

Mr. KNOWLES: I will try to do that.

Mr. BELL (*Saint John-Albert*): I understand Mr. Knowles has been requested to make a further investigation in view of certain evidence that is available from Mr. Frawley in regard to Ontario and Quebec. I wonder if it would not be in order to suggest that all areas in the three regions, be considered in this regard? The reason for my saying that, Mr. Chairman, is, I am afraid there may be an incorrect impression given as to the ultimate effect of this in the eastern and western regions, and I think we should have the whole story.

Mr. CHEVRIER: I would be perfectly happy with that; I would be delighted if that information is brought forward.

Mr. BELL (*Saint John-Albert*): I do not wish to ask Mr. Knowles to do a lot of extra work, but I think something should be done for the other regions, if you are doing it for the central region.

Mr. KNOWLES: From that statement it seems to me that it could be re-compiled province by province. However, it takes a lot of detailed work to do these things and I do not think I can guarantee to have it done before this committee is through its meetings. There is a tremendous amount of work involved which I do not think people realize.

Mr. CHEVRIER: I understand, Mr. Knowles, that much of this is done already and the information which you have in your hand has been passed by the economics and statistics branch of the board?

Mr. KNOWLES: In so far as I know, that is the only information the board has as to the basic figures on the point. What is done with them afterward is that the provinces usually pick out their own shipments and do the compilation themselves. Evidently somebody has been interested in the province of Ontario and has taken out those figures. We have ten provinces—and ten times ten makes 100 calculations. While I do not want to dodge anything, Mr. Chevrier, there is a tremendous amount of work involved in the request made by you and other members. However, I will try to get it done.

Mr. CHEVRIER: I would very much like to have the information; I think it is very material for this committee.

Mr. HEES: Might I suggest, as Mr. Knowles has said, it will take some considerable time. I know Mr. Knowles will get this information as early as he can, but it is quite understandable that it may not be available before the committee concludes its hearings. I do feel certain that the hon. members who requested the information will agree that if Mr. Knowles does his best, then that is reasonable.

Mr. CHEVRIER: I do not think anybody can complain, if he does the best he can.

Mr. FISHER: Possibly this was answered before, but I want to understand clause 7 of the bill. The Maritime Freight Rates Act allows a 30 per cent subsidy on goods coming in and a 20 per cent subsidy on goods going out of the maritimes.

Mr. KNOWLES: That is 30 per cent going out. Going in they pay the normal rate—the same as anybody else.

Mr. FISHER: And internally?

Mr. KNOWLES: Internally it is 20 per cent.

Mr. FISHER: How is this subsidy going to apply? Possibly that was answered this morning and I did not hear it. Will this 16 per cent, or what-

ever the percentage is of the traffic that comes under the maritimes act, take full advantage of this decrease, or will it affect the subsidies already in existence, and make them apply at all?

Mr. KNOWLES: No, there is no disability about it. The maritime traffic within the 20 per cent reduction requirements in the maritimes, is already on file with the board. They are net rates on traffic going from the maritimes to points west of Levis. The traffic is already on file with 30 per cent as far as to west of Levis. Those are net rates, after taking off subsidy. They have been advanced to 17 per cent and we are simply letting them go back to 10 per cent.

The CHAIRMAN: Are there any further questions? If not, as I indicated earlier, there has been distributed to you a brief by Mr. Wallace, general manager of the Canadian Transport Traffic Bureau. Mr. Wallace will not appear but we ask that this brief be printed as part of the minutes, as an appendix to the minutes of today's proceedings. Is that agreed?

Some Hon. MEMBERS: Agreed.

(See Appendix A).

Mr. DRYSDALE: Mr. Chairman, there will be no opportunity to ask any questions in regard to this brief?

The CHAIRMAN: No.

We have Mr. Magee, the executive secretary of the Canadian Trucking Associations, who will present their brief to us. Do you all have copies of this brief?

Some Hon. MEMBERS: No.

The CHAIRMAN: All right, gentlemen, Mr. Magee will present this brief.

Mr. JOHN MAGEE (*Executive Secretary of the Canadian Trucking Associations*): Mr. Chairman, Mr. Minister and hon. members of the committee, I would like to say that the Canadian Trucking Associations appreciates very much the privilege of appearing before your committee to express their views on the bill. I should explain that our association is a federation of all the provincial trucking associations in Canada, whose names are listed in the brief and on whose behalf we appear unanimously today.

#### 1. Railway subsidization and the freight rate freeze.

The role of the trucking industry as a major competitor of the railways is recognized in two federal statutes, the Railway Act and the Transport Act.

The Railway Act, and the regulations made thereunder by the board of transport commissioners, gives the railways freedom to institute competitive—lower-than-normal—rates the instant truck competition asserts itself. The railways, if they desire, can quote competitive rates to a shipper on the telephone if the exigencies of competition require it. As long as they do not go above the permissive rate ceiling as set in the latest freight rate increase, the railways may vary their competitive rates up and down at will. They may be required to answer to the board of transport commissioners in regard to circumstances of the competition; competitive rates may not be lower than necessary to meet the competition nor must they adversely affect the net revenue of the railways. In practice, the railways are seldom required to make formal submissions to the transport board justifying competitive rates. Seldom, if ever, has a railway competitive rate been varied or cancelled by the transport board on the grounds that it was lower than necessary to meet the competition. The board has consistently held that railway competitive rates are compensatory. As long as the railways stay within the permissive rate ceiling, they are free to use their discretion in competitive rate making.

In the Railway Act, parliament says, in effect, that the trucking industry is a competitor of the railways.

The same situation exists in the Transport Act under which the agreed charges come. Agreed charge rates are actually a type of competitive rate. But whereas a shipper, in considering a railway competitive rate, can take it or leave it, as he chooses, the lower rates in the agreed charge can only be secured in a contract binding the shipper to use rail exclusively for most or all of the movement of the freight traffic for which the agreed charge is made. The transport board has held that railway agreed charge rates are compensatory.

The railways have complete freedom in making agreed charge contracts to meet truck competition. The information which we will place before you in this submission will demonstrate the extent in the past decade of the railways' use of their competitive rate-making powers.

In the Transport Act, parliament says, in effect, that the trucking industry is a competitor of the railroads.

After the birth of the trucking industry in the 1920's, the railway, for a long period, reacted defensively to the new competition. They concerned themselves chiefly with a regulatory program which would have "solved" the problem of truck competition by restricting it. Claims that truck competition was "unfair" were recited ad infinitum: the truckers were pickers and choosers of freight, taking the cream of the traffic, while the railways had to haul any freight offered for movement—these and other contentions were advanced in support of the claim of "unfair".

But as all forms of transport developed, as trucks competed in service and rates in an ever-widening range of traffic, the railways, to their credit, began to throw off the defensive approach. Their cries for regulatory restriction of trucking became sporadic and faint and finally, around the early 1950's, died out completely. By this time both major railways were competing against themselves in the airline and trucking businesses, having become operators in the two newer forms of transport; the trans Canada highway was proceeding to completion; and a mighty St. Lawrence seaway was approaching reality. It was clearly the will of the Canadian people that their transportation system be competitive and that the disastrous experiences of other countries in attempting to "plan" transport agencies into various suspected economic niches would not be repeated in this country.

So completely had the railways' viewpoint towards truck competition been transformed by the inexorable pressure of events that the policies on transport regulation which they successfully advocated to the Turgeon royal commission on agreed charges in 1954 were unrecognizable as compared to regulatory policies which they advocated prior to, and during, World War II. Submitting the views of the Canadian National Railways regarding truck competition, Mr. Hugh O'Donnell, Q.C., made the following statement to the Standing Committee on Railways, Canals and Telegraph Lines on June 28, 1955:

Competition is the regulator. The railways take the position here in Canada that competition should be the regulator. They say that where there is competition then the competition is free and equal and that that should determine the issue and the shipper will decide the medium which he wishes to use. The public will get the benefit of the lower rate that is provided by the competitor...

On behalf of the Canadian Pacific Railway, Mr. John L. O'Brien, Q.C., made the following statement to this Standing Committee on June 28, 1955:

The public, in my respectful submission, is entitled to the cheapest transportation available, and it should have the right to bargain for it just like a customer of any other industry has the right to bargain, and that one industry or another may be hurt in the process is the result of the normal process of competition.

The truckers were able to make a better bargain with the shippers than the railways, and they took some business away from the railways. The railways now, by the Transport Act in 1938, and by a certain relaxation of the regulations in the present bill, are being given only one thing, and that is the right to go out and bargain with the shipper. The trucker has the same right to go in and bargain in competition with them, and if the railways cannot give a bargain which the shipper is ready to accept, they are not going to get the business.

And if the railways have a better product or a better price, then they are going to get the business, just as any other industry does; and if they have not either they are not going to get it."

The provincial governments—all ten of them—are strongly impressed with the salutary effect of truck competition upon the level of railway rates. Eight of them, when they were before the governor in council on the freight rate appeal last November, appeared to want to have their cake and eat it too. They want strong truck competition with the railroads, maintaining their built-in resistance to railway rate increases. On top of that they wanted subsidy too—a general rail subsidy wiping out the 17 per cent rate increase, at a cost to the taxpayers of around \$60,000. But truck competition with the railroads cannot be strong if the industry itself is not financially strong, able to take care of itself in meeting all operating costs—the largest single cost being wages—and in a position to raise the capital required for equipment and terminal expansion. These are simple economic facts of life with which we in the trucking industry must contend. No impatient waving aside of these economic facts of life can dispel them—not as long as we operate under the free enterprise system in this country.

From the statutes that parliament has passed in respect to railway competitive rate-making, from the position taken by the railways themselves, it is clear that trucking is acknowledged as an actual competitor of the railways for a wide range of freight traffic and a potential competitor for the remainder of the traffic. It follows that anything parliament does in respect to railway freight rates could have either immediate or potential consequences for the trucking industry. Unless the impact of the measure was carefully weighed, considerable, and perhaps very serious, damage could be done to trucking firms, particularly those on long hauls, all across Canada.

For example, in freezing railway freight rates pending the report of the royal commission transport inquiry, the government singled out the pricing system of one segment of the economy—overland freight transportation. Its price control has been invoked on the price for service rendered but surprisingly the costs that enter into the provision and maintenance of that service are not subject to control.

Not only has the government frozen railway freight rates within the ceiling of the recent 17 per cent increase but the effect of its policy is to freeze trucking rates within the same ceiling. It is true that the type of service trucking provides is of sufficient value to the shipper that he will sometimes pay more to get that service than he will pay for alternate freight service. But usually, because rail and truck are intensely competitive, railway freight rates are the competitive ceiling on trucking rates.

But the government has not frozen the prices truck operators have to pay to keep themselves in business. For example, it has not said to the manufacturers that the selling price for trucks and truck-tractors is frozen; that trailers can take no increase in the selling price. It has not said to Mr. James R. Hoffa that his International Brotherhood of Teamsters is now negotiating with an industry in Canada whose selling price for service is frozen wherever costs have pushed that price to the 17 per cent railway freight rate ceiling.

Even if it be for only a twelve-month period, the principle of the freight

rate freeze cannot be accepted by the trucking industry as either right or fair. So we can do no less than register the industry's strong opposition to the freight rate freeze.

The expenditure of \$20,000,000 on a twelve-month reduction of the class and commodity rates of our competitors, the railroads, may have little if any *immediate* impact on the trucking industry.

Incidentally, Mr. Chairman, this is a question which could not be studied with finality in time for these hearings because of the very large number of railway tariffs which had to be examined and which were mentioned this morning in the evidence which was given. There are a very large number. However, we have so far come across some instances where reduction of commodity rates—and I am speaking of non-competitive commodity rates, not competitive rates—will affect directly the level of trucking rates in one province. We will be prepared to provide evidence on that if you desire. Generally, we are not claiming that the immediate impact of the subsidy is going to have a great damaging effect on the trucking industry at this time. But its effect is that public funds are being used to isolate freight traffic from potential competition: and yet if that competition was allowed to take its course, without the intrusion of subsidy, it would do the job that the subsidy is doing, *at no cost to the taxpayer.*

The non-competitive class and commodity freight traffic is potentially competitive. According to the Board of transport commissioners judgment of November 17, 1958: "Since 1953, this normal traffic has drastically shrunk in volume and now constitutes only about one-third of the total freight revenue of all railways." Much of what used to be class and commodity rated freight traffic is now either competitive-rated or agreed charge traffic on the railways or is moving by truck.

The principle of nation-wide railway rate subsidization, embodied in the bill before the committee, is believed by the trucking industry to be neither right nor fair. We are strongly opposed to such subsidization.

Underlying the trucking industry's opposition to the railroad freight rate freeze and to the subsidized rate reductions are the industry's conviction that:

1. Freight rate increases in Canada since World War II have, through propaganda and emotional, rather than reasoned, response, been whipped up into a public issue of far more serious proportions than the facts justify.
2. Freight rate increases have been moderate, not excessive, in respect to the railroads and trucks.
3. Aggregate freight rate increases since World War II have *not* built up unfair discrimination against any region or territory in Canada. On the contrary, rate increases have been regulated by competition in such a manner that unfair discrimination, though it may be an issue, has little, if any, substance in the freight rate structure.

Anyone who has had the opportunity of travelling throughout Canada, and of following press comment on transport issues, knows that freight rates can be discussed with as much heat as light. They are an issue which tends to be supercharged with emotion—freight rate emotion. Why it should be believed that the matter of freight rates can be settled in such an atmosphere, when it is expected that other public matters will be settled in the pure, a stringent atmosphere of reason, it is difficult to imagine.

This committee, Mr. Chairman, is hearing us today not to perpetuate freight rate emotion but to get the facts—to develop freight rate reason. Let us see,

therefore, how large the actual burden of freight rate increases has been in the past decade. That, in itself, is a question heavily charged with emotion. It is the question at the very root of the frightening picture that has been built up regarding implementation of railway freight rate increases—increases claimed to be so great that a halt must be called, at least temporarily, with extraordinary interim measures such as subsidized rate roll-backs and a freight rate “freeze”.

## 2. The Burden of Horizontal Railway Rate Increases

The issue of the burden of railway rate increases is heavily charged with emotion and it is essential to determine the true facts of the case. The fundamental fact—and the fact which is seldom understood—is the *actual* burden of horizontal rate increases.

Theoretically, a series of post-war decisions by the board of transport commissioners has raised the maximum level of railway rates by 157 per cent during the period 1946 to 1958. Thus, if the maximum level of railway rates in 1946 is taken as 100, the index of permissible maximum railway rate increases in December 1958 would be 257, a very serious increase indeed.

*Such an increase in freight rates never took place.* For competitive reasons the railways were forced—and, as it will be shown, these occasions were never restricted to central Canada—to introduce competitive rates and agreed charges. These types of competitive rates either lowered the rates payable by the shipper, or because of actual or potential competition, negated the implementation of permissive increases.

The increase in the maximum ceiling of railway rates does not represent the true increase in the burden of railway charges to the shipper. Fortunately, the index of the actual increase in average railway rates can be worked out from official federal data published by the dominion bureau of statistics and by the board of transport commissioners.

The railways' revenue per ton mile is, of course, nothing more than the cost to the shipper per ton mile. Therefore, the index of average railway revenues per ton mile also represents the index of the true burden of railway rate increase to the shipper. Naturally enough, average revenue per ton mile—like all averages—is a general description, comprising such diverse elements as the movement of automobiles and grain; traffic (grain) moving at statutory rates unchanged from the last century; and movements of valuable and fragile machinery. In this respect the average revenue per ton mile is similar to the index of the “maximum permissible level of railway rates”, except that it reflects what has really happened—not what could have happened if no competition and no statutory rates existed.

In one respect, however, the index of average railway revenues per ton mile does not reflect the true charges to the customer. This exception exists because of the subsidization of certain railway traffics, resulting in average railway revenues per ton mile being higher than the costs to the shipper. *Therefore, the index presented below overstates the actual increase in the burden of railway rates.*

Even so, the gap between the theoretical and real increase in the burden of railway rates is significantly high. Whereas the theoretical maximum level of the railway rate index increased from 100 in 1946 to 220 in 1957, the index of average railway revenues per ton mile increased during the same period from 100 in the base year—1946—to 158.3 in 1957. (Since the recent increase was authorized at the end of 1958, it came too late to be reflected in an increase of average revenues per ton mile; therefore, 1957 is the last year in our indices.)

I would ask that the members of the committee be good enough to make a correction on chart 1. The source of information on chart one should be the same as the sources of information in table 1, which comes immediately before it; and that is the picture of railway horizontal rate increases in Canada authorized by the board of transport commissioners, and what actually happened.

*See Appendix B.*

*The simple fact is that we have had a total railway rate increase in Canada 1947-1957, of 58.3 per cent.*

It is clear that the effective, as opposed to theoretical, increases in the railway rates do not bear out the theory that the burden of railway rates has become unbearable. Because of the existence of highway competition, and because of federal government action, notably the immensely complicated task of equalizing railway freight rates, the actual increase in railway rates is not out of line with other price increases in our economy—all freight rate emotion and propaganda to the contrary.

On the other hand, actual increases in railway rates are the result of the upward movement of prices and costs in our economy. These results could not be prevented by any means other than a complete and artificial isolation of the railway industry from inflation, which affects all industries.

On page 12 where we deal with railway competitive rates and agreed charges we quote from the Turgeon Royal Commission a statement in its report of February, 1951 in which they point out that:

Truck competition did not become noticeable in Canada until less than 25 years ago. In the chapter of this report dealing with Crowsnest pass rates, it is pointed out that in the course of the great parliamentary debate on freight rates, which took place in 1925, nothing at all was said about the truck. Water transportation alone was discussed as a factor holding down railway rates in central Canada, to the advantage of shippers in that region. From then on the situation has been changing very rapidly, to the extent that today water competition is seldom mentioned; truck competition has overshadowed it almost completely. The years since the end of the war have seen this traffic increase more rapidly than ever with the improvement in motor vehicles and the extension of hard-surfaced highways which have taken place. The trucks generally provide favourable rates and a convenient service.

Then the commission goes on in that report of 1951 to present its assessment of where the impact of railway freight increases was falling at that time, and it says:

Conditions seem to indicate that these losses to the railways by reason of truck traffic can be expected to increase as time goes on.

The effect of these losses in railway revenue is to throw a heavier rate burden upon the traffic which is non-competitive, that is long-haul and low-valued traffic. This burden is borne especially by those sections of the country, such as the prairie provinces, where truck competition is very much weaker than in central Canada.

### **3. Railway Competitive Rates and Agreed Charges**

The railway freight rate increases applied in Canada after World War II were much more moderate than the increases actually authorized. The reason: truck and water competition. Of the two forms of competition, trucking was by far the most important. The location of available waterways rendered trucking the sole competitive force which had complete national, regional and local effect.

The Turgeon Royal Commission on Transportation, in its report of February, 1951, stated at page 265:

Truck competition did not become noticeable in Canada until less than twenty-five years ago. In the chapter of this report dealing with Crowsnest pass rates it is pointed out that in the course of the great parliamentary debate on freight rates, which took place in 1925, nothing at all was said about the truck. Water transportation alone was discussed as a factor holding down railway rates in central Canada, to the advantage of shippers in that region. From then on the situation has been changing very rapidly, to the extent that today water competition is seldom mentioned; truck competition has overshadowed it almost completely. The years since the end of the war have seen this traffic increase more rapidly than ever with the improvement in motor vehicles and the extension of hard-surfaced highways which have taken place. The trucks generally provide favourable rates and a convenient service.

How great have been the changes in the freight rate situation of the past decade—changes caused mainly by truck transport—is seen by comparing the commission's assessment of 1951 conditions and the actual conditions that exist today. For the same royal commission, also at page 265 of its 1951 report, said this about the results of truck competition:

Conditions seem to indicate that these losses to the railways by reason of truck traffic can be expected to increase as time goes on.

The effect of these losses in railway revenue is to throw a heavier rate burden upon the traffic which is non-competitive, that is long-haul and low-valued traffic. This burden is borne especially by those sections of the country, such as the prairie provinces, where truck competition is very much weaker than in central Canada.

We hear today that same assessment of 1951: that the benefits of truck competition are concentrated in central Canada—that because of this concentration of competitive benefits in the central provinces, the west and maritime provinces have to carry the burden of railway freight rate increases. And how wrong that is today!

We hear today about "discrimination" in freight rates caused by railroad monopoly on the long hauls—a monopoly more myth than substance, for today (and ever since the nation-wide rail strike of 1950) transcontinental truck lines span Canada. Hardly a week goes by that you cannot pick up a copy of the Financial Post and see one or more of the transcontinental highway freight lines, linked by their own teletype communication across this country, advertising their services to shippers.

The repetition today of tired, tattered and untenable conclusions designed to bolster the case for freight rate discrimination—central Canada sitting pretty while the west and the maritimes pay the shot—fails utterly to bridge the gap between the conditions reported by the royal commission in 1951 and the conditions which now exist.

Indeed, Mr. Chairman, the next Turgeon Royal Commission only four years later—and I refer to the Royal Commission on Agreed Charges whose report is not studied so often, states in its report of 1958, at page 45:

Conditions as they exist today cannot be ignored nor the changes that are still taking place. Chief among these are (1): The growth of highway competition between eastern Canada and the western provinces. This caused the railways to publish competitive rates on certain commodities where only a short time ago none at all were in effect on these movements, for example, canned goods.

The standard claims for freight rate discrimination have changed but little since 1951. The case remains almost static. Transportation *development* has not been static in Canada in the past ten years, even if the claims about transportation conditions of ten years ago bear such a marked similarity to the claims recited, for example, by the eight provincial governments to the governor in council at the hearing of the freight rate appeal on November 24, 1958. Transportation development has, on the contrary, been a surging, dynamic force in the past ten years. In the crucible of competition, that dynamic force of transportation development has not been wasted. For one thing, it has re-molded the freight rate situation of this country in such a way that much, if not all, of the alleged discrimination has evaporated—even if the claims have not. Fortunately, the testing time for those claims is again at hand in the coming hearings of the new royal commission transport inquiry.

As we have shown in chart No. 1, the D.B.S. transport statistics show that at the beginning of the post-war era the index of the railways' average revenue per ton mile was very close to the index of the maximum permissible level of railway rates. A large portion of the authorized freight rate increases of the railways was being applied. But not for long. The breakaway began towards the end of the 1940's. The gap between the two lines began to widen substantially, reflecting the increasing impact of truck competition; the granting of more railway competitive rate reductions and more agreed charges to railway shippers; and a corresponding decline in "normal" railway traffic (the traffic moving at class and commodity rates) which, under the impact of competition, was shifting into the lower-than-normal tariffs—the competitive rates and agreed charges.

But, if a case for discrimination still exists today, the wide gap between the two lines—the rate increases the railways were authorized to apply and the amount of increase which they were actually able to apply—could mean only one thing: that the benefits of truck competition in the past decade have still been concentrated almost exclusively in Central Canada; that it is still correct today, as the royal commission said in 1951, that the freight rate burden is being borne especially by the west and the maritimes. This, of course, is the rate discrimination argument.

Then we mention the value that the waybill analyses will have to the coming royal commission and the fact that there was only one annual waybill report—and that for the year 1949—which was available to the Royal Commission on Transportation.

I shall not describe the waybill analyses because it has already been done by Commissioner Knowles who is infinitely more qualified to do it than I am.

The facts are to be found in the waybill analyses of the Board of Transport Commissioners. The coming royal commission transport inquiry will have a very great advantage over the Royal Commission on Transportation which held Canada-wide hearings in 1949 and 1950, reporting in 1951. The Board of Transport Commissioners, since 1949, has been issuing each year these revealing analyses of railroad waybills. The analyses cover the years 1949 to 1957, inclusive, except that no waybill analysis was issued for 1950. Thus, the Turgeon Royal Commission had the waybill analysis for only one year—1949—in its consideration of facts upon which to predicate its recommendations to the governor in council. Even waybill information for one year was considered of such value by the commission that, where appropriate, it was quoted in the report of 1951.

The transport board's annual waybill analysis is a portrayal of actual traffic movements. It shows the proportion of railway traffic which moves from one "rate territory" or "region", under what kind of rate and the amount of the rate—in addition to other valuable information.

Towards the end of January, 1959, Canadian trucking associations, reviewing the freight rate situation in preparation for the national transportation inquiry which was first announced on November 26, 1958, again gave careful study to the transport board's decision to award the railways a 17 per cent rate increase.

We came again to the finding in the board's judgment of November 17, 1958, that the actual increase in the railways' average freight revenue per ton mile, 1947 to 1957, inclusive, was only 55.4% for the Canadian National and 57.9% for the Canadian Pacific. As the board itself pointed out: "The revenue per ton mile is the ultimate measure of what the railways can earn from year to year and it expresses in one figure the revenue for the work performed on the goods, i.e., the weight carried and the distance the freight is hauled."

If we could go beyond the national figures on the amount of freight rate increase and ferret out the actual increase in the railways' revenue per ton mile *by regions* and *between regions* of Canada during the past decade we would have authentic facts about the alleged "imbalance" and "distortion" in the freight rate structure on which the eight provincial governments expressed themselves so eloquently, first in their written petition to the governor in council, dated November 18, 1958, appealing for the rescinding of the transport board's 17 per cent decision, and then in their spoken submissions in support of the appeal on November 24, 1958.

Study of all of the transport board's waybill analyses, 1949 to 1957 (excluding the year 1950, for which no analysis was available) revealed that the regional results we sought were available. But they were not readily available. Only at great effort and at considerable cost could the required information be extracted by statistical procedures from the waybill analysis.

Neither the transport board nor any agency or department of the government has ever published the type of study we contemplated. At the time—towards the end of January, 1959—no such information was publicly available in Canada. The increasing involvement of trucking in the freight rate issue, and the extravagant and irresponsible nature of some of the public proposals for federal subsidization of our railway competitors, made it imperative that we undertake our own study of alleged freight rate discrimination on which the case for subsidy is based. Early in February our study began. The facts which follow are those uncovered to date—some as late as a few days ago. These facts as to the nature of freight rate discrimination in Canada are of such interest to us—as we hope they will be to the committee—that we are pressing on with additional studies of the waybill analyses in preparation for our participation in the royal commission transport inquiry.

There follows a table and a chart—No. 2—which indicate that:

Both the western and the maritime regions show the largest percentage increases in revenues generated by competitive rates and agreed charges. It is correct to say that in 1949 the western and maritime provinces had only a small proportion of traffic moving under competitive rates and agreed charges; and therefore they were taking the brunt of the freight rate increase; in 1957 the proportion of railway revenues generated by the two competitive rate categories in the west and the maritimes was close to the proportion of such revenues generated in central Canada in 1949.

Since facts speak stronger than oratory let us look at the results of official federal statistics compiled in the following table:

*See Appendix B.*

In 1944, the number of agreed charges was very small indeed, but a very significant increase is taking place in that traffic in the west and the maritimes, and the non-competitive traffic is coming down in both regions of Canada.

For the sake of discussion let us accept the contention that 20 per cent of traffic moving at the competitive rates and agreed charges enabled central Canada in the late '40's and early '50's to shift the burden of horizontal rate increases to the other regions of Canada. The fact that these two rate categories now account for 32% of total freight revenues in the west and for 30% in the maritimes means that any further shift of the freight rate burden is impossible because of the rapid growth of competitive rates and agreed charges. It follows that the argument about the regional imbalance and distortion in the rate structure due to an unequal distribution of the competitive factors is no longer based on facts—that the facts contradict the argument.

If the existence of competitive rates provides a natural protection against undue burden upon the shipper—the undue burden which allegedly would occur if *all* the railway rates could be raised to the allowed maximum—then the competition, which is the cause of the competitive rates and agreed charges, should not be eliminated or harmed.

It is illogical for the eight provincial governments to pursue two mutually contradictory objectives: lowering the railway rates through competition, and, at the same time, weakening the competition by federal subsidization of railway rate reductions.

Then, based on the waybill studies of the board of transport commissioners we prepared an analysis of the provinces which carried the burden of horizontal freight rate increases.

#### 4. Which Provinces Carried the Burden of Horizontal Rate Increases?

In the previous sections the following facts were established about the competitive impact on railway freight rates:

1. Actual railway rate increases have but partially reflected the permissible rate increases.
2. The difference between the actual and permissible rate increases tended to grow—the result of the growth of competitive transport industries.
3. The proportion of competitive rates and agreed charges has been increasing faster in the west and in the maritimes than in central Canada.

In this section we shall examine the contention that the western and maritime provinces have carried the main burden of unfairly discriminative rate increases. The table and chart following—chart No. 3—summarize the trends in average railway freight revenues by the main rate territories or regions. (See Appendix B)

The foregoing data refer to all carload traffic originating regionally—that is, the "maritimes" traffic refers to freight movements originating in the provinces of Nova Scotia, New Brunswick, Prince Edward Island and in the province of Quebec east of Levis. If a freight movement begins and ends in the same region, or if it begins in that region and ends in another region, our data records the freight rate experience for both types of movement under the heading of the originating region.

Table 3 shows that the average level of railway rates for traffic originating in the western and maritime provinces has been consistently below the level of rates on railway freight traffic originating in central Canada.

It may be claimed that the western and maritime provinces suffer because the rates on traffic moving into these regions from central Canada are on the average too high. In order to examine this contention we re-tabulated all of the waybill data in order to determine the average level of railway

rates, not only by originating territories but also by destinations. The results of this further tabulation are presented in the table following and in chart No. 4. (*See Appendix B*)

Table 4 clearly indicates that, as far as the movements inside the rate regions are concerned, central Canada has the highest average level of railway rates. As far as the inter-regional movements are concerned, products of the western and maritime industries enjoy a lower level of freight rates than products of central Canadian industries. The highest average level of freight rates is borne by traffic moving from central Canada to the west. This experience has had two consequences: the "imports" of the western provinces from central Canada have to pay relatively high rates, which adversely affects the consumers in these provinces, but, on the other hand, the relatively high level of freight rates acts as an umbrella under which western Canadian plants are developing profitably, with a beneficial effect on employment in those provinces.

The definition of "western Canada" or "western region" should be noted. This region, according to the definition of the board of transport commissioners, extends from the Pacific coast to Port Arthur, Ontario. The relatively high rates between central Canada and the western region have been largely due to the comparative lack of competition from other means of transport, a fact which even the "bridge" subsidy has not fully outbalanced. This competitive situation is undergoing a radical change, however. The completion of two major projects of the past decade—the trans Canada highway and the St. Lawrence seaway—by providing new and vigorous competition with the railways, will force the railway rates downward. On the other hand, if the railway rates are subsidized, the growth of these new competitive forces will be retarded. Thus, the subsidy is likely to extend the present lack of competitive imbalance, at a time when a strong possibility of corrective competitive development exists.

The general analysis leads logically to a more specific analysis of the movement of railway rates by the main regions.

#### *Western Canada*

The changes in freight rates relating to traffic originating in the western region are presented in the table below and in chart No. 5. (*See Appendix B*)

The following facts stand out clearly:

1. Railway traffic originating in the western provinces is moving at an average rate level lower than the national average.
2. The average level of freight rates, determined by revenue per ton mile, follows the national trend, but at a slower pace. In 1949, western Canadian freight rates were approximately 20 per cent below the national average. In 1957, they were 29 per cent below the national average.

The statistical and graphic picture of the western Canadian freight rate experience of the past decade includes the statutory grain rates—the Crowsnest Pass rates. We are looking at the total freight rate experience of three regions—west, maritimes and central Canada. The statutory grain rates are a condition which western Canada enjoys; they have not been excluded from this submission.

The Crowsnest Pass rates are important but they are not sacrosanct. To exclude them as part of the freight rate picture would be illogical and would simply be an attempt to look at the whole freight rate picture with a blind pulled down over part of it. The statutory rates relate to the movement of the most important western Canadian export. There have been many eloquent descriptions of their place in the freight rate structure. No assessment of the impact of railway freight rate increases could be complete without them.

With, or without, the Crownsnest Pass rates included, the west has not suffered immediately from the railway freight rate increases of the past decade. For even if statutory rates were excluded the position of the west is by no means unsatisfactorily. This is illustrated by chart No. 6.

Chart No. 6 indicates that during the 1949-1957 period western Canadian rates—even excluding statutory rates—have been consistently below the rates in central Canada. True enough, in the early '50's the western rates were increasing somewhat faster than the rates in central Canada, but more recently this trend has been reversed. At the same time it must be remembered that industrialization in the West has been relatively faster than in central Canada. Therefore, the traffic composition in the west has been undergoing a more rapid change from lower to higher rated commodities. The exact determination of all the factors mentioned above is not possible without very extensive studies which we have not yet completed. The basic facts, however, are quite clear:

1. The western provinces have had a railway rate experience more favourable than the rest of the country.
2. Even without taking into account the statutory rates, the western Canadian rates are lower than those of central Canada.

### *The Maritimes*

The study of the rate experience of the maritime provinces is of special value because the maritimes are the region in which railway freight rate subsidization has been in effect for 30 years.

Mandatory reduction of freight rates by 20 per cent for all rail shipments within maritime territory, and by 30 per cent for rail shipments moving west-bound from the maritimes to just inside the Quebec border, is financed by annual payments from the federal treasury under the Maritime Freight Rates Act of 71927. The maritime rail subsidy is paid on the railways' competitive as well as non-competitive rates. In 1957, federal payments made to the railways for this purpose totalled over \$12,500,000.

If railway subsidization was successful in achieving anything for the maritimes one would expect that the rate structure in the maritimes would be as favourable as for any other part of the country.

The facts prove this expectation wrong:

1. Railway rates increased somewhat faster in the maritimes than anywhere else—by 71 per cent in the maritimes as against 24 per cent in the west and 48 per cent in central Canada.
2. The average level of maritime railway rates is higher than the national average.

Chart No. 7—based on the board of transport commissioners waybill data illustrates these points clearly.

Then, we deal with the contention that if the railway subsidization was successful in achieving anything for the maritimes, one would expect that the rate structure in the maritimes would be as favourable there as for any other part of the country.

Mr. HES: I must apologize Mr. Magee. I have to leave for a commitment that I made about three months ago. I assure you that I have found this most interesting and I will read the rest of it tonight and will be here at nine o'clock tomorrow morning. Thank you very much indeed.

Mr. MAGEE: We show in chart No. 7 the maritime freight rate picture based on revenue per ton mile and we show the for-hire motor carrier per ton miles per head of population—those are gross ton miles that we use there. Our picture on the right-hand side in that chart, is obtained by dividing the gross miles by the dominion bureau of statistics 1957 population estimate.

We use gross ton miles for our own reasons in assessing the influence of the size of vehicles involved in maritime trucking. For those members of the committee who are interested in the particulars for net ton mile, I can give you that figure.

Over each province, in chart No. 7, the present figure is there—Atlantic region—is 233. The net ton miles charges that figure to 96. For Quebec, 210; Ontario, 371; Manitoba, 136; Saskatchewan, 265; Alberta, 586 and in British Columbia, 5259.

That latter set of figures is the net ton miles divided by the dominion bureau of statistics 1957 population estimates.

As the western and maritime rail subsidy advocates claim that truck competition produces a more favourable railway freight rate situation in central Canada, it is important to compare the railway rate experience of the maritimes and the relative development of the maritime trucking industry (the latter faced since 1927 with federally-subsidized rail rate reductions):

1. The Atlantic region has the least developed trucking industry in Canada, measured in terms of ton-mile per capita.

And the pattern is the same whether you use gross ton miles or net ton miles.

2. The Atlantic region's trucking industry is proportionately 40 per cent less developed than in the neighbouring province of Quebec.

The following conclusions are apparent:

1. Subsidized rail rate reductions in the maritimes, with their inherent weakening of the railways' competitors, did not divert the impact of railway rate increases.
2. The rail subsidy that has existed in the maritimes since 1927—about the year of the birth of inter-city trucking—reduced the competitive force of trucking there and thus prevented the maritimes from enjoying a railway rate experience as favourable as that of Western and central Canada.

The previous sections of this submission presented a critical evaluation of standard arguments for subsidizing railway freight rates on the basis of an assumed "imbalance" and "distortion" of the rate structure.

We submit that on the basis of the factual material presented in the previous sections the "rate distortion" and "regional discrimination" arguments are contradicted by facts. These facts are:

1. The competitive re-molding of the railway rate structure has been increasing faster in the western and maritime provinces than in central Canada.
2. The effective railway rate increases have shown little over-all signs of discrimination against the western or maritime provinces.
3. The rate experience of the maritime appears to be closely related to the far slower development of the trucking industry there than elsewhere—a trucking industry facing subsidized rail rate reductions since 1927, with the subsidy applying even on rail competitive rates.

If past experience indicates anything, it indicates the inadvisability of railway subsidization from the point of view of long-term rate reductions.

We do not deny that in a number of cases full railway rate increases have effected hardship on certain groups of consumers or producers. Since it has been our intention to present all of the relevant facts—as far as our limited resources permit us to present them—we have considered it our duty to present data which might at the first glance appear to support the case for railway subsidization, at least where certain selected movements are concerned.

Chart No. 8 presents a graphical summary of railway rate increases—this again is using the board of transport commissioners waybill analysis—this from 1949 to 1957, not only by originating regions, but also by destinations and directions of movements.

The following general tendencies are evident upon study of chart No. 8:

1. For freight traffic moving within the rate regions, the western region had by far the lowest average rate increase—15.3 per cent vs. 43.8 per cent in the Maritimes and 44.1 per cent in central Canada.

2. The rate increase on freight moving from central Canada to the West was only 32.1 per cent whereas freight moving from the western region to central Canada took a 52.2 per cent increase. It is difficult to find a simple explanation for this differential in rate increases on westbound and eastbound traffic. Our studies indicate that the average ton-mile revenue of 2.21 cents in 1949, derived from freight moving from central Canada to the west, was already relatively high and that therefore railway management may have found it difficult to effect further increases above that level. This thesis is supported by the fact that the westbound traffic shows a very rapid growth of competitive rated and agreed charge movements.

Closer analysis, which will require more time, might reveal that the generally high central Canada to western Canada freight rates, which existed in 1949 and exist now, might be due to the predominance of manufactured goods and other high-rated commodities moving in that direction. By the same token it might be found that this traffic composition itself has changed over the last eight or nine years and that this factor is partly responsible for the more moderate rate increases on east-west traffic, as compared with west-east movements. Yet another factor is that traffic from central Canada to the west coast is subject to competition by water transport via the Panama canal and that this forced the railways to adopt competitive measures; for example, by extending agreed charges. In addition, truck competition in one or another way may also contribute to these particular rate trends.

3. The highest rate increases occurred on the movements between the Maritimes and central Canada: 67.4 per cent from central Canada to the maritimes and 55.6 per cent from the maritimes to central Canada.

Here, of course, truck competition is weakest, although the potential for development of the long-haul trucking industry is a good and a fertile field for the same interest by the maritimes transportation commission which the commission has displayed towards other aspects of the freight rate problem.

I may say that the maritime transportation commission is constantly examining these problems and they have cooperated very well with the trucking industry.

On the basis of past performance, the subsidy, upon casual examination, might appear to be more justifiable on the movements between central Canada and the maritimes and between central Canada and the west—but on the basis of future prospects, indiscriminate subsidization of these movements would produce the most harm.

If competitive rates and agreed charges indicate the existence and intensity of competition, then it is relevant to note that the revenues from these competitive rate categories increased, for movements between western and central Canada, from 12.8 per cent of the total in 1949 to 47.3 per cent in 1957 and you hear on radio and television that there is no competition on the long haul—this is a very substantial increase, sufficient to nullify any contention that the railways of this country have been exercising monopoly rate powers on long-haul traffic since World War II. On a large part of the long-haul traffic they

have been doing nothing of the kind. Their long-haul traffic on which they previously enjoyed a monopoly has been subject to non-stop shrinkage—and the word “shrinkage” is used to describe the long-haul monopoly, not the long-haul traffic. The traffic is now moving by both rail and truck. In regard to the traffic which continues to move by rail on the long hauls, its immediate competitive susceptibility is apparent in the very substantial volume of revenue now derived from the competitive rates and agreed charges.

With the opening of the St. Lawrence seaway and the completion of the trans Canada highway a further increase in competition can be expected. In fact, it can be said that the movements between central and western Canada have a very high competitive potential. If the eight provincial governments do not think it is in the public interest to stifle the competition, either actual or potential, it is logical to ask why they sought a measure—rail subsidy—that could have no other effect.

As far as the movements between the maritimes and central Canada are concerned, here, potentially, is another highly competitive situation. In 1949, competitive rates and agreed charges accounted for 13.0 per cent of railway revenues generated by the movement of maritimes-central Canada traffic. By 1957, despite the maritime freight rate subsidy on westbound rail traffic (the westbound interprovincial subsidy was increased in the 1957 federal budget) maritimes-central Canada traffic moving under competitive rates and agreed charges increased to 23.8 per cent. In view of the hopeful signs of development of long-haul trucking on these routes, there are good reasons to expect that the range of competitive traffic will further increase. At the same time, as previously mentioned, the trucking industry in this region is relatively underdeveloped and struggling against natural and man-made difficulties. It is especially vulnerable to the blows of subsidized competition.

The average lengths of haul on movements between the maritimes and central Canada are under 1,000 miles and are thus normally within the radius of efficient truck operations. The average lengths of rail haul between the maritimes and central Canada are tabulated as follows: (*See Appendix B*)

We have used information available to all who wish to study the impact of freight rate increases—the waybill analyses of the board of transport commissioners—to show the committee why we believe that the case for unfair discrimination, and thus the case for rail subsidy, cannot be proved. Railway subsidies applied to a “roll-back” of average rate increases on freight moving between regions—reduction of the most substantial of the increases—will have a harmful effect on potential competition.

The object of subsidization is not to prevent past rate increase—without gigantic subsidies, the past cannot be undone—but to counteract future rate increases considered unreasonable. It is submitted that future rate increases can properly and naturally be checked by the free play of competitive forces. Blocking of the development of free competitive forces is bound in the long run to have results which are the very opposite to those for which the subsidy is devised.

Mr. Chairman, the members of the committee who have listened to me with considerable patience, will be interested to know that I am now approaching the conclusion of this lengthy submission.

## 6. Conclusion

In chapter 1 of this submission, we expressed the three convictions which underly the trucking industry's opposition to the railroad freight rate freeze and to the subsidized rate reductions which will be authorized upon passage of the legislation before the committee. If some of the hon. members of the

committee believed that the convictions we expressed were extreme, we trust that the evidence which we have presented in subsequent chapters has justified the convictions we hold. We repeat those convictions:

1. Freight rate increases in Canada since World War II have, through propaganda and emotional, rather than reasoned, response, been whipped up into a public issue of far more serious proportions than the facts justify.
2. Freight rate increases have been moderate, not excessive, in respect to the railroads and trucks.
3. Aggregate freight rate increases since World War II have not built up unfair discrimination against any region or territory in Canada. On the contrary, increases have been regulated by competition in such a manner that unfair discrimination, thought it may be an issue, has little, if any, substance in the freight rate structure.

We respectfully submit that our criticism of the government's interim freight rate measures are not destructive; that, on the contrary, the entire submission which is before you is predicated on the constructive results of developing and maintaining a competitive transportation system in Canada.

The railways say that if they have a better product or a better price, then they are going to get the business, just as any other industry does; and if they have not either they are not going to get it. The railways themselves, in that statement of their position, which is typical of their "new look" approach to competition, acknowledge that all of their traffic is subject to actual or potential competition. The trucking industry sees no reason why, in respect to transportation, the competitive enterprise system should not remain intact—with no subsidy barrier being drawn over any class of railway freight traffic.

It must be remembered, of course, that no transportation agency, having got possession of freight traffic,—this is a very important point because the burden of this submission is not that you should leave us alone so we can get the rest of the traffic—has any assurance that it will hold it. There is no such thing as freight that is the exclusive preserve of the trucks; or freight that is the exclusive preserve of the railways. The distribution of traffic between competitors is fluctuating all the time with traffic passing from one form of transport to another as each brings its most attractive selling points to bear upon the shipper. The trucker may get traffic away from the railway on the basis of faster point-to-point service—with, or without, a rate inducement. The railway responds with a competitive rate and goes about improving its own service—and if that does not do the trick they go after the shipper with an agreed charge, containing even lower rates. The shipper may have these lower rates if he is willing to be tied to rail service for a fixed period in the movement of a fixed percentage—often 100 per cent—of the traffic covered by the agreed charge. No transport agency is going to get all the freight—even as one agency goes after new traffic, it may lose, at least until it makes some competitive countermove, traffic which it had previously obtained.

The motor truck was the one transport agency which was technically equipped to end monopoly railroad service and monopoly railroad rates and to do so with complete national, regional and local effect. This result has been largely achieved. Only where substantial railroad freight rate subsidization has long existed has the competitive impact of trucking been weaker and the applicability of railway freight rate increases more noticeable.

If it is true that unfair freight rate discrimination exists today where truck competition does not exist; if the information made available by the board of transport commissioners supports the conclusion that competition is proceeding apace to envelop what remains of the non-competitive traffic; surely it is in the public interest to let nature take its course—to let the competition develop and fill the same roll which the government would fill with a freight rate subsidy.

The CHAIRMAN: I am sure, gentlemen, we appreciate this fine brief which has been presented by Mr. Magee on behalf of the Canadian Trucking Association. Are there any questions? I may say that Mr. Goodman and Mr. Montague are with Mr. Magee and will assist him in answering any questions you may have. Perhaps you would like to introduce these gentlemen.

Mr. MAGEE: Mr. Goodman is an honorary life director of the Canadian Trucking Associations and the general manager of the Automotive Transport Association of Ontario. He appears today in his national association capacity. I asked him to come here because he has had 25 years experience in our industry.

Mr. George Montague, who is right beside me, is the secretary and legal counsel of the Applied Economic Research Associates in Toronto. He has worked with us since 1955 in a number of studies, including the waybill study.

As some of these matters are very complex, I would like to pass to these gentlemen—some of the questions which I am unable to answer.

Mr. BADANAI: As an example, owing to the freight rate increase, it has increased the cost of an ordinary house by up to \$200. You say we should not pay this subsidy. You are objecting to the subsidy. How are we going to have these freight rates equalized in so far as northwestern Ontario is concerned? What is the industry doing about that?

Mr. MAGEE: Well, as pointed out in our brief, you cannot have it both ways. If you have the subsidy you have weak truck competition which cannot react against the freight rate increase; if you have competition we say it will do the job that the subsidy will do—maybe not as quickly in your part of the country, maybe not in the next year. But we have shown in our brief how the competition has increased tremendously in the past ten years in the three regions of Canada, the west, central Canada and the maritimes. So what the transport board calls the normal traffic, the class and commodity rate traffic, has shrunk since 1953 quite drastically to about one third of the total traffic of the railways. Our submission is that if the transportation system is allowed to remain competitive—and that is the way it has been allowed to develop since World War II; there are many types of transportation enterprises which have been created—that will take care of the regional freight rate discrimination problem. My colleague, Mr. Goodman, might be able to add something to that.

Mr. BADANAI: Are you talking about northwestern Ontario, which is closer to the province of Manitoba?

Mr. GOODMAN: I think, Mr. Chairman, those who live in northwestern Ontario will know that prior to 1953 there was no truck service from central Ontario to the Lakehead. There are now several services. Also prior to 1953 there was only one truck service between the Lakehead and western Canada; there are several now. We believe the competitive situation will become more intensified as the gap over Lake Superior is completed and as reciprocal arrangements and improvement in the highway from the Lakehead to western Canada develops. I think a study will show that during the last four or five years there has been an extensive amount of service into that area which did not exist prior.

Mr. FISHER: I would like to ask Mr. Magee some questions about his association, its membership and strength, and the number of employees involved, so we can get a picture of the association. Could you fill this in for us, Mr. Magee?

Mr. MAGEE: Yes. We are a federation of all the provincial trucking associations in Canada. Our members are the provincial associations. Their members are the truck operators and their total membership is somewhere between 6,000 and 7,000 operators. That includes everything from one truck owner drivers, of which we have hundreds, right through the medium-sized operators and up to the largest trucking companies in Canada. The total employed in the trucking industry is approximately 72,000, and that is direct employment.

Mr. FISHER: You make the point that the railways are getting into this truck competition with integrated service; do they play any part either at a provincial or federal level?

Mr. MAGEE: They do at the provincial level but they are barred by the by-laws of the Canadian trucking associations from playing any part in our activities at the federal level; in other words, in the national association. No employee of any form of transport competitive with the trucking industry can be a delegate to any meeting of Canadian trucking associations. That covers our senior policy-making body, which is our annual meeting; it covers our board and committee meetings. So far as the national association is concerned, it is the creature of the provincial associations. It is the policy of some of the provincial associations to accept into their membership railway truck lines, but to keep the national association as an association of independent trucking companies in Canada.

Mr. FISHER: You have indicated a number of trends, but you have not given any indication. The movement of the railways into this field is going to have an impact upon you. In your brief you have tended to separate railways and trucking and shown them as purely competitive. Would you not have a competitive situation that would work out to reduce rates in the long run? The railways are right into this field themselves, and has that not a bearing upon your presentation?

Mr. MAGEE: Well, is it your point that if the railways proceed too deeply into the trucking field there will be a lessening of competition in regard to rates?

Mr. FISHER: Yes.

Mr. MAGEE: Up to the present time the only company that is purchasing truck lines is the Canadian Pacific. The Canadian National has not entered the trucking industry by purchasing any of our independent companies. The Canadian Pacific is on the highways now from Vancouver Island to Prince Edward Island; they have achieved that through the purchase of four or five large companies. But as for any thought that they could get a monopoly or get into a position of monopoly, or into a position that if their interest in the trucking industry became so great, the parent company might instruct the management to ease up on rate competition so the parent company would have a more favourable time—I do not think it is likely to come to fruition. I say this because the entry into the trucking industry, while it is controlled in many provinces, can still be achieved by any person who wants to make an application and who can persuade the provincial regulatory board he should be admitted. And even if the railway got a stanglehold on the hire trucking industry, the development of private trucking, which is becoming the greatest threat to the railways and ourselves—and I am talking about the trucking industry—would mitigate against monopoly rate situations.

Mr. FISHER: Would you define private trucking?

Mr. MAGEE: The shipper who buys his own vehicle and sets up his own transportation department to haul his own goods in his own vehicles.

Mr. FISHER: Have you ever campaigned or is it still part of your policy that the railways have no business being in the trucking industry.

Mr. MAGEE: Yes, we have spent thousands of dollars to try every conceivable form of legal fight which we could arrange;—and this responsibility is borne by myself, Mr. Goodman and many others in our industry and association staffs—to fight this development and prevent it from growing. We have not attracted too much support from the public or anyone else.

Mr. FISHER: Is your policy in this particular regard based upon the free enterprise thesis that you have in this brief, that because the railways have a record of subsidies and government support in various categories it is unfair to get into a business in which you have to be fully competitive and have no form of subsidy?

Mr. MAGEE: Yes, we want to keep the trucking industry as an independent competitor of the railways. That is the policy of Canadian trucking associations with which, as I say, we are having some very considerable lack of success. But that is our policy and we will continue to make those attempts. We will examine every statute in the country that can be examined that has a bearing on this problem, including the Combines Investigation Act. I want to emphasize that we are continuing our efforts to try to keep our industry independent.

Mr. FISHER: In the long haul to western Canada there has been a tremendous increase in piggy-back service. How is that developing? Has it affected the independent operators in relation to railway competition?

Mr. MAGEE: The independent operators are using piggy-back in increasing numbers, wherever it is being made available by the railways. As the members of the committee know, there was no piggy-backing of trucking industry trailers until last year. Then it started. Up until that time the railways had hauled only their own trailers by piggy-back, and then they made the service available to us. I think there were some in our industry who expected that when we became the patrons of the railways, as well as their competitors that there would be a lessening of competitive problems. But the actual way it has worked out has been quite the reverse. The competition is continuing just as keenly as ever between the two industries, and representatives from both the trucking industry and the railways are out soliciting movement of freight for their particular media. Sometimes freight is secured by both and is moved to Toronto or Montreal on the same flat cars by the same industries.

Mr. FISHER: Is it the general contention of your industry that the lack of competition by the railway in certain fields, as you have outlined in your brief as being shielded from competition, is bad for the efficiency of the railways themselves?

Mr. MAGEE: Yes. If I understand that question correctly, it is this: has the competition acted as a spur upon railroad efficiency?

Mr. FISHER: Yes.

Mr. MAGEE: Very definitely. There was no over-night freight service—and I mean true over-night freight service—in Canada until the trucking industry, through competition, forced the railroads to compete.

In the past few years, under the leadership of Mr. Donald Gordon and Mr. Norris R. Crump, the two main railroads have been subjected to a smartening up procedure. We are receiving very stiff competition from the railroads now, and we are glad to have them as competitors.

Mr. FISHER: You say that there is no freight traffic hauled; that is the exclusive preserve of either railways or trucks. Let us take the grain trade moving down in the Crowsnest pass areas. Is it your contention that that traffic, even, is potentially truck traffic?

Mr. MAGEE: If I said "yes", it would probably provoke some amusement, but I am going to say "yes". I say it for this reason, that in 1931 the Duff royal commission on transportation issued a report, in which it was said—

Mr. DRYSDALE: Could you haul at Crowsnest pass rates?

Mr. MAGEE: No. If you wish us to make a statement on our position in the Crowsnest pass rates, we have one. It is not a factor that we are trying to dodge, but we could not haul statutory grain at the present rates.

The Duff commission said, on page 104 of the report of 1932: "In the more thickly settled areas in Canada, relief may be found in establishing zones for truck operations. The truck has its place in the movement of goods, but its proper function is collective and dispersive and not that of a primary carrier. In a properly coordinated transport system, the railway would assume the main burden of the carriage of goods for distances exceeding 50 miles, and trucks would operate as collectors and distributors of freight".

That is in the royal commission report of 1932, and there has been a tremendous change since then. As the royal commission on agreed charges—which reported in 1955 and which I have quoted—said, the situation had changed so much even then with regard to the growth of highway competition between eastern Canada and all the western provinces. This is because the railways had published competitive rates on certain commodities, where only a short time before none at all was in effect in these movements.

So my answer is, on the basis of what has happened, that it is impossible to take any traffic in Canada and say that at some time it will not be hauled by truck.

Mr. DRYSDALE: Examining your brief, you emphasize, of course, that trucking is competitive with the railways, about which I do not think anybody would argue. But I wonder, also, if it is comparable, in a sense, because you can get out of the trucking business fairly easily, but it is rather difficult to get out of the railway business.

I understood that you seemed to be implying that you objected to the subsidization of the railways, and you felt in effect that truck competition would eventually serve to take over.

Is there an implication in that, first of all, that the trucking industry would eventually take over the railroads, and if so, how would you provide for the gradual retreat of this, shall we say, capital investment?

Also, is there the implication—if that is not so—that you feel that the trucking industry—(and I realize the constitutional difficulties)—should be represented before the Board of Transport Commissioners in a sense so that the railway and trucking industries, could co-exist? Have you any comments on that?

Mr. MAGEE: I would say, in regard to growing so big that we found we were taking over the railroads—I hope it would never happen to any of us here, because—

Mr. DRYSDALE: I meant, supplanting them.

Mr. MAGEE: No, because, as I pointed out in our brief, there is no traffic that is the exclusive preserve of either the truck or the railway. You hear about traffic that is natural traffic for the truck; but the way the competition has been, there is no natural traffic for the truck or the rail in the areas in which the two are competing, because what the truck operator thought was natural traffic and which he might have been hauling for three years, may not be there tomorrow; the railways may publish an agreed charge, which drops the rate down so low that the truck operator cannot meet it.

Mr. DRYSDALE: In your view, should the railways exist without subsidization?

Mr. MAGEE: I think the railway could exist without subsidization, yes. I also think there are situations in the transportation system in Canada that require looking at very carefully and require to be ironed out.

Mr. CHOWN: I was wondering if there was any single authority in the auspices of your association or elsewhere which sets the freight rates for truckers?

Mr. MAGEE: No, sir.

Mr. CHOWN: There is not?

Mr. MAGEE: No, there is not; and I may say that this association and Mr. Goodman's association, and every other provincial trucking association in Canada do not enter into the rate picture because, for very obvious reasons, that would not be possible.

The only time our officials meet with truckers in regard to rates is when it is a railway rate matter that confronts truckers, and may necessitate some representations to some federal agency. Then we would meet to discuss the impact of the railway rate situation. But we cannot meet and discuss truck rates with our own people.

Mr. CHOWN: Do you not agree that the industry received a substantial subsidy from the government of Canada in the construction of the Trans-Canada highway ?

Mr. MAGEE: That raises the question of whether the trucks pay their fair share of highway costs. We think we do.

I do not think that even if we were to argue for a minute that that is not true, it is a comparable situation or has a relationship to the situation we are discussing today, because in one instance we are talking about roadbed subsidization and the railroads have, as we all know, in order to get started in Canada, received very substantial subsidies and land grants, bond guarantees, mineral rights. Secondly, we pay in the automotive industry, both trucking and automobiles, about \$300 million a year in sales and excise taxes on equipment and supplies which we use for our operation. That is paid to the federal exchequer. I think the amount that has been spent on the Trans-Canada highway is some indication of the tremendous tax entity that automotive transport represents in the tax structure of Canada.

Mr. CHEVRIER: Mr. Magee, I agree with the chairman's remark made a moment ago that you have presented here a very excellent and comprehensive brief. In fact, I have listened to many of your briefs and I do not know that any brief has been as well prepared as this.

You are fortunate, I think, in having had the benefit of the waybill analysis to make the conclusions which you have. I am not admitting that they are correct.

Mr. MAGEE: No.

Mr. CHEVRIER: But the question I should like to put to you now is this. I take it from the brief that you are ill disposed towards this bill that is now before the committee?

Mr. MAGEE: Yes.

Mr. CHEVRIER: Our business, as I understand it, is to determine what action we shall take on this, because of a judgment of the Board of Transport Commissioners to increase freight rates by 17 per cent.

Mr. MAGEE: Yes.

Mr. CHEVRIER: Have you any suggestions to make other than this subsidy? If the wages had to be increased by the amount mentioned in the conciliation board report, and if that could be done by no other way than an in-

crease in freight rates to the extent of 17 per cent, do you know of any other method in which the position as was found by the Board of Transport Commissioners could be met, other than in this way?

Mr. MAGEE: I know of no other immediate way in which it could be met, Mr. Chevrier. Our thought is that—

Mr. CHEVRIER: Would you excuse me if I interrupt you there. If it does not meet the position, then how are the railways going to get the money?

Mr. MAGEE: Our position was first of all against the subsidized rate reductions of the class and commodity rates and against the freight rate freeze, and in favour of allowing continuance of competitive transportation, which we have tried to show in the submission has been bringing about great changes in the freight rate picture in the last 10 years, and, we think, favourable changes. We should let that continue.

We did say to the Minister of Transport, when we met with him in January, in connection with the coming royal commission, or what we referred to then as the national transportation inquiry—because we did not know it would be a royal commission—that we would participate in the inquiry if it was permissible, and we would cooperate in any way that we could in helping to bring about a solution to some of the problems which may have existed in the transportation field.

Mr. CHEVRIER: But the board decided against that contention. Where would the railways find themselves, if they did not have the benefit of the increase—that is what I am trying to get from you. Do you have any alternative?

Mr. MAGEE: Yes, sir. Our position is that the rail rate—

The CHAIRMAN: Pardon me a moment, we are dropping below a quorum, Mr. MAGEE, and there is a question which we have here. Is it the wish of the committee that charts, tables and graphs contained in this brief be reproduced in the committee's printed record at the point at which they appear in the brief, or would you prefer to print them in a group as an appendix? What is the feeling of the committee?

Mr. FISHER: What is the difference? Is there any relative difference in difficulty, so far as the printer is concerned?

The CHAIRMAN: Unless this is passed, they would not be printed. We have the evidence here but we do not have the charts. Where would it be preferable to have those charts put in?

Mr. DRYSDALE: As an appendix, I would think.

The CHAIRMAN: Is it agreed that they should be put in as an appendix?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Have you finished, Mr. Chevrier?

Mr. CHEVRIER: I did not get an answer to the question.

Mr. MAGEE: Our position is that the 17 per cent freight rate increase should have been allowed to stand. It would not have been the full 17 per cent increase. We have produced evidence here which demonstrates that it could not possibly have been the full 17 per cent increase.

Mr. CHEVRIER: Supposing it was only 10 per cent? Supposing you are correct in your assumption, and it was only 10 per cent that still means, I suppose, about \$50 million for the railways. Where are the railways going to get the \$50 million if they do not get it from the increase? They are getting \$20 million of it here. Where would they get the effect of the 10 per cent, if that is in effect what the increase amounted to?

Mr. MAGEE: They would have to come and ask for another increase; and we have shown in the brief that the rail increase in the past ten years has been only 58 per cent. We have said that the permissive increase of the board

have been used to show actual increases, which we say have not taken place. So if they had applied this increase, and it was not sufficient to give them the necessary revenue, they would have had to come back and ask for another increase.

It would have accelerated the competition. But not all of the traffic we have today we are going to hold. A lot of it is going back to the railroads. It is moving backwards and forwards all the time.

Mr. CHEVRIER: Did you come before the board on the 17 per cent hearing?

Mr. MAGEE: No; we were not present at the appeal on November 24, when the question of subsidy was first raised. We were not able to be there because we were not participants in the freight rate application. We have tried not to bother the board any more than we can help. We have tried to maintain a responsible attitude and not go around to the board with a lot of frivolous submissions and briefs. But this certainly jolted us, and perhaps we are the ones to blame, and did not foresee what might happen.

Mr. CHEVRIER: Do you think you should come within the jurisdiction of the board?

Mr. FISHER: That is the key question.

Mr. MAGEE: We are concerned about the situation that existed on the appeal, a situation in which we were not in a position to defend ourselves when other interests—the provincial governments—argued before the cabinet on the basis that the proper thing to do was to take off the 17 per cent increase and put in a subsidy to cover the full amount of that increase.

Mr. FISHER: I have a question which relates to what has been said. Your relationship with the Board of Transport Commissioners has been merely one of going, on occasions, and appearing before that board? The board has no call on you to appear before it, has it?

Mr. MAGEE: We have no status before the board at all, under the Railway Act. The board has so ruled. We did present an application to the board for disallowance of a very wide range of competitive rate cuts in western Canada in 1957, and the board held that we had no status as a party interested, and dismissed our application. That was their interpretation of the Railway Act.

However, they did proceed to hold a hearing on that particular matter, on their own motion, which they are empowered to do under another section of the act, and permitted us to appear as witnesses.

However, we have no rights before the board under the Railway Act, so far as we can see—except as a representative of shippers. Of course, those who ship trailers on flat cars are shippers, even though they are truckers.

Mr. FISHER: I have a contentious question to put at this time. From your experience in that particular hearing, or subsequently in any other relationship which you have had with the board, have you had any reason at any time to reach the conclusion that perhaps the board, with its very wide powers, is oriented too much toward the railway interests?

Mr. MAGEE: We have been before the board very seldom because of the fact that under the Railway Act we have no rights. Under the Transport Act we had no rights until 1955, when a very limited right of appeal, and a very broad right of appeal in regard to agreed charges, was created.

So far as any matter that we place before the board is concerned, we feel that the board looked at it fairly, and took the information that was before it and gave the best decision they could give; and we have not argued about it after.

Mr. HORNER (*Jasper-Edson*): I agree that this has been a very good brief, but I have questioned some of the bases used in the computations, particularly with respect to certain parts of it. I cannot find any breakdown of the relations in percentage increase in respect of various rates, and various sections of rates, between class, commodity and agreed charges; and I would like to know whether the classes are included in figuring these percentage increases.

The basic fault I find with the figures is the fact that you are using the ton-mile ratio or basis, and I think that that discriminates against us in western Canada, particularly in the prairie provinces—and perhaps, indeed, in all of Canada—because nobody can say that you can take a country like Canada and compare the various regions on a ton-mile basis. I do not think you can; it is not a reasonable thing to do.

Mr. MAGEE: In respect of revenue per ton mile, that is what the railways get for hauling one ton of freight for one mile; that is what it is?

Mr. HORNER (*Jasper-Edson*): I do not think that is a fair ratio, when you have to haul it so many more miles in the prairie provinces. In other words, your statistics show a more favourable condition for western Canada in regard to freight rates. I disagree with that entirely, on the revenue per ton-mile basis, because we have a lot of mileage. We have longer mileage and, of course, the longer the train, the cheaper you should be able to haul the produce per mile. That is exactly what has happened.

But that still discriminates against us, because we have many miles to go, to travel across our country.

Mr. MAGEE: So do we, in the trucking industry.

Mr. HORNER (*Jasper-Edson*): Yes; but your brief is based on figures that are produced on revenue per ton mile, and my contention is that these figures are not accurate and do not give a reasonable picture of the situation in western Canada. I would go further than that—because your figures are based on the long haul of agricultural products—more than just grain alone. They are based on the long haul of agricultural products; and the long haul of agricultural products, so far as the trucking industry is concerned, is a very minor part of its goods and services.

Therefore the area in western Canada which is being discriminated against particularly, and which your brief does not show at all, is the agricultural economy of western Canada.

Mr. MAGEE: You have asked several questions, and I shall endeavour to answer some of them. First of all, you asked if we included the Crowsnest Pass rates, the statutory grain rates, in our figuring.

Mr. HORNER (*Jasper-Edson*): In the particular figures for the percentage increases. On page 23 you take the Crowsnest rate. You give them both ways. I am not particularly worried about that. What I am worried about is, in your original percentage increases are the statutory Crowsnest rates included?

Mr. MAGEE: Except where it is specifically stated that they are not. In the one chart we show an exclusion of the Crowsnest Pass rates. Otherwise they are there, and frankly in our opinion that is just where they should be.

Mr. HORNER (*Jasper-Edson*): Not in my opinion, because you say that the freight rates have only increased so much. But in your average you use a statutory rate that is not increased at all, and cannot increase and, so far as I am concerned, will never increase.

Mr. BELL (*Saint John-Albert*): Mr. Fisher wants them to.

Mr. FISHER: Do not put that on the record.

Mr. MAGEE: We are trying to show the freight rates picture as it actually confronts us.

Mr. HORNER (*Jasper-Edson*): It does not give us the true picture, because you are taking a statutory rate which is level and using that as an average, or using it to figure out your mean rate.

Mr. FISHER: I cannot understand Mr. Horner's point. I wonder if he would elaborate on it a little more?

Mr. HORNER (*Jasper-Edson*): If you have, say, class and commodity rates and include charges and competitor rates and the statutory rates, you have five different rates. You have one rate which stays level and you figure your average on it which gives a false impression of this.

Mr. FISHER: Chart 6 indicates—

Mr. HORNER (*Jasper-Edson*): I am not referring to the charts. I am referring to the percentage increase for rates in western Canada.

Mr. DRYSDALE: Where?

Mr. MAGEE: Well, Mr. Chairman, we think the Crowsnest pass grain rates are part of the freight rate picture and should be included in the freight rates. We have been quite frank that they are included. We have not attempted to distort the picture. It is said right in the brief they are there. This is the way we will present the matter to the royal commission, and I think that is the proper way.

Mr. BELL (*Saint John-Albert*): Mr. Chairman—

Mr. MAGEE: There are a few other questions.

Mr. BELL (*Saint John-Albert*): Then perhaps you had better answer them because I am going to take you to the east coast.

Mr. MAGEE: Secondly, in respect of the number of agricultural products which you mentioned as receiving minor haulage by trucks, that is a field in which we are engaging more and more. In the dominion bureau of statistics motor transport traffic statistics, national estimates for 1957, they give some figures of selected statistics by commodity groups by for-hire trucking. This sample shows a revenue of \$71,958,000 in revenue for the for-hire trucking industry. The total gross revenue for the trucking industry in 1959 according to the bureau was \$380,759,000. They give in table 3 on page 27 the total net ton miles for agricultural products hauled by for-hire trucks. They define agricultural products on page 30 as follows, and this refers to movement by trucks: flour, fruit, grain, grain products, sugar beets, vegetables and other agricultural products. They show in 1957 our net ton miles in that category were 108,848,000, and that the average distance per ton—that is the average distance for each ton of agricultural products—was 598.1 miles. So I think we are getting very well into the market of agricultural products and it is a growing one.

In respect of the question of our revenue per ton mile figures, we say those figures are accurate and not only are they accurate but they must be because the officials of the board of transport commissioners are present.

Mr. HORNER (*Jasper-Edson*): I am not for a moment questioning the accuracy. It is the usage.

Mr. MAGEE: You do not think they should be used?

Mr. HORNER (*Jasper-Edson*): I do not think they give a good comparison because of the geographical structure of Canada. It is obvious railway costs in the prairie provinces or in the mountains are different than through northern Quebec.

Mr. MAGEE: Mr. Montague has done a great deal of work on this particular type of analysis. He made a study of the way-bill analysis.

Mr. MONTAGUE: We are as appreciative as anybody of the fact that any analysis on the basis of a revenue per ton mile will have its limitations.

For one thing, we are not talking solely about the prairie provinces. I am from the prairies myself and I appreciate some of the problems. We wanted to show the general picture. There have been other briefs, and there are other people in Canada, for example in the maritimes, who have presented briefs and indicated that their rates are high.

The inter-maritime type of transportation is a short haul type of transportation. It would compare more or less favourably to a central Canada haul, which is also a short haul although probably a little longer than the inter-maritime, probably much longer.

The point is that we prove this from examining and comparing those places. We do not have the figures for these two areas, but they are certainly comparable. We say that the maritimes have a lower average revenue per ton mile than does central Canada. This would indicate on first examination at any rate that the maritimes are, in fact, not prejudiced against so far as their local traffic goes, vis-a-vis central Canada.

Now, coming to the western shipments, this covers a lot of territory. Western distances are flat distances, and if we dig into western shipments, and shipments only within the western area, we will find there is a rate of 1.05. This is largely a result of statutory rates.

We have provided a chart to show roughly what that would mean. If you took out those statutory rates, it would raise it, but it would not raise it to bring it equal to eastern Canada. In fact, it is below. There is a distance factor in there also.

We have brought to the attention of the board and this committee the fact that there is a very high rate coming out of central Canada into western Canada. All we are doing is to present it to you. These are facts on which you have to judge. But to challenge us and to say that these figures are unfair, it would be unfair if we tried to conceal something from your view.

In these two areas we have given you a fairly good idea of some of the arguments presented to us by some of the interested parties, and that they do not hold water when you look at the figures. When you talk about western Canada, the same thing applies.

Some of those figures may be a little misleading, but we have told you all. We have tried to show you the impact of these figures, and that inter-western shipments are well within that rate. I would advise you to look at the rate we show from western to central Canada. We show a rate of 1.4 cents revenue per ton mile.

This is the lowest long distance rate available. It is comparable to the maritime to central, which is much lower than the central to western. It is a very low rate, and it does not take in to some extent the influence of statutory rates.

The statutory rates stop at Port Arthur. That rate is not a rate which is completely influenced by the statutory rates. Therefore we do not think again that we have misled you in that; and certainly it is a fundamental thing, something you would not have known, that your rate from western to eastern Canada is fairly low. It is certainly lower than the rate out of eastern Canada. We have used this type of analysis because it was, in our opinion, the best one we could use. We have tried to indicate to you the limitation of that analysis, and we think in certain particular places it gives you the broad levelling effects.

Mr. HORNER (*Jasper-Edson*): If 590 miles is a long haul, it would go from one end of my constituency to the other; and that is where the agricultural produce is playing a major part in trucking. But that is not a long haul in western Canada. I accept the evaluation of your figures, but they discriminate because there is a two to one difference.

Mr. PHILLIPS: I would like to ask if there has been any increase in trucking rates following the 7 to 8 per cent increase in freight rate granted to the railways?

Mr. MAGEE: Well, with between 6,000 and 7,000 trucking companies, it is almost impossible to give a national answer to a question like that. But there have been increases in trucking rates. For example, I know there was an increase in the province of Quebec after the 17 per cent increase. In that province the rates are regulated. They are under government regulation by the Quebec transportation board, and the operators cannot change the rates without the permission of the board. They must file new rates and show financial need before they can make rate increases. I have some knowledge of the rate increase that took place in Quebec, and they were granted on the basis of financial justification.

Mr. PHILLIPS: What percentage of the total revenue received by the trucking associations would come from materials carried by the railways under class and commodity rates?

Mr. MAGEE: In the class and commodity rates?

Mr. PHILLIPS: Yes?

Mr. MAGEE: As we indicated at the beginning of our brief, we said that the freight rate reduction under the subsidy would have little immediate effect. There is very little traffic at the present time, hauled by truck, that is related to the present railway class and commodity rates. There is some. I am talking about non-competitive class and commodity rates. These have been difficult for us to check. When the resolution came before the house we made a survey across the country through our provincial trucking association offices. We are not freight rate experts. We know our way around trucking company tariffs, but going through the railway tariffs is a much more difficult job. I can only present the picture to date and that is that in one province, Ontario, there are some class and commodity rates which, when they go down, are going to collide with existing trucking rates. There may be other instances in Canada, but not many at the present time.

Mr. BELL (*Saint John-Albert*): Mr. Magee, you make the general statement or conviction that aggregate freight rate increases since World War II have not built up unfair discrimination against any region in Canada, and I appreciate that is a general statement. But you say that railway rates increased faster in the maritimes and that the average level of rates in the maritimes is somewhat higher. I also appreciate the contention you are making. But I wonder if you could reconcile these for me, because they seem to be in conflict, in a general way at least.

Mr. MAGEE: Our contention is that the maritime freight rate subsidy of the past thirty years has had a weakening effect on trucking. It may not be the only factor, but we think it is the important one which is holding back the development of the trucking industry in the maritime provinces to a very noticeable degree, in comparison with the condition of the industry elsewhere.

Mr. BELL (*Saint John-Albert*): Do you include the maritime freight rates statutory subsidies in your calculations in the same way as the Crowsnest pass rates?

Mr. MONTAGUE: No.

Mr. BELL (*Saint John-Albert*): Then are we to take from the general conclusions here that this new legislation that we have before us today, its immediate benefit in dollars and cents to the maritimes, would probably be great because of the fact that our rates are high? You are expressing fears about it because it would continue to perpetuate, by the subsidy method, the condition that now exists in the maritimes, whereby truck competition has not been able to grow. Are these the other points which you make?

Mr. MAGEE: Yes, our contention is that the effect of the subsidy, the maritimes freight rate subsidy, confined exclusively to the railways and to the reduction of railway rates, has had a weakening effect on the maritime trucking industry. Also, in regard to the railway rate experience in the maritime provinces, according to the waybill figures it has been more noticeable there in the past 10 years than either in central Canada or in western Canada.

We say that to put more subsidy on will accentuate that difficulty, not improve it.

Mr. BELL (*Saint John-Albert*): But it is difficult to suggest whether the subsidy or the increase itself has caused that disparity that exists in that region. I mean, the increase itself has some effect—the horizontal increase?

Mr. MAGEE: Yes.

Mr. BELL (*Saint John-Albert*): It definitely has caused a disparity. But then you say, further, that the subsidy added on to this would greatly increase our disability?

Mr. MAGEE: Yes. The maritime freight rates under the act have reduced within the maritime region 20 per cent below the level of the standard rail rates throughout Canada in the past 30 years; on the west bound interprovincial haul, 20 per cent until 1957, and then 30 per cent. That is one of the major factors that affects the development of the trucking industry in the maritimes. We say that you cannot have it both ways. If there is more subsidy going on, you are not going to get a strong maritime trucking industry or have as much hope of getting a trucking industry in the maritimes that is as strong as the industry in western Canada and in central Canada.

The CHAIRMAN: Gentlemen, I see it is getting on towards six o'clock, and there seem to be quite a number of questions still to be asked of Mr. Magee, so I do not think we can finish with him tonight. What is the feeling of the committee? Does the committee wish to adjourn now and continue tomorrow morning?

Mr. CHEVRIER: Mr. Chairman, may I suggest that we give consideration to adjourning until 9.30? Some of us would like to do some dictation before we come here.

The CHAIRMAN: The only thing is, this seems to be the only room that is available, and we have to be out of here, and it has to be rearranged for our caucus. It will take half an hour, so we would not have too much time from 9.30 to 10.30. If we could possibly get a quorum together at 9.00 o'clock we could get away in an hour and a half.

Mr. FISHER: There are people here from the western provinces. Have they just watching briefs, or are they planning to give evidence?

The CHAIRMAN: No. Following Mr. Magee, tomorrow we are having Mr. Gordon Blair, counsel for the maritime coal company and the Saskatchewan coal company—

Mr. CHEVRIER: Are there any other witnesses besides those two people?

The CHAIRMAN: Yes. They will be followed by Mr. Jack Guest, representing the province of British Columbia; and Mr. Vaughan Paul, traffic manager of

the Pacific Great Eastern Railroad. He will have a watching brief. Then there will be Mr. Hobart Styffe, from Port Arthur, and Mr. Charnock, from Fort William.

Mr. FISHER: My question, Mr. Chairman: are any of these provincial representatives prepared to come and give evidence on this brief which we have just had? Mr. Morrow, are you ready to come up?

Mr. MORROW: I will be ready to make a statement.

Mr. FISHER: It may save us some time, Mr. Chairman, if we know how many witnesses are going to appear.

The CHAIRMAN: We may have some other witnesses.

The committee adjourned.

## APPENDIX "A"

April 7, 1959.

Committee on Railways, Canals and Telegraph Lines,  
House of Commons,  
Committees and Private Legislation Branch,  
Ottawa, Ontario.  
Gentlemen:

We understand that you will be giving consideration to proposed legislation on freight rates on Thursday, April 9, 1959 to discuss a subsidy of twenty million dollars to enable the railways to make a roll-back of the 17% increase allowed them by the board of transport commissioners to become effective December 1, 1958, which will entail a reduction of class and commodity freight rates (other than competitive rates).

One question which we believe should be thoroughly considered is what is meant by the term "other than competitive rates". In eastern Canada, and specifically interprovincially between Ontario and Quebec, the transport industry, for whom we publish and file tariffs, has published class rates similar to those of the railways, and many commodity rates are published in the same way; these we would consider competitive. A good many of these rates, although competitive, bear no symbol to indicate this fact in either the rail tariffs or the transport tariffs.

We feel that the committee should give serious thought to how parliament can justifiably consider, let alone grant, a roll-back at the request of some of the provinces. The board of transport commissioners, whose members have a good many years' experience in these matters, came up with an equalized scale of class rates on a mileage basis which was definitely accepted as being fair and reasonable, and, after careful attention had been given to all particulars pertaining to the necessity of an increase in freight rates, granted a 17% increase.

If these rates are rolled back by the use of subsidization, then the transport industry must, of necessity, roll back its rates to equal those of the railways. This would result in a definitely discriminatory situation, if carried out, as it would appear that no consideration is being given to subsidizing the transport industry for the loss which they would have to bear. If subsidization is fair in one instance, it should certainly be given to all forms of transportation.

There is another matter which should also be investigated, and that is the depressed rates which the railways have established between Montreal and Hamilton, London and Toronto, and which were not given any increase on December 1, 1958. The transport industry has, on two occasions, increased its comparative rates since the railways first established them. If these rates had been increased between the volume points, it would have netted the railway companies a substantial amount of additional revenue and they would still have been below the rates of the transports.

Very truly yours,

W. A. Wallace,  
Canadian Transport Tariff Bureau.

## Appendix B



## APPENDIX "B"

Graphs, Charts, Maps and Tables Contained in the Brief of  
Canadian Trucking Associations Inc.

TABLE 1

HORIZONTAL RATE INCREASES AND ACTUAL RAILWAY REVENUES  
PER TON MILE

Index: 1946 = 100

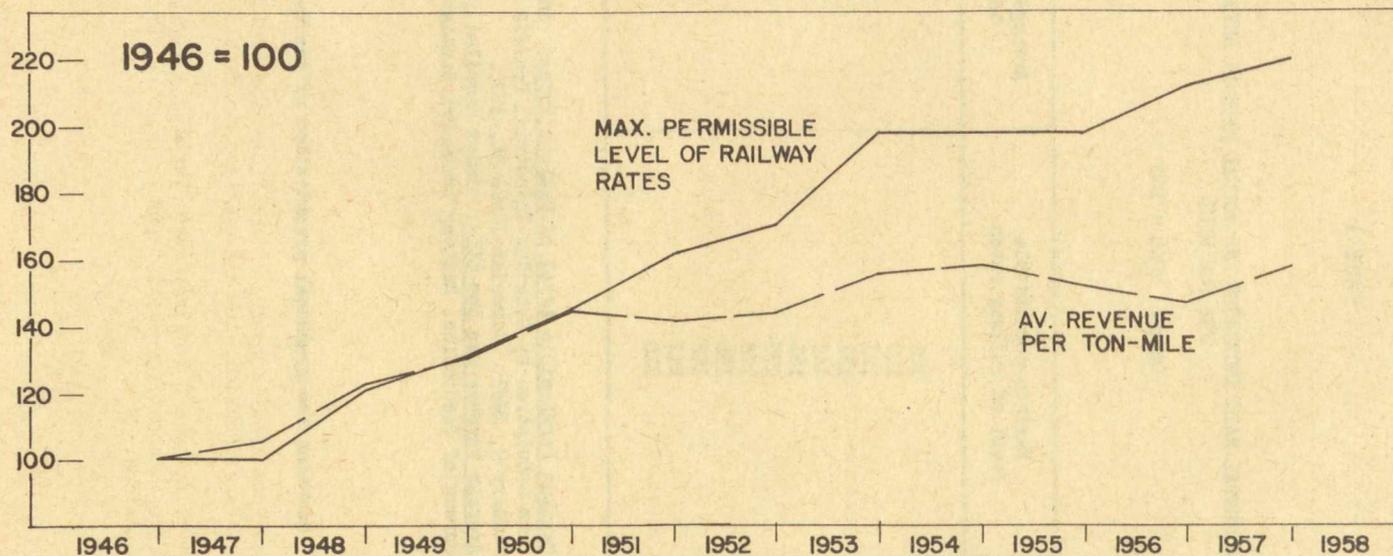
Year	Maximum permissible level of railway rates	Average Revenue Per ton mile
1946	100	100
1947	100	105.2
1948	121	122.9
1949	131	130.2
1950	145	144.8
1951	162	141.7
1952	170	143.8
1953	198	155.2
1954	198	158.3
1955	198	152.1
1956	212	146.9
1957	220	158.3

**SOURCES:** Maximum Permissible Level of Railway Rates: index compiled from tabulation by Canadian Industrial Traffic League, January 9, 1959. Circular Issue No. 3776.

Average revenue per ton mile: index compiled from Dominion Bureau of Statistics, Railway Transport Statistics.

Chart No. 1 contains the graphical presentation of the two indices.

## RAILWAY HORIZONTAL RATE INCREASES AND THE ACTUAL LEVEL OF RAILWAY RATES



SOURCE: Board of Transport Commissioners,  
Waybill Analysis.

Chart No. 1

STANDING COMMITTEE

TABLE 2

RAILWAY REVENUES GENERATED BY RATE CATEGORIES, 1949-1957

Rate Categories and Regions	Rate Categories as % of Railway Revenues		Percentage Change 1949 to 1957
	1949	1957	
<u>MARITIMES:</u>			
Class rates	14.1	8.8	- 37.6
Commodity rates	76.2	61.4	- 19.4
Competitive rates	9.5	19.7	+ 107.4
Agreed charges	0.2	10.2	+ 4,900.0
Competitive rates and agreed charges	9.7	29.8	+ 207.2
<u>EASTERN REGION (CENTRAL CANADA):</u>			
Class rates	34.0	16.6	- 51.2
Commodity rates	46.6	40.1	- 13.9
Competitive rates	15.5	26.6	+ 71.6
Agreed charges	4.0	16.7	+ 317.5
Competitive rates and agreed charges	19.4	43.3	+ 74.1
<u>WESTERN REGION:</u>			
Class rates	10.0	10.0	0
Commodity rates	83.6	57.9	- 30.7
Competitive rates	5.1	21.2	+ 315.6
Agreed charges	1.3	10.9	+ 738.5
Competitive rates and agreed charges	6.4	32.1	+ 401.6

NOTE: Revenues from traffic moving at multiple rates and in mixed shipments are included with the appropriate rate category.

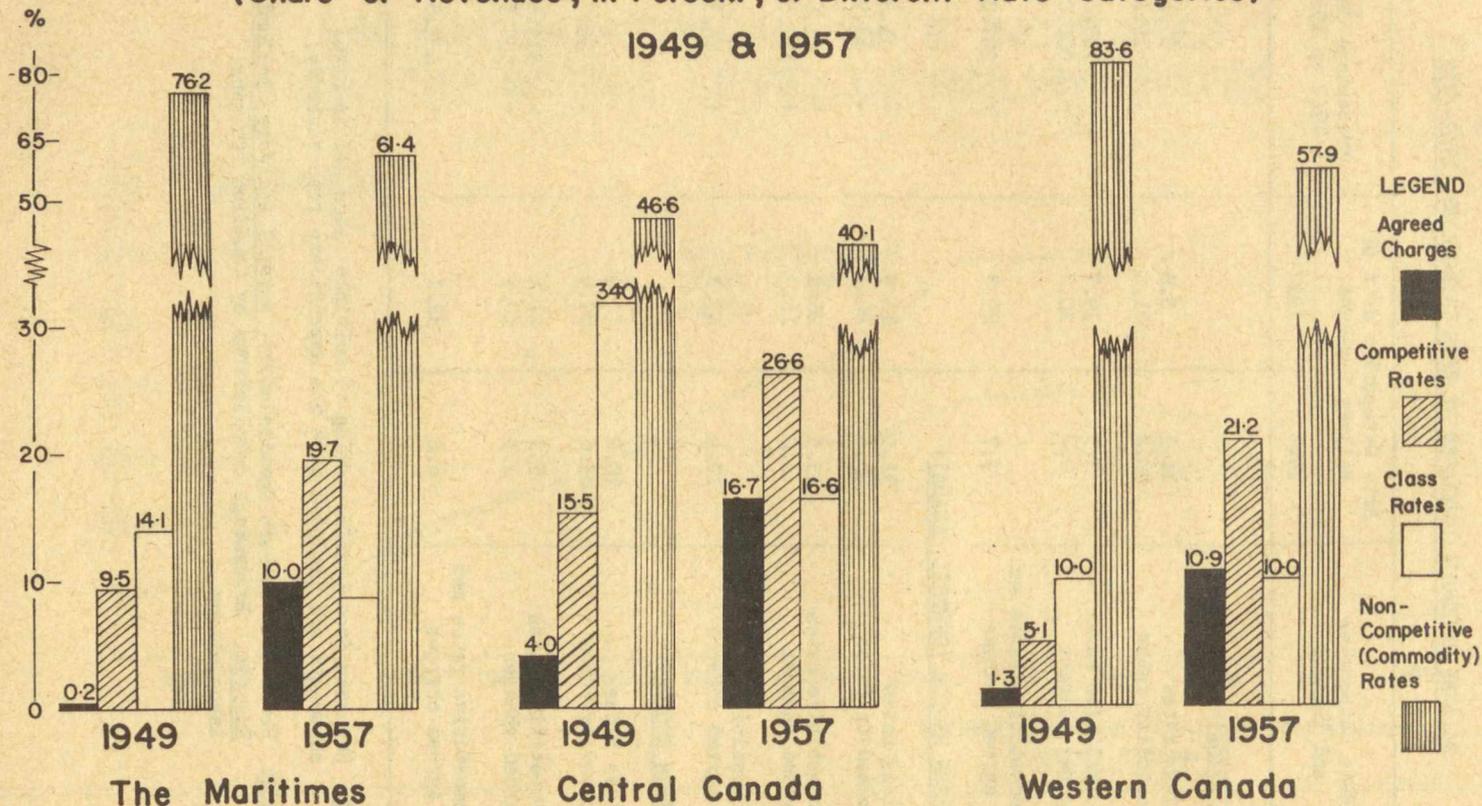
SOURCE: Board of Transport Commissioners, Waybill Analysis, Carload Traffic. Percentage compilations by Canadian Trucking Associations.

Chart No. 2

# GROWTH OF RAILWAY AGREED CHARGES & COMPETITIVE RATES

(Share of Revenues, in Percent, of Different Rate Categories)

1949 & 1957



SOURCE: Board of Transport Commissioners  
WAYBILL ANALYSIS

TABLE 3

GENERAL TRENDS IN RAILWAY FREIGHT RATES  
cents per ton mile

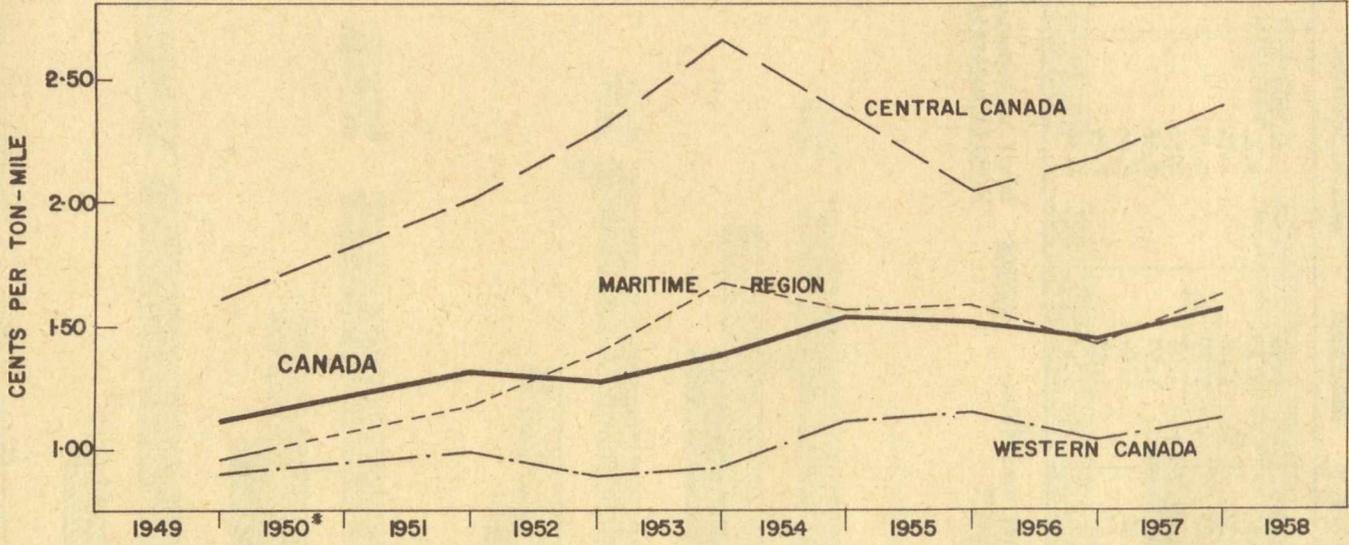
<u>Year</u>	<u>Canada</u>	<u>Maritimes</u>	<u>Central Canada</u>	<u>Western Canada</u>
1949	1.12	0.96	1.62	0.90
1950*	N.A.	N.A.	N.A.	N.A.
1951	1.32	1.18	2.02	0.99
1952	1.28	1.39	2.30	0.89
1953	1.39	1.68	2.66	0.93
1954	1.54	1.57	2.36	1.11
1955	1.52	1.59	2.05	1.15
1956	1.45	1.43	2.19	1.04
1957	1.57	1.63	2.39	1.12

\* 1950 data not available.

SOURCE: Board of Transport Commissioners  
Waybill Analysis, Carload Traffic.

Chart No. 3

# GENERAL TRENDS IN RAILWAY FREIGHT RATES



\*1950 Data not available

SOURCE: Board of Transport Commissioners  
Waybill Analysis

TABLE 4

AVERAGE LEVEL OF RAILWAY RATES BY RATE TERRITORIES  
AND MOVEMENTS BETWEEN THE TERRITORIES IN 1957

rates in cents per ton mile

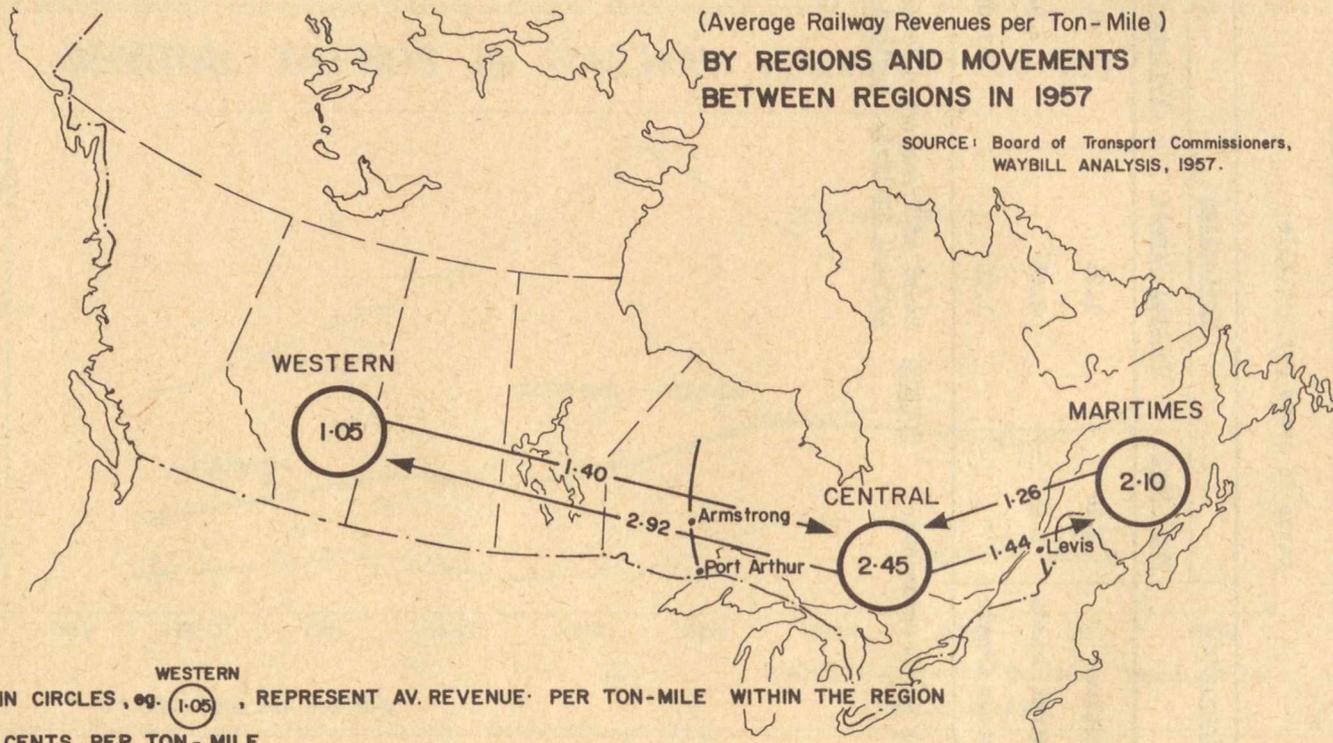
<u>Origination:</u>	<u>Destination:</u>		
	<u>Maritimes</u>	<u>Central Canada</u>	<u>Western Canada</u>
Maritimes	2.10	1.26	*
Central Canada	1.44	2.45	2.92
Western Canada	*	1.40	1.05

\* Very small movements.

SOURCE: Board of Transport Commissioners  
Waybill Analysis, Carload Traffic.

**THE BURDEN OF RAILWAY RATES**  
 (Average Railway Revenues per Ton-Mile )  
**BY REGIONS AND MOVEMENTS**  
**BETWEEN REGIONS IN 1957**

SOURCE: Board of Transport Commissioners,  
 WAYBILL ANALYSIS, 1957.



WESTERN  
 FIGURES IN CIRCLES, eg.  $\textcircled{1.05}$ , REPRESENT AV. REVENUE PER TON-MILE WITHIN THE REGION  
 RATES IN CENTS PER TON-MILE

TABLE 5

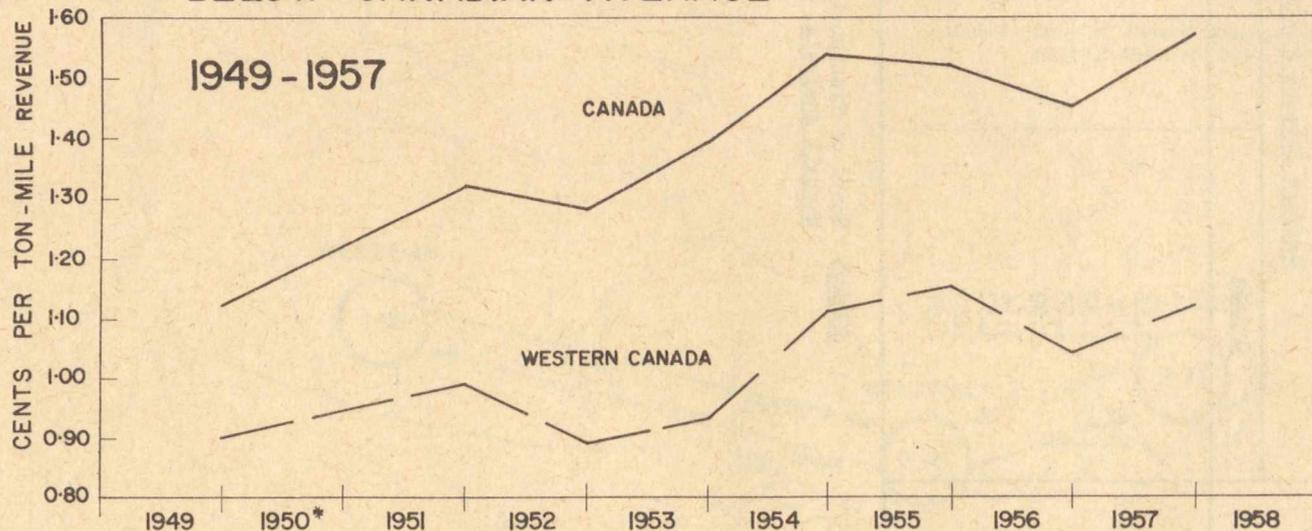
RAILWAY FREIGHT RATES -- TRAFFIC ORIGINATING  
IN WESTERN CANADA

<u>Year</u>	<u>Average Revenue Per Ton Mile</u>	
	<u>Canada</u>	<u>Western Canada</u>
1949	1.12	0.90
1950	N.A.	N.A.
1951	1.32	0.90
1952	1.28	0.89
1953	1.39	0.93
1954	1.54	1.11
1955	1.52	1.15
1956	1.45	1.04
1957	1.57	1.12

SOURCE: Board of Transport Commissioners  
Waybill Analysis, Carload Traffic.

Chart No. 5

## RAILWAY FREIGHT RATES IN WESTERN CANADA BELOW CANADIAN AVERAGE

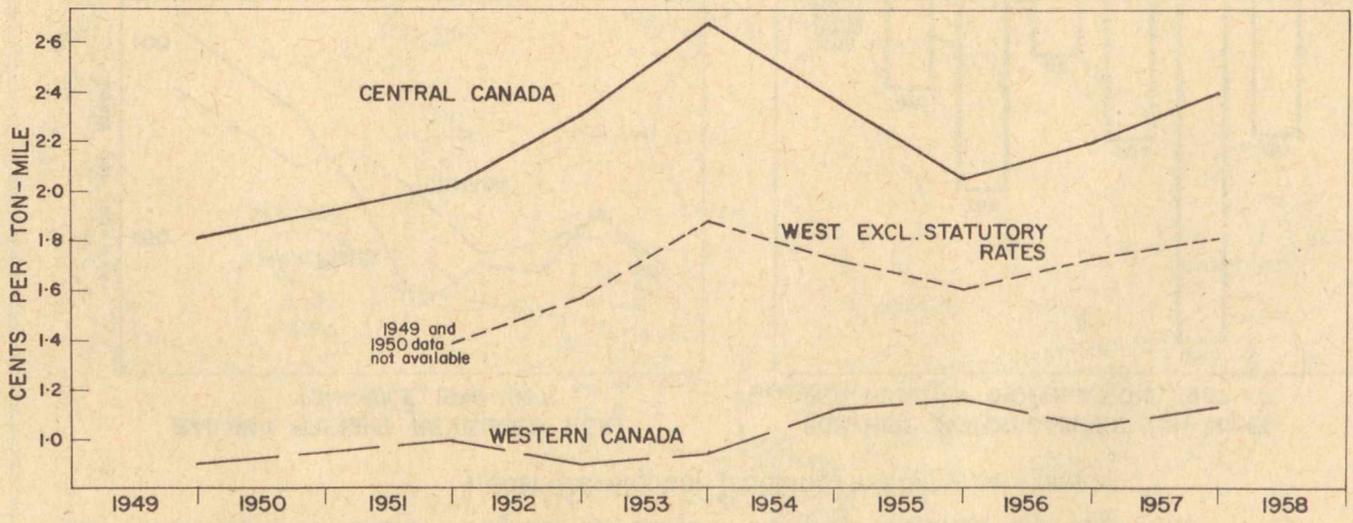


\* 1950 Data not available

SOURCE: Board of Transport Commissioners  
Waybill Analysis

Chart No. 6

### RAILWAY FREIGHT RATES IN WESTERN CANADA BELOW THE AVERAGE FOR CENTRAL CANADA

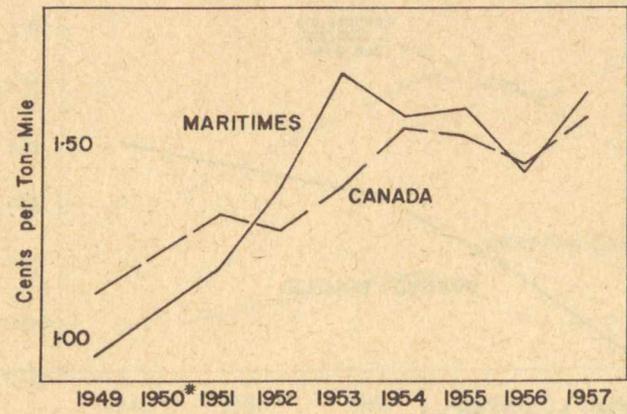


\* 1950 Data not available

SOURCE: Board of Transport Commissioners, Waybill Analysis.

# THE MARITIMES : Highest Increases in Railway Revenue Per Ton-Mile Least Developed Trucking Industry in Canada

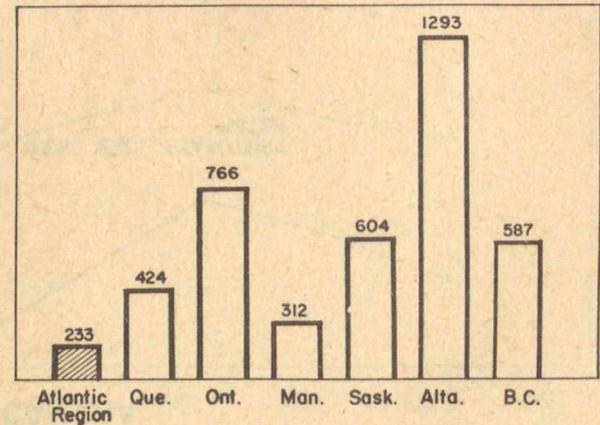
### RAILWAY FREIGHT REVENUES PER TON - MILE, 1949-1957



SOURCE : Board of Transport Commissioners  
WAYBILL ANALYSIS

\* 1950 Data not available

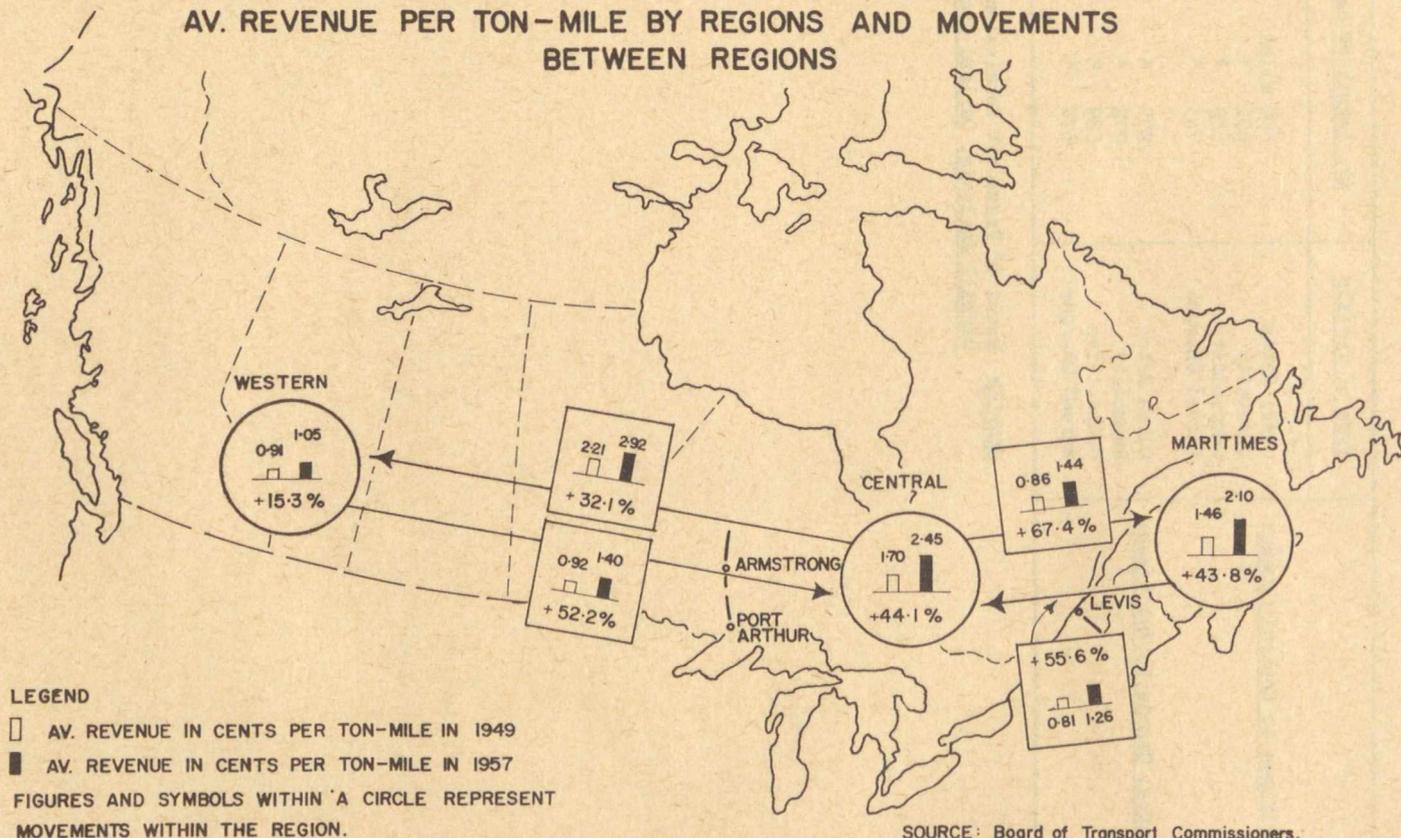
### FOR-HIRE MOTOR CARRIER TON-MILES PER HEAD OF POPULATION, 1957



SOURCE : Dominion Bureau of Statistics

Chart No. 8

THE INCREASE IN THE BURDEN OF RAILWAY RATES 1949 - 1957  
AV. REVENUE PER TON-MILE BY REGIONS AND MOVEMENTS  
BETWEEN REGIONS



SOURCE: Board of Transport Commissioners,  
Waybill Analysis.

TABLE 6

AVERAGE LENGTHS OF HAUL -- RAILWAY TRAFFIC BETWEEN  
MARITIMES AND CENTRAL CANADA IN 1957

	<u>Type of Traffic</u>	<u>Av. length of haul</u>
<u>Maritimes to Central Canada:</u>	Class Rates	800 miles
	Commodity	692 "
	Competitive	658 "
	Agreed Charges	745 "
<u>Central Canada to Maritimes:</u>	Class Rates	877 "
	Commodity	978 "
	Competitive	689 "
	Agreed Charges	672 "

SOURCE: Board of Transport Commissioners  
Waybill Analysis, Carload Traffic.





HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament  
1959



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STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* GORDON K. FRASER, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

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Bill C-38, An Act to make Provision for the Reduction of  
Certain Class and Commodity Rates on Freight Traffic.

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WEDNESDAY, APRIL 15, 1959

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WITNESSES:

The Honourable George Hees, Minister of Transport; Messrs. R. Kerr, Chief Commissioner, Board of Transport Commissioners for Canada; H. H. Griffin, Assistant Chief Commissioner; L. J. Knowles, Commissioner; A. S. Kirk, Director, Traffic Branch; G. A. Scott, Director, Economics Policy Branch, Department of Transport; R. R. Southam, M.P.; J. Magee, Executive Secretary, Canadian Trucking Associations Inc.; J. O. Goodman, General Manager, The Automotive Transport Association of Ontario; G. H. Montague, Secretary and Legal Counsel, Applied Economic Research Associates; G. Blair, Counsel, Great Western Coal Company Ltd. and Manitoba and Saskatchewan Coal Company Ltd.; J. Guest, Representing the Government of the Province of British Columbia; and J. M. Roberts, Assistant General Traffic Manager, Canadian Pacific Railway Co.

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: G. K. Fraser, Esq.,

Vice-Chairman: M. W. Howe, Esq.,

and Messrs.

Allmark,	Fisher,	Monteith ( <i>Verdun</i> ),
Asselin,	Fréchette,	Nielsen,
Badanai,	Grills,	Nixon,
Baldwin,	Hardie,	Pascoe,
Batten,	Horner ( <i>Acadia</i> ),	Payne,
Bell ( <i>Saint John-Albert</i> ),	Horner ( <i>Jasper-Edson</i> ),	Phillips,
Bigg,	Howard,	Racine,
Bourbonnais,	Johnson,	Richard ( <i>Kamouraska</i> ),
Bourget,	Keays,	Rynard,
Brassard ( <i>Lapointe</i> ),	Kennedy,	Small,
Browne ( <i>Vancouver-Kingsway</i> ),	MacInnis,	Smallwood,
Brunsdan,	MacLean ( <i>Winnipeg North Centre</i> ),	Smith ( <i>Calgary South</i> ),
Cadieu,	Martin ( <i>Essex East</i> ),	Smith ( <i>Lincoln</i> ),
Campbell ( <i>Stormont</i> ),	Martini,	Smith ( <i>Simcoe North</i> ),
Chevrier,	McBain,	Tassé,
Chown,	McDonald ( <i>Hamilton South</i> ),	Thompson,
Creaghan,	McMillan,	Tucker,
Crouse,	McPhillips,	Webster,
Dupuis,	Michaud,	Wratten—58.
Drysdale,		

J. E. O'Connor,  
Clerk of the Committee.

## MINUTES OF PROCEEDINGS

WEDNESDAY, April 15, 1959.

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.10 a.m. this day. The Vice-Chairman, Mr. Howe, presided.

*Members present:* Messrs. Asselin, Badanai, Baldwin, Bell (*St. John-Albert*), Bourbonnais, Browne (*Vancouver-Kingsway*), Cadieu, Chevrier, Chown, Crouse, Drysdale, Fisher, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Kennedy, Martin (*Essex East*), McBain, McPhillips, Monteith (*Verdun*), Nixon Pascoe, Payne, Phillips, Rynard, Smallwood, and Smith (*Simcoe North*).—27.

*In attendance:* The Honourable George Hees, Minister of Transport; Messrs. R. Kerr, Chief Commissioner, Board of Transport Commissioners, for Canada; L. J. Knowles, Commissioner; A. S. Kirk, Director, Traffic Branch; G. A. Scott, Director, Economics Policy Branch, Department of Transport; J. Magee, Executive Secretary, Canadian Trucking Associations Inc.; J. O. Goodman, General Manager, The Automotive Transport Association of Ontario, and G. H. Montague, Secretary and Legal Counsel, Applied Economic Research Associates.

Quorum present, the Vice-Chairman called upon Messrs. Magee, Goodman and Montague who were further questioned concerning the Brief presented at the Committee's last meeting.

Mr. Magee's questioning completed, he and his associates were retired.

At 10.30 a.m. the Committee adjourned to meet again at 3.30 p.m. this day.

### AFTERNOON SITTING

The Committee met at 3.30 p.m. this day. The Vice-Chairman, Mr. Howe, presided.

*Members present:* Messrs. Asselin, Badanai, Baldwin, Bell (*St. John-Albert*), Bourbonnais, Browne (*Vancouver-Kingsway*), Chevrier, Creaghan, Drysdale, Fisher, Horner (*Acadia*), Howard, Howe, Kennedy, MacLean (*Winnipeg North Centre*), McPhillips, Monteith (*Verdun*), Nixon, Pascoe, Phillips, Smallwood, Smith (*Calgary South*), Tucker, and Wratten.—24.

*In attendance:* In addition to those persons listed as in attendance this morning, Messrs. R. R. Southam, M.P.; G. Blair, Counsel for Great Western Coal Co. Ltd. and Manitoba and Saskatchewan Coal Co. Ltd.; H. H. Griffin, Assistant Chief Commissioner, Board of Transport Commissioners for Canada; J. Guest, Representative of the Government of the Province of British Columbia; and J. M. Roberts, Assistant General Traffic Manager, Canadian Pacific Railways.

Mr. Blair was called and read a Brief on behalf of the Lignite Mining Industry of the Province of Saskatchewan.

Mr. Southam was introduced and together with Mr. Blair answered questions concerning the position of the industry in relation to Bill C-38.

Mr. Knowles answered further questions concerning the effect of the application of the provisions of the Bill.

Mr. Guest was called and read a Brief outlining the views of the government of British Columbia on the Bill.

During the course of Mr. Guest's questioning, the Minister and Messrs. Knowles and Roberts also answered questions.

At 5.45 p.m., Mr. Guest's examination continuing, the Committee adjourned to meet again at 9.30 a.m. Thursday, April 16, 1959.

J. E. O'Connor,  
*Clerk of the Committee.*

## EVIDENCE

WEDNESDAY, April 15, 1959.  
9:00 a.m.

The VICE-CHAIRMAN (*Mr. Howe*): Gentlemen, we are still on clause 1 of the bill. It is good to see that we have a quorum this morning, so we can get away to a good start. When we finished last night we were still dealing with the brief presented by Mr. Magee, the executive secretary of Canadian Trucking Associations Inc. With him were Mr. Goodman, General manager of the Automotive Transport Association of Ontario and Mr. Montague, Secretary and Legal Counsel of the Applied Economic Research Associates.

If those gentlemen will come up to the front, we will continue with the questions. The Minister has to leave for a very important engagement at ten o'clock.

Mr. CHEVRIER: Will he be back for eleven o'clock?

Hon. GEORGE HEES (*Minister of Transport*): I think I will just make it.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chairman, there are two or three questions I would like to ask Mr. Magee arising out of questions that were asked last night. I would like to get some clarification of some of the answers that were given.

Mr. Chevrier I believe asked that, inasmuch as you were opposed to this rail subsidy, did you have any suggestion as to what should be offered instead of a subsidy, or what would happen if the subsidy was not given. I was not too clear with regard to your reply on that.

Mr. CHEVRIER: In other words, you would like to bring it up again—and I have no objection.

Mr. MAGEE (*Executive Secretary, Canadian Trucking Associations*): Probably it is just as well, Mr. Chairman, because perhaps my reply was not too clear. Our position throughout the submission is that the transportation situation in Canada should be allowed to remain competitive and that the 17 per cent increase should not have been dealt with by a subsidized rate roll-back applied to railway rates.

The railways, before the board, said they were confident that with that rate increase they could obtain the necessary revenues to conduct their operations. If their confidence was misplaced, then we say that they would have to come back to the board and raise their problems again.

That leads to the assumption that we have ever-increasing rate rises. We have answered that point already, I think, in our submission by saying and showing that the rate increases in the past decade in Canada have not been of the tremendous nature many figures used would indicate, and that they have not been tremendous because of the existence of competition.

We say, let the transportation situation of Canada remain competitive and do not start to apply a policy of subsidy to the reduction of rates of one of the competitors.

Mr. BROWNE (*Vancouver-Kingsway*): I think that clears that matter up, Mr. Magee, thank you. Another point that was raised was in questions in connection with the Crowsnest Pass rates, and I was not too sure of the feelings of the association towards those rates.

Mr. MAGEE: The Canadian Trucking Associations first mentioned the Crowsnest Pass rates in the submission presented to the minister in Janu-

ary. At that time there seemed to be a possibility of some kind of a subsidized rate roll-back on the railways.

We appeared before the minister to indicate in advance, our opposition to such a measure. We felt that to oppose a rate roll-back, which would have diminished the 17 per cent rate increase, we might also have been faced with the question: it is all very well for you truckers to come along and say, let us have no subsidized rate reduction for one form of transport because this whole transportation system is competitive; but are you operating in the trucking industry with any rate set at the level of say, 30 years ago when the first trucks began to roll? Of course, our answer would have to be no, not only that, but we could not operate under those circumstances. So in our submission to the minister we took a position on the Crowsnest Pass rates, what might be called an interim position, and this was discussed by our board of directors all across Canada.

I will paraphrase what we said to the minister. I will give the essential position and leave out some of the relevant information which does not change our position.

If any action should be considered by the government in respect to the Crowsnest pass rates—either the raising of these rates by parliament, or, in lieu of this, a subsidy to the railways specifically for the grain movement—careful study must be made of the cost of handling the grain traffic and the revenue received by the railways in order to find out if the present level of grain rates is compensatory.

It may be that the grain rates are not compensatory and that the government will conclude that something should be done about it. But we submit that the matter is not one that can be decided in a day, a week, or even in a month.

Those particular words, “in a day, a week, or even in a month” were addressed to our concern at that moment that rail rate subsidization might be immediately in the offing.

The comments of Commissioner H. B. Chase—his “further observations” in the decision of the Board of Transport Commissioners awarding the railways a 17 per cent freight rate increase—support the contention that it may now be in the interests of all concerned to embark upon a study of the Crowsnest pass rates and to come to grips with this problem of the railways, if it is agreed that a problem exists.

Even if the government should finally decide that the railroads should be compensated from the treasury solely in respect to maintenance of the Crowsnest grain rates at their present level, the government would have to have before it precise and adequately determined evidence as to what this level should be. It would be unfair and discriminatory, in respect to modes of transport directly competitive with the railways in both service and rates, to undertake subsidization of the railroads beyond an amount truly compensatory in respect to the Crowsnest grain rates.

The trucking industry will, of course, have to face intensified competition from the railways if it is found that the Crowsnest Pass rates, to be maintained at their present level, should become at least a partial charge upon the public treasury. If some revenues of the railways are now tied up in support of these rates, these revenues, with the advent of a specific subsidy directed only to the Crowsnest rates, would be freed for support of general operations of the railways.

Even if the consequences should bear directly upon the fortunes of the trucking industry, we merely ask that whatever is done should be fairly and properly determined and based on facts authoritatively assembled.

That is our position at this moment.

Mr. CHEVRIER: Mr. Browne asked you a question and you stated in effect that you felt that subsidization was harmful in so far as the position of the truckers is concerned. Does that mean you also feel that the bridge subsidy which was passed some years ago in the amount of \$7 million also was harmful to your position?

Mr. MAGEE: Potentially the bridge subsidy may have had its effect, but we never made any representations about the bridge subsidy. You will recall that when you introduced it this was one of the cases when the Canadian Trucking Associations were not on your doorstep. We have never taken any position pro or con in respect of the bridge subsidy.

Mr. CHEVRIER: Then how did you feel about it when in the maritimes the freight rate was changed from 20 to 30 on outgoing traffic?

Mr. MAGEE: Our feeling about the increase of the subsidization or the rate reduction to 30 per cent on the westbound interprovincial haul prompted us to make a considerable study of the whole maritime transportation situation as it involved our industry, particularly because at the same time as that subsidized rate reduction was increased the government of the day announced there would be an inquiry into the maritime transportation problems. Obviously then we had to decide what was our position in respect of the Maritime Freight Rates Act. We came to the conclusion that the Maritime Freight Rates Act, and the rate reductions under it, were not going to be removed and therefore that we would have to consider what other action could be taken to equalize the competitive conditions under the act as between rail and trucking.

As of the sixth of this month we presented a submission of the interdepartmental committee investigating the maritime transportation problem in which we asked that the Maritime Freight Rates Act be extended to include the trucking industry in the maritime provinces.

Mr. CHEVRIER: To whom was this presentation made?

Mr. MAGEE: The interdepartmental committee investigating the maritime transportation problem.

Mr. CHEVRIER: Is it a federal group?

Mr. MAGEE: Yes, we sent the submission to Mr. Baldwin.

Mr. FISHER: Is that the committee Mr. Brooks is on?

Mr. MAGEE: I think so.

Mr. BROWNE (*Vancouver-Kingsway*): What does the trucking industry do in respect of moving agricultural products? Is it feasible to move grain by truck? Do they move any farm products at all?

Mr. MAGEE: I gave an answer to that question yesterday from the dominion bureau of statistics motor transport statistics, national estimates 1957.

Mr. HORNER (*Jasper-Edson*): Short haul.

Mr. MAGEE: It gave a sample of the traffic which accounted for \$71,958,000 of gross revenue. I pointed out that the total gross revenue of the trucking industry for 1957 was \$380,759,000. So this is only a sample. On page 30 of this report the dominion bureau of statistics defined agricultural products in a commodity classification as flour, fruit, grain, grain products, sugar beets, vegetables and other agricultural products. We accounted for 108,848,000 net ton miles in 1957, with the average haul per ton being 598.1 miles. Of course, that is an average figure, so many of the hauls were longer and some were shorter.

The other contribution of the trucking industry in regard to the haulage of products of the farm is a figure which I did not give yesterday, which I should have given. That is animals and animal products which the dominion

bureau of statistics defines in respect of trucking as animals, live poultry, butter, cheese, eggs, cattle, calves, hogs, dressed meats, packing house products, fish, hides and skins, milk and cream, wool and other animal products.

The trucking industry in the haulage of that type of traffic accounted for 132,838,000 net ton miles in 1957, with the average haul per ton being 684.7 miles.

Mr. HORNER (*Acadia*): Referring to the statement of the average haul of 500 miles, that would hardly take you out of Ontario. When you consider the fact that it takes six box cars of grain to move one million bushels of wheat, and Canada exported over 300 million bushels last year, I think that your part in the grain movement is very, very small. I do not think your figures hold water at all.

Mr. MAGEE: We are not an industry which is over 100 years old. A lot of very remarkable things are happening in the trucking field. There is a thruway in the United States now which is a four-lane highway with one-way traffic in each direction on which they are permitting the use of truck trains. They have questioned every motorist who used the highway ever since they started some weeks ago as to whether or not they noticed anything different on the thruway since that began. All of them replied that they have not, when the fact of the matter is they are running trucks of much greater length on that highway. They detach one of the trailers at the end of the thruway.

I say again that the potentialities of trucking are never static and we do not know what will happen in the future. This contribution to the haulage of the many products of the farming community probably could not have been known 15 years ago. Now it is developing to this point and is growing all the time.

Mr. CHEVRIER: Could we find out who are the members of this interdepartmental committee which was mentioned?

Mr. HEES: There are four regular members representing three departments, the Deputy Minister of Transport, Mr. Baldwin, the director of economic policy of the Department of Transport, Mr. George Scott, Mr. Bryce, Clerk of the Privy Council representing the Privy Council office, and Mr. Ken Taylor, Deputy Minister of Finance. Those are the four regular members.

Then there are certain ad hoc members who are called when matters are concerned affecting their department.

Mr. CHEVRIER: I suppose certain ministers?

Mr. HEES: No. This is an interdepartmental committee on that basis; it is not a committee of ministers.

Mr. CHEVRIER: Then may I ask Mr. Magee if he made representations along those lines to the interdepartmental committee covering the increase in the maritime outward movement, the maritime freight rates subsidy? Did he make any representation to the interdepartmental committee in connection with this subsidy.

Mr. MAGEE: No, sir. If this subsidy had been applied to railroad competitive rates and agreed charges, we would have asked the government to apply this subsidy also to the trucking industry.

Mr. CHEVRIER: Is that the only reason why you made no representations, either to the interdepartmental or to this committee to be included in this particular subsidy.

Mr. MAGEE: Yes, sir.

The VICE-CHAIRMAN: Is the trucking done, for instance, by the creameries who own their own trucks and the agricultural cooperatives who have their

own trucks included in that total which you gave of the agricultural products carried by the trucking industry? Is that included?

Mr. MAGEE: Not unless they would be hauling somebody's products for hire. These are figures on the for-hire movement.

The VICE-CHAIRMAN: If the trucks were used exclusively for their own use, it would not be included in that?

Mr. MAGEE: No. The dominion bureau of statistics heading is "for hire" and it gives the total revenue for the commodity movement, so it is commercial transportation only and does not involve private haulage by creameries, for instance, hauling their own products.

Mr. FISHER: You come here, Mr. Magee, as I understand it, with a brief which has the principle of competitive free enterprise.

Mr. MAGEE: Yes.

Mr. FISHER: It is a principle which should appeal to most, but not all, of the members of this committee. The fact that you made a representation to this interdepartmental committee which would perhaps put you on the track of the subsidy, in effect is a contradiction to your main thesis. Do you recognize this as a change of policy and principle?

Mr. MAGEE: No, sir. I think the situation in respect of the Maritime Freight Rates Act subsidy is quite different from this measure here. That is a measure which has been in effect since 1927. It applies to competitive rates of the railway. I will go this far, that if the railway is forced by competition in the maritimes to reduce its rate below the standard rate level, 20 per cent below, and then it has to go down further because of competition, in other words where there would be more than the rate reduction compelled by the Maritime Freight Rates Act, even if no subsidy was necessary because of the existence of competition, the railways still collect a subsidy in that movement.

There has been \$200 million, a very large sum of money, spent in subsidies in railway rates since 1927 in the maritimes. We have tried to show the effect of that on the maritime trucking industry, which is quite distinctive compared to industry in the rest of Canada for the much smaller development it has had. We feel we have to face the facts of life and that it is most unlikely the subsidy will be removed—and perhaps it is not in the public interest that it be removed. The problem then, as we have said, is to put the overland freight transportation of the maritime provinces on an equal footing. This becomes very serious in the long haul, because that is the more difficult problem for the truck traffic. The question has already been raised about trucking in the long hauls. If we are going into subsidization to overcome the distance problem in the freight rate situation, and if it is going to be slapped on the long hauls, then we say that is even more reason to take into account the position of the trucking industry. We say: why single out shippers only on the railways for the benefit?

Mr. FISHER: Because of the permanence of the maritime freight rate subsidization you feel you have to recognize it and in fact try to get in on the same basis?

Mr. MAGEE: That is correct.

Mr. FISHER: So it is just realism on your part rather than any contradiction of your basic principle.

Mr. MAGEE: That is right.

Mr. FISHER: You feel that, according to your basic principle, if subsidization in the maritimes were to be wiped out, eventually it would have the effect of bringing about lower rates through the working of competition between the railways and the truckers?

Mr. MAGEE: I think as long as competition exists it is inevitable that the rate structure of the two competitive industries is going to be held down, yes.

Mr. FISHER: You will probably remember when yesterday the minister recognized there was a fairly direct relationship between this subsidy and railway wage boosts which went into effect last fall. You, as a group, dealing with unions, are also faced with the very same proposition. How do you propose to handle this situation, I mean the labour side of the situation.

Mr. MAGEE: That is a very important question to us because of the very fact that the trucking rate increases which followed the 17 per cent rate increase in some instances were directly related to the wage settlements which had just been concluded with the teamsters union. That happens to be our union, the teamsters union. I think that anybody who knows anything about it, knows that they are not very easy people to deal with. We think it is one of the very serious parts of the problem, that our labour force expects to continue to have increased wages and improved working conditions, and that is inevitably going to put a strain on our rate structure.

We do not deal with these unions as a nation-wide group. There is a big difference in our labour situation as compared to that of the railways. We are dealing with them as locals in various cities across Canada; and the union local leader, let us say in Vancouver or Winnipeg, does not have the slightest bit of interest in our potential problems in regard to subsidies, and our railway competitors.

Mr. FISHER: Do you feel that it is an advantage to the railways in being able to have the single bargaining unit right across the nation in so far as railway employees are concerned?

Mr. MAGEE: I was not trying to raise the point of whether it is an advantage or whether it is a disadvantage. I am not well enough informed in labour matters to make any comments about it. I just wanted you to see the difference in the position. We are not dealing with one union right across the country.

In our industry, industry-wide wage settlements are not made with one unit. We come head on against the fact that the trucking industry could not possibly make any further increase in rates because its competitors' rates were not going up.

Mr. FISHER: You have been asked to make more specific recommendations in connection with this subsidy, and for your views on it. If we recognize that the reason for this subsidy is the cause of the railway wage boost, have you any recommendations in connection with that particular problem, that is, the railway wage and the labour position in respect to any permanence of subsidies and more and more subsidies?

Mr. MAGEE: This is an interim subsidy for one year. The life of it is one year in the present legislation. But it is presumed that if the royal commission can report in time, it will have considered whether this subsidy should be continued, extended, or removed.

Mr. FISHER: We may continue to have nation-wide bargaining for a year or two, and we may continue with the railways getting these wage increases. How do you suggest this problem should be met if it is central to the situation?

Mr. MAGEE: It could be met by the railways in two ways, just the same way as we have to meet this problem. First of all, technological progress should enable the railways to reduce costs. They have made very substantial advances, as I indicated yesterday. I do not want to be patronizing to the railways, but they have spruced up their whole operation tremendously in the past five years. Competition is becoming much more severe. They have introduced cost-reducing measures. That is one way they can take up the

slack, and it is one compulsion which comes upon us in regard to wage increase. Secondly, they would raise their rates.

Mr. FISHER: Yesterday, when replying to Mr. Chown, in my opinion you did not go into complete detail in answering his complaint. If you look at schedules eight and nine and compare them, it shows the percentage of maintenance of way cost as a total percentage in which, for the railways, it is 20.5 per cent, while for trucking it is only 6.9 per cent. In fact it is very obvious from these figures that there is a very much greater burden in this respect resting on the railways. This, it seems to me, is a fundamental weakness in your position in so far as any attitude towards subsidization is concerned.

What is your rationalization of what some people say is the subsidy which you get in terms of highways and such things as thruways.

Mr. MAGEE: In the first place, I do not have the report in front of me, but the railways have the misfortune in this particular instance of being a form of transportation which must move on a fixed track installation, and nothing else can use it.

We have the good fortune, along with aeroplanes and ships, in being able to move more freely upon other types of roadway. The types of roadway which we use, very largely, even if there were no trucks rolling, would probably be used to accommodate automobile traffic. But as far as our use of them is concerned, we certainly must pay our fair share for them; and the provincial governments, I think, across the country, are ensuring that we do so.

The truck taxation situation is constantly being reviewed and adjusted in every province. I do not think that any province in Canada is going to let us get away with paying less than our fair share for the use of their highways.

Mr. FISHER: The railways have this sort of built-in added percentage of expense. Do you not think that they have a different relationship to the public treasury and to the public than your group has?

Mr. MAGEE: No sir; I do not think you can take just one operating characteristic of any one form of transportation and compare it with another in that way. You have to take the total picture. For example, if 50 or 60 loaded freight cars go out, on a railway it is a one-power unit which hauls them, made up of a crew of four or five men.

Unless we do piggy-backing—and there are many routes in Canada on which we cannot do it, where we could never do it anyway—to give the kind of service we are giving, personal, fast, point-to-point service, we have to dispatch a power unit with a driver for every load that goes out. So while you may get in one industry a cost which looks like a very unfavourable operating situation, as on the railways compared to the trucks, you can get in another industry a cost which balances it up.

Mr. FISHER: I have no further questions. I compliment you on your presentation. I do not agree with much of it, but you do it very well.

Mr. BROWNE (*Vancouver-Kingsway*): I would like to ask one question arising out of some of the tables presented. On page 10 there is a table dealing with the average revenue per ton mile, and there is another one on page 22. Can you explain why the table on page 10 shows a smaller percentage of increase in the average revenue per ton mile when compared to the one on page 22?

Mr. MAGEE: I shall ask Mr. Montague to answer you.

The CHAIRMAN: Certainly.

Mr. George MONTAGUE (*Secretary and Legal Counsel of the Applied Economic Research Associates*): Before giving a detailed answer, I would like to point out—as this has raised the issue which is the pertinent key subject of

our brief—that any figures that we presented on the waybill analysis must not be looked upon as absolute figures.

Please remember that the waybill analysis is limited so far as we are concerned, to showing trends and comparisons; so the absolute figures, the figures we give, should not be quoted as being railway revenue per ton mile. In other words, please do not look at any of our individual figures and say to yourselves: this is the situation. The only absolute figures in our brief are the figures on table 10, because they came from Dominion Bureau of Statistics sources.

Table 1 on page 10 would be an example taken from actual railway revenue. All the rest of our tables of figures are assembled only from waybill analyses and are only of true value when looking for comparisons between them. Therefore I think that the most important table—but let me give you an example: we have a chart number 8, and we have a chart number 4.

Chart 4 gives single figures showing the burden of railway rates. Yesterday a question was handed to me relating to this. It asked whether it is a valid figure that we I have shown. I tried to indicate it was only valid in comparing like situations. So these figures are not absolute. You must not say that the Canadian trucking associations are quoting these figures as being railway revenue per ton mile.

Then we come to chart 8 near the end of the brief. This chart is useful I think because it only shows the percentage of raise and decrease. There we are only comparing like situations. We compare what happens with railway rates in one year as opposed to another, and we use the same basic assumptions. Please do not regard our figures as being absolute figures. There is only one table which is that way, and it is the first table you quoted.

Mr. HORNER (*Jasper-Edson*): I do not accept the ton-mile comparison at all. We cannot find anywhere in the brief figures for the percentage increase on the two classes we are considering, class and commodity rates. You show the increase in percentage revenue from those two particular classes, but you do not show the percentage of increase in the actual rates. Have you got those figures?

Mr. MAGEE: We show the total rate trend of the past decade, but we do not break it down in groups. The minute you break it down in groups and proceed from there on the assumption that perhaps the subsidy should go on there, it again raises the question of why one group of shippers which has been using one form of transport in Canada should benefit by the subsidy on their traffic while shippers who use other forms of transport do not.

Mr. HORNER (*Jasper-Edson*): It does not give a fair impression when you say that the actual increase in freight rates in Canada is only 57 per cent as compared to the maximum possible of 157, or something of that nature. We agree with the agreed charge and with competitive rates. Of course we do not feel they have gone up as much. But we, in western Canada, feel that class and commodity rates show the effect in agricultural communities particularly where we feel they have gone up to practically the full limit.

I would like to point out that this increase in competitive rates and agreed charge rates in western Canada is almost entirely payable by industrial operations in western Canada, and is not payable by agriculture at all, or if so, to a very minor degree. Therefore, the entire cost of this great increase over the past ten years in western Canada has been borne by our agricultural economy. That is a point which you do not take into consideration in your brief at all.

Mr. E. G. CHARNOCK (*Chairman of the Joint Transportation Committee of Port Arthur and Fort William*): Mr. Chairman, I am chairman of the joint transportation committee of Port Arthur and Fort William. May I ask a question?

The VICE-CHAIRMAN: We cannot have questions from witnesses until such time as they take their place here.

Mr. CHARNOCK: Some of the statements made here need correction.

The VICE-CHAIRMAN: You will have a chance to do that later on, Mr. Charnock.

Mr. HORNER (*Acadia*): I agree that things should be kept on a competitive basis, but there are one or two things which have to be considered. One is the fact that the railways, particularly in western Canada, started many communities there and they are more or less concerned with the fact that they have to serve those communities. I have seen trucks loaded with freight going into a lot of small towns; they will run there for a couple of months, as long as they can make a dollar at it, and then they will drop out and the people have to go back to the railroads.

It is fortunate for the people concerned that the railroads are still there and still running, and that they take over the business during the winter months, while the truckers take it over during the summer.

In view of the fact that the railroads have to serve these communities, perhaps they should be given a little consideration. They are bound to serve a great many communities, while the trucking industry is not.

Mr. MAGEE: I realize that the railroads are required to do that; but I think there are very few communities in Canada which are not supplied with sufficient competitive trucking service so that in the event of a failure by an operator that community would never be left without any highway freight service.

Mr. HORNER (*Acadia*): There are quite a few in western Canada in the winter time, particularly when the roads are clogged up.

Mr. MAGEE: If we can get the roads cleared, we will go there.

Mr. HORNER (*Acadia*): In my own area I have seen places where the trucks could not move over the roads for two months in the winter, because they were not ploughed and it was impossible to get them ploughed.

Mr. MAGEE: In the province of Quebec before the provincial government proceeded to plough the roads, we ploughed them ourselves in order to keep the trucks going. I know you have heard it said that the trucks run in good weather but do not care to run in bad weather. However, we ploughed the roads.

Mr. HORNER (*Acadia*): That is news to me.

Mr. PAYNE: According to your submission before the committee there is a claim that you carry your fair share of the cost of the rights-of-way on which you operate. In view of these submissions which has been presented to at least two provincial governments to my knowledge—I mean the provinces of British Columbia and Alberta—it is truck revenue, as far as the provincial treasurers are concerned, which is the source—I mean the gas tax, and the vehicle licensing—but it does not cover the replacement cost, let alone the capital costs. The truck revenue, as far as the provincial treasuries are concerned, from such sources as gas taxes and vehicle licences, would not cover the wear and tear and replacement costs, let alone capital costs. Over the past fourteen years data and information has been supplied to the provincial departments or highways indicating these facts. What do you submit to this committee to establish your fundamental claim? Have you facts and figures to indicate you are in fact paying your share of highway costs? There are motor associations claiming that you are in fact subsidized by the provinces.

Mr. MAGEE: I know of no motor associations in Canada claiming we do not pay our fair share. I may be wrong, but I am not aware of any automobile associations in Canada which have claimed we do not pay our fair share of taxes.

Mr. KENNEDY: I think probably you should check on the submissions some of them are making to the provincial authorities.

Mr. MAGEE: I see. As you know, in British Columbia we are now at a position where there are going to be adjustments made in the taxes in that province. Recently there were adjustments made in the province of Ontario. As I said, the picture is constantly under review by the provincial authorities and where they find there is a need for increased taxation the taxes are increased.

Mr. KENNEDY: You have no figures to substantiate the position you are taking?

Mr. MAGEE: I can obtain figures to substantiate my position, but I would have to do it over the ten provinces because the taxation is on a provincial basis. It would take a great deal of the time of this committee.

Mr. KENNEDY: I ask that we have these figures to substantiate this, and that Mr. Magee be good enough to present them to the committee.

Mr. MAGEE: We can obtain taxation figures and present them, but to get them into the form in which you would like to have them will take a little while. However, we will be more than glad to do it. Incidentally, we suspect it is a matter which the royal commission will be looking into and we intend to be ready to substantiate our position there; but we do not feel this is related to the type of subsidy in the bill.

As I explained yesterday, this type of subsidy about which we are speaking now is a roadbed subsidy, and in talking about that, the claim which may exist in any province of Canada—and it certainly does not exist Canada-wide; but as it exists in any province—it is related to land grants, cash grants, bond guarantees, mineral rights and other things given to the railways in order to build their roadbeds across Canada.

Mr. KENNEDY: Has your organization made any attempt to compare on the one hand your total contribution to government, both provincial and federal, through taxes, tolls, fees and so on, as against the total cost of railway maintenance or roadbed and traffic control and capitalization?

Mr. MAGEE: Not in comparison to the railways. Again I do not think it is relevant to this picture, because it is taking only one part of the railway cost picture. If the railways have passengers and other types of operations which are not freight, I do not see how the impact of the measures which you mention upon those types of transport can enter into an analysis of that situation.

Mr. KENNEDY: Do you not include passenger transport in your association?

Mr. MAGEE: No, sir; just freight.

Mr. CHOWN: I wish to go back to the labour relations problem. First of all, would you tell me who negotiates your labour union contracts and as to whether or not they are handled provincially by your trucking associations? Did you remark that it was not done on a national basis, and did your remarks imply that the wage rates vary from province to province?

Mr. MAGEE: Yes, sir. Undoubtedly there are differentials from province to province. There may even be differentials between settlements signed in the different municipalities which cover highway operations out of those municipalities. In the big, heavily unionized provinces, usually the labour negotiations with the teamsters union are carried on by a committee, or bureau, of operators through a board of directors which deals collectively with the union and signs

the collective agreement. There is, for example, attached to the Automotive Transport Association of Ontario, a motor transport industrial relations bureau with a full-time staff. Mr. Goodman could tell you how it operates.

They are the people who deal with the teamsters union on behalf of the substantial for-hire truck operators in Ontario.

Mr. CHOWN: Are you making recommendations to cabinet on behalf of your industry in respect of a specific term, or terms of reference for the royal commission?

Mr. MAGEE: No, sir. It is not our intention to make any recommendations to the cabinet on the terms of reference of the royal commission; but whatever are the terms of reference, we are prepared to do our full part in any way we can to assist in the inquiries.

Mr. CHOWN: Would this not be a good idea in order to assist the cabinet?

Mr. MAGEE: I think our feeling is that it might seem a little presumptuous, coming from a private organization, to suggest the terms of reference for a royal commission inquiry.

Mr. CHOWN: My only reason for saying that is the cabinet is seized with the problems in detail as regards the railways, but because you have never been associated with any government agency, such as the board of transport commissioners, there is likely to be less detailed knowledge about your industry than there is about the railways. For that reason, I thought perhaps it would not be presumptuous if you did make a suggestion along those lines.

Mr. MAGEE: Yes; I see the point. Really, the way it works out is that even if the terms of reference do not specifically mention trucking, we inevitably get thrown into these inquiries as a result of something said. Our experience with the Turgeon royal commission is an example.

At the end of 1948 after the commission was announced, but before the personnel of it were announced, we decided that the Canadian Trucking Associations would participate in the inquiry and cooperate in any way it could. When we discovered that there was no specific reference to trucking in the terms of reference, and we were so informed of that by the government at the time, we assumed it would not involve us.

However, at the regional hearings of the royal commission which were held across Canada in the summer of 1949, practically fifty per cent of the discussion which took place every day concerned the trucking industry. So we entered the hearings when the final hearings began in November and we were represented by counsel from then on right through until the end of the formal hearings in May, 1951, when the hearings ended. Based on that experience it is our intention to be represented on the first day of this inquiry.

Mr. McPHILLIPS: This subsidy which is contemplated in this bill, of course, arises because of the 17 per cent increase which was given to cover wages. Now in the railway operations increased wages were paid to those in the running trade operation of passenger trains which loses money. In your industry you do not have that disadvantage of sustaining a loss; you do not carry passengers.

Mr. MAGEE: That is correct. If there are other passenger operations being conducted at a loss, that is a situation which, I would think, undoubtedly would be examined by the royal commission and some recommendations made concerning it.

Mr. CHEVRIER: Does not much of the discussion arising in connection with your presentation and the principle which you enunciate depend upon the fact that the railways are controlled by a body such as the board of transport commissioners and you do not have a similar controlling body? Does not much of the difficulty, as between the competitive position of the railways on the one

hand and the truckers on the other, arise out of the fact that there is no control over one of the groups whereas there is a stringent, in fact very tight, control accorded to the railways over the other branch of transportation?

Mr. MAGEE: I would like to give as frank an answer as I can. I am bound in some ways by the policy of our association which remains that we prefer control by the provincial boards. In respect of the competitive operations of the railways, we say that there is no stringent control there, that the shackles or the restrictions about which the railways speak do not exist in regard to their ability to compete on a day-to-day basis with the trucking industry, and that the transport board has recognized that the railways, as competitors of trucking, must be able to meet trucking competition on a day-to-day basis.

The railways themselves have testified they can give competitive rates on the telephone if the necessity arises in respect of trucking rates. If the railways are met with some new competition by the trucking companies, they can act today without going to the board to meet that competition and file the competitive rates within, I think, three days. However they can act immediately to meet our competition both in competitive rates and in agreed charges.

Mr. CHEVRIER: I am sure most of us feel sympathetic to your position, but if we wanted to help you how could we do it unless there was some control from the federal government; and there is no control over the trucking industry from the federal government.

Mr. MAGEE: That is correct; there is no control over the trucks from the federal government, but the trucking industry extra-provincially is being controlled by virtue of federal legislation.

Under the Motor Vehicle Transport Act of 1944 it is parliament's decision that extra-provincial trucking shall be federally controlled by provincial boards really acting as agents for the federal government.

Mr. CHEVRIER: Really, all that did was to give authority to the federal government over interprovincial and international trucking; but there is no over-all body which would at the same time control railways and trucking; so how can we possibly be of any help to you, so long as you are outside the scope of federal jurisdiction?

Mr. MAGEE: We are outside the scope of regulation, but not federal jurisdiction.

Mr. CHEVRIER: Perhaps I did not make that too clear. Assume you are outside the scope of federal control.

Mr. MAGEE: Yes.

Mr. CHEVRIER: How can we be of any use to you under those circumstances?

Mr. MAGEE: Parliament has decided this is the way the control will be carried out. The jurisdiction which is federal was confirmed by the Privy Council and then Parliament said the control will be exercised by provincial boards, and when these boards are controlling extra-provincially the legal position is they are acting as federal control boards with just as much status as a federal control board if the board was actually centred right here in Ottawa. That is the position of our association, if parliament is going to continue to say that is where the control should be—with the provinces—and because it is there we cannot do anything for you, even though we have the jurisdiction and have some legal responsibility for a very large segment of the trucking industry.

Mr. CHEVRIER: You are pretty good at answering questions. Let me add this. Would not the answer be that you would have to come under the jurisdiction of the board of transport commissioners in order to get the assistance for which you are, in fact, asking?

Mr. MAGEE: Really, what we are asking for here, Mr. Chevrier—and we are realistic and know that it is not going to happen—is that we are asking that the bill not be passed; we are not asking that the subsidy be extended to us.

Mr. CHEVRIER: You have about as much chance of doing that as we have of moving over to the other side of the house.

Mr. FISHER: Further to the point which Mr. Chevrier made, in your brief you have indicated certain trends. As an example, about 25 or 30 years ago there was a trend that the insurance companies in Canada wanted insurance regulations under provincial jurisdiction. Now the majority of them want nation-wide jurisdiction. Is it not possible as your interprovincial trucking lines extend and it becomes more and more the pattern of your business, that the impetus will be in the very direction Mr. Chevrier mentioned, that is putting you into a position where the federal jurisdiction is by far the most important?

Mr. MAGEE: There is no doubt that a number of interprovincial and international truck operators in Canada are swinging towards a belief that control by a federal body would be the best form of control for trucking. The trucking industry officially as represented by the Canadian Trucking Associations Incorporated in their majority opinion still supports the principle of control imposed in the Motor Vehicle Transport Act of 1954, although shortly we are going to suggest some improvements which we think could be made in that type of control.

Mr. FISHER: But you do not deny the trend?

Mr. MAGEE: There is a trend among some of the operators for support of control by a board in Ottawa.

Mr. FISHER: If I may I would like to ask a question of Mr. Scott. Mr. Scott, are you the person who wrote this article on the cost structure of the transportation industry?

Mr. GEORGE A. SCOTT (*Director of Economics Policy Branch, Department of Transport*): No, I am not.

Mr. BELL (*Saint John-Albert*): May I ask a question which follows along the lines of Mr. Chevrier's thoughts. You said in respect of the maritime region, as revealed by the figures, that the subsidy has greatly affected the maritime competitive position, and then you made the further point, which I appreciate, about how you cannot have it both ways and how truck competition might be desirable. I am just wondering if we might take that a little bit further in the light of what you said this morning whereby you recognize to some degree the inevitability of maritime freight rate subsidies and also said you made an approach to it in the interdepartmental committee.

I realize that the maritime situation is a little bit different in this respect to the total national point of view, but I ask you do you feel you should just continue to make approaches to come under these further subsidies which you recognize, or do you have any other solution to the particular problem in the maritime region, because there is an inconsistency there.

Mr. MAGEE: Suppose we recommend that the Maritime Freight Rates Act be repealed. I think we would be very unpopular east of Levis if we did that.

Mr. BELL (*Saint John-Albert*): I realize you are just expressing yourself. What could be substituted if there were not a subsidy? Can you carry your thought further?

Mr. MAGEE: I may have misunderstood the question. I think you are referring to some alternative measure if there were an inequality in the competitive positions between the railways and the trucking industry caused by

the Maritime Freight Rates Act, and you are asking have we any proposal other than simply extending the subsidy to the truckers to bring equality into the situation.

Mr. BELL (*Saint John-Albert*): Yes. We have difficulty in the maritime provinces in getting into competition with central Canada. It presents an over-all problem.

As it affects the trucking industry, how do you propose easing this disability which we have?

Mr. MAGEE: I cannot go beyond our policy, because I am appearing as a witness for an industry. Our policy is that we ask for the extension of the maritime freight rate subsidy. We have not considered any alternative proposal nor have we settled on any alternative proposal for equalizing competitive conditions between rail and truck as regards the Maritime Freight Rates Act.

I do not have time to go into what we said in our submission to the interdepartmental committee, but we went far beyond the mere question that the railways have had it since 1927, and so we should have it too. In that submission, which is a comprehensive one, we have tried to show how we think this could benefit the maritime economy by helping to promote the establishment of a type of industry that is particularly dependent on the type of service which the truck transports can give.

Mr. BROWNE (*Vancouver-Kingsway*): I would like to go back to the question on the taxation of the users of the highways, and so on. You indicated you would make some information available at some time. I would like to get some breakdown as to what percentage the for-hire operators are of the trucking industry which is using the highways, and what the other segments of the trucking industry are in relation thereto? Secondly, there was a question asked yesterday as to how many people were employed in the industry, and you gave the answer 72,000. I would like to know how that relates to that segment of the trucking industry.

Mr. MAGEE: I have here some figures. We have made some estimates of employment in the for-hire trucking industry and in the private inter-city portion of the truck transport, that is the private firms hauling their own freight and their own vehicles. It is approximately 400,000 persons.

Mr. BROWNE (*Vancouver-Kingsway*): So that the private operators as users of the roads would be a great deal more significant than the for-hire?

Mr. MAGEE: Very definitely. You will recall the figure I gave yesterday for the for-hire truck employment, which was 72,000. The dominion bureau of statistics shows the following breakdown for truck registrations. The for-hire truck industry in Canada accounts for 5.6 per cent of the total truck registration in Canada; private inter-city trucking, 25.8 per cent; private urban trucking, 33.5 per cent; and farm trucking, 35.1 per cent.

Mr. PHILLIPS: In the past it has been suggested that a through truck highway across the state of Maine be extended into the central market of Canada. Would the construction of such a highway across Maine directly to Montreal allow you to compete more favourably with the railways?

Mr. MAGEE: I am advised the answer is yes.

Mr. PHILLIPS: I meant without a subsidy comparable to the railways.

Mr. MAGEE: I have not given any study to the question. It is a very interesting point and is something which we should go into perhaps for the royal commission.

Mr. FISHER: As a result of the figures which you gave Mr. Browne there is an indication that you are only a minor segment of the trucks using the highways, so that any consideration as to the part you play in paying your way has to fit into a much larger picture?

Mr. MAGEE: Yes.

The VICE-CHAIRMAN: Gentlemen, it is almost ten-thirty and I think we should adjourn now until three-thirty this afternoon.

Mr. BELL (*Carleton*): Perhaps there are not many more questions for Mr. Magee.

Mr. CHEVRIER: I think it would be a good idea to finish with Mr. Magee.

Mr. FISHER: Your organization is a federation of provincial associations?

Mr. MAGEE: Yes.

Mr. FISHER: We have had the picture of freight rate representatives of the provinces coming here making representations.

Mr. MAGEE: Yes.

Mr. FISHER: It would seem, since most of these representations would be for this subsidy very directly on the provincial level, that your association has not been successful in convincing the representatives of the provinces of the worth of your position. Is that a fair statement?

Mr. MAGEE: The provincial trucking associations in the west and in the maritimes certainly have talked to representatives of their provincial governments and have attempted to show them that if we are going to have subsidized rate reductions on the railroads, it will have a serious effect on the trucking industry in the provinces. We know those provinces want the truck competition to exist because of its salutary effect on the railway rates. We have tried to persuade the provincial governments that they are pursuing two mutually opposite objectives.

Mr. FISHER: In other words, they are trying to have it both ways. But so far you have had no success with any provincial government. I suggest you have not been successful enough to have them change their position?

Mr. MAGEE: No sir. If our understanding of what was said at the appeal on November 24 is correct, provincial governments asked for disallowance of the rate increase and its replacement by a subsidy.

The VICE-CHAIRMAN: Are there any further questions for Mr. Magee? If not, I am sure we are very grateful to him and his associates for their presentation. It has been very comprehensive. I am sure Mr. Magee has tried to answer all the questions.

This afternoon we will hear Mr. Gordon Blair, counsel for the Great Western Coal Company Limited and the Manitoba and Saskatchewan Coal Company Limited.

#### AFTERNOON SESSION

WEDNESDAY, April 15, 1958.  
3:30 p.m.

The CHAIRMAN: Gentlemen, I see we have a quorum; will you come to order.

Our first witness today is Gordon Blair, counsel for the Great West Coal Company Limited and the Manitoba and Saskatchewan Coal Company Limited. Mr. Blair has a brief to present to you.

In connection with the brief, the member in whose riding most of these coal mines are situated is with us today. His name is Mr. Southam. Mr. Southam was wondering if it would be agreeable to the committee if he could come up to the front. He would be willing to answer any questions in regard to these coal mines. Would that be agreeable to the committee?

Mr. FISHER: This is not setting a precedent, is it?

Mr. SOUTHAM: I would just like to say, Mr. Chairman, that I am available if any members would like to question me. I want to make it clear that as the member from that constituency I would be pleased to answer any questions at this time or after the meeting is over, if you so desire.

Mr. FISHER: I made the remark facetiously.

Mr. CHEVRIER: Mr. Chairman, I would go so far as to move that the member sit up there at the head table. I can see no objection to that procedure.

The CHAIRMAN: Gentlemen, we are still on clause 1 of Bill C-38. I will now call on Mr. Blair.

Mr. GORDON BLAIR (*Counsel for Great West Coal Company Limited and Manitoba and Saskatchewan Coal Company Limited*): Mr. Chairman and members of the committee: needless to say I feel much more secure in my position here now that Mr. Southam is sitting beside me. Because of his local knowledge of the mining industry, I am sure he will be able to answer questions which I would not be able to answer.

This submission is made on behalf of the Great West Coal Company Limited and the Manitoba and Saskatchewan Coal Company Limited who respectfully make the submission on behalf of the lignite coal industry in Saskatchewan. These companies represent almost all of the production of lignite coal in Saskatchewan.

First, to summarize the viewpoint of these companies, may I say this.

The lignite industry protests against exclusion of lignite coal from the subsidy relief proposed by Bill C-38 and asks for an amendment to provide equivalent relief against the increase in rates of 22 cents per ton on lignite coal authorized by order No. 96300 of the board of transport commissioners for the following reasons:

(a) The lignite industry is faced by fierce competition from the new natural gas industry in its principal markets and its very existence is threatened by the drastic price increases and anticipated loss of business to natural gas resulting from the freight rate increase.

(b) The lignite industry has not received any benefit from subventions comparable to that conferred on other branches of the Canadian coal industry.

(c) Lignite coal is a low value commodity subject to a comparatively short haul but has received no relief from any of the successive flat cents per ton increases imposed on all in post war years.

## 2. Description of Lignite Industry.

### (a) Markets.

Lignite coal is strip mined near Bienfait, Saskatchewan. A fairly constant production of slightly over 2,200,000 tons has been maintained since 1950. The principal markets are for industrial uses in the Winnipeg area. More than 70 per cent of the coal sold in the Winnipeg area is lignite. Other markets are in the Regina and Brandon areas, and certain pulp and paper plants at Kenora, Dryden and Fort Frances in Ontario.

Lignite coal possesses a substantial market advantage as a low cost fuel located near its principal markets; only 280 miles from Winnipeg and 155 miles from Brandon.

### (b) Post war changes.

In the post war years the domestic house heating market has been pre-empted by fuel oil and latterly, to some extent, by natural gas. The industry by vigorous salesmanship, which included assistance to industrial users in the installation of proper heating plants, was able to develop an industrial market more than replacing the lost domestic market.

Concurrently, the companies have invested more than \$5,000,000 in new equipment since the war.

Mr. Southam has mentioned to me that within recent months a new \$1,500,000 dragline has been installed by one of the companies in the Estevan area. As a result of mechanization and technological improvements, the industry has been able to absorb successive wage increases and has only raised the mine price of coal by 10 cents per ton since 1948. The present mine price averages \$1.87 per ton.

The lignite industry by its vigorous salesmanship and technological initiative has been able to maintain its position notwithstanding the competition of premium fuels in the post war years. Its existence is now threatened by drastic increases in transportation expenses which it is powerless to control.

### (c) Freight rates exceed price of lignite coal.

A peculiar and important feature of the industry is that cost of transport to its principal markets exceeds the value of lignite coal. Compared to the virtually constant mine price of \$2.00 per ton, freight rates to the largest market in Winnipeg are \$3.70 per ton for domestic coal and \$3.30 per ton for industrial coal. The latest increase of 22 cents per ton is equal to more than 10 per cent of the mine price.

This latest increase of 22 cents a ton is included in the present rates of \$3.70 and \$3.30, which I have quoted.

### 3. Lignite picture good if industry survives.

Expert studies, such as The Gordon commission report, agree that the outlook for Saskatchewan lignite is satisfactory. It is a low cost fuel located near industrial markets. Of particular importance, is the growing demand for thermal power. Saskatchewan lignite is in a position to satisfy the demand of large thermal power stations, erected or to be erected by Manitoba hydro at Brandon and Selkirk. If transportation costs can be held in check, lignite could supply the thermal power in these installations in preference to natural gas. On the other hand, even though the long term demand for lignite might be assumed to be satisfactory, it will avail little if the producing companies are not able to maintain their present markets and to survive to enjoy it.

### 4. Competition of natural gas.

Since the greater part of the lignite market is industrial, it is extremely vulnerable to the competition of natural gas. It is a well-known feature of the natural gas industry that gas is offered for sale at low prices for industrial users in order to build up volume in a new natural gas pipe line or distributing system. As and when higher priced domestic markets are developed, low prices gas ceases to be available for industrial users. All proper steps should be taken to prevent the lignite industry from being destroyed by the initial competition of natural gas so that it can survive to enjoy the brighter future which expert opinion predicts is in store for it.

Already some large accounts have switched from lignite to natural gas. As an example, one paper mill representing something like 5 per cent of the industry's total production, has been lost. The industry could not survive many losses of this order. While the lignite industry is fighting to maintain its position, its competitive strength is gravely weakened by uncontrollable increases in transportation cost. The last 22 cents per ton increase is the equivalent of almost 2 cents per mcf of natural gas.

I may say in the Winnipeg-Brandon area natural gas is being offered to industrial users at about 30 cents per thousand cubic feet.

The failure of the lignite industry at this critical stage to obtain any relief from the recent increases will, it is feared, have an adverse effect on its customers and further strengthen natural gas competition.

5. Subventions do not apply to major lignite coal movements.

While the lignite industry supports the aid extended to other branches of the coal industry in the form of subventions, it receives little assistance itself.

In round figures only 275,000 out of the total tonnage of 2,200,000 produced by the lignite industry, benefits from subventions. The subvention applies only to tonnage that moves beyond the Manitoba-Ontario boundary.

The amount paid to the lignite industry was \$247,000 or less than 85 cents per ton, subject to subvention. This is the tonnage delivered to pulp and paper mills in northwestern Ontario. The bulk of the industry's sales which occur in the provinces of Saskatchewan and Manitoba do not qualify for subvention.

The substantial subventions paid to other branches of the coal industry have been referred to as one reason for not extending the benefit of the Freight Rates Subsidy Act to coal. The Minister of Transport on April 9, 1959 referred to subventions as follows at page 2394 of *Hansard*, and I quote:

"Assistance to coal and coke is given in the form of subventions, and to show how those subventions have been increased, for instance, during the past two years, I will give the comparative figures for the years 1956 and 1958. In 1956 the average subvention paid per ton was \$2.67. In 1958, the average subvention per ton was \$3.15. This shows that there has been an increase of 48 cents per ton during those two years, or an increase of 18 per cent.

Subventions paid during the calendar year 1958, by regions were as follows: In the maritime regions, that is in the provinces of Nova Scotia and New Brunswick, the amount was \$8,546,041. In the western region, that is the province of Alberta and the Crowsnest area of British Columbia, the amount was \$667,000.

On March 17 last the Prime Minister announced in the house that the federal government would pay an additional \$500,000 in the form of subsidies to maritime coal this year. The government also recently announced the payment of an additional 50 cents per ton on 100,000 tons of Alberta coal which has been shipped to Japan, and this additional subvention was paid to make possible the sale of that quantity of coal.

I noticed yesterday that in reply to a question Mr. Knowles also mentioned the subventions as being one reason why there was no need for further relief for coal under this act.

The extent of present and future subsidies payable for maritime, Alberta and British Columbia coal overshadows the small subventions paid on lignite coal. In addition, the average subvention paid per ton is more than three times greater than the subvention paid on the small tonnage of lignite coal subject to subvention.

It would seem unfair to deny one branch of the coal industry relief from freight rate increases because of the special subventions paid to another branch. Moreover, it might appear advisable, in the national interest, to attempt to maintain the lignite industry in a reasonably sound economic position by the extension of the general freight rate subsidy to it. This alternative would appear more attractive than attempting later to shore up a near broken industry by subventions and other measures of special relief.

Sixthly, Lignite is denied the natural advantages resulting from low cost and favourable geographical location.

The flat increases of so many cents per ton, applied on all coal, regardless of its value and the length of haul, have been particularly onerous for lignite coal. The unfairness was recognized by the Board of Transport Commissioners in its decision in the 15 per cent case on December 27, 1957, when it applied an increase of 6 cents per ton on all coal except lignite. The board stated in its judgment as follows:

"This commodity—that is lignite coal—is an article upon which the board itself in the western rates case of 1914 prescribed rates 10 per cent lower than on Alberta coal. This base has been disturbed over the years by applying the same increases to lignite coal as to higher value bituminous, sub-bituminous and anthracite coal. We believe the point has been reached where a difference in treatment of lignite coal versus other types of coal should be restored.

The board considers, therefore, that no further increase should be made at this time in the normal rates on lignite coal, but that the increase of 18 cents per ton already permitted should be allowed to stand."

Subsequently the cabinet rescinded its decision and in the later 17 per cent case the board refrained from differentiating between lignite and other types of coal for the reason, among others, that it considered all types of coal should bear the special charges for wages which occasioned the increase. The board's decision read in part as follows:

"The board considers that there is not the same justification now that there was at the time of the last judgment for the board to establish lower rates on Saskatchewan lignite coal than on Alberta coal, and that, at least for the purposes of this interim judgment, coal traffic should bear a share of the burden of the increases in labour expenses without difference of treatment as regards different kinds of coal."

From this it would seem that the board considered that under less emergent conditions, more careful consideration would have been given to the position of lignite coal. The fact that the board felt impelled to deal with lignite on this basis is an added reason for extending to it the benefit of a temporary subsidy designed to overcome the hardship resulting from the board's last decision.

Equally serious is the fact that the cumulative effect of the flat percentage increases applied on short-hauls has interfered gravely with the natural geographical advantage which lignite coal should enjoy in the Winnipeg and other markets. The inequities and distortions created by the flat increases have seriously affected the competitive position of the industry.

Next I would like to deal with special considerations regarding thermal power.

Special considerations regarding thermal power.

The possibility of selling large quantities of lignite coal for the generation of thermal power at Brandon and Selkirk in Manitoba have been referred to. For one plant alone the estimated tonnages have been over 160,000 for 1959 and 320,000 for 1960. Apart from the danger of natural gas competition, this type of market is imperilled by another development. Arrangements have been completed for direct power sales by Saskatchewan to Manitoba. Thus, unless coal transportation costs are kept in line, it is possible that movements of coal to these new thermal power units may never commence.

Finally, I would like to summarize this argument as follows:

## Conclusions.

The lignite industry has been able to maintain its business and its solvency notwithstanding all the problems which have beset the coal industry in post-war years. Until now the industry has received no relief against the inequalities created by the application of flat per ton increases against its low-priced product moved over short hauls. In addition, the industry has not received any substantial assistance by way of subvention, comparable to that given to other branches of the Canadian coal industry. The lignite industry is now faced with the competition of the natural gas industry which is seeking to build up its volumes by quantity sales at low prices to industrial users of lignite. The competitive position of the lignite industry has been undermined as a result of the heavy increases in transportation charges which it has had to pass on to its customers. At this critical time the lignite industry perhaps stands more in need of relief against freight rate increases than almost any other industry in Canada. It is therefore respectfully submitted that it should be accorded relief under the Freight Rate Subsidy Act, equivalent to that proposed for shippers paying ordinary class and commodity rates. Thank you.

The CHAIRMAN: Gentlemen, you have heard the brief. Have you any questions to ask the witness?

Mr. DRYSDALE: Mr. Chairman, I notice that it says on page 6 of the brief that subventions do not apply to major lignite coal movements. Why are the subventions only applied to 275,000 out of 2,200,000 tons?

Mr. BLAIR: I do not know the policy reason, but the fact is that on movements of western coal the subvention only applies to coal which crosses into Ontario, and then it is a payment of \$1 per ton or 20 per cent of the freight rate, whichever is the lesser.

Mr. FISHER: Which pulp mill is it that has switched to natural gas?

Mr. BLAIR: The new pulp power unit at Dryden.

Mr. FISHER: Have you ever been able to get down as far as the lakehead in recent years with your lignite coal in competition with coal coming up the other way?

Mr. BLAIR: No, we have not. The closest we are to the lakehead is Fort Frances.

Mr. FISHER: Have you ever made an estimate of how much help it would give you if this particular subsidy applied to you?

Mr. BLAIR: Very roughly. We have a movement of 2,200,000 tons and the freight rate increase amounted to 22 cents per ton; so that if all of that was given back, it would be approximately \$484,000. If half of it, it would be \$242,000, and so on.

Mr. FISHER: Are there any of the people who take your lignite who have any agreed charge arrangement with the railways?

Mr. BLAIR: Yes. We have several agreed charges in effect. One of the most important is the agreed charge recently negotiated to Fort Frances.

Mr. FISHER: Is there any possibility of that particular arrangement being extended and so obviate the need for this subsidy?

Mr. BLAIR: Yes. There are negotiations in progress between the railways, the companies, and some of the companies' customers.

Mr. FISHER: Are the agreed charges which have been made below the rate that generally applies?

Mr. BLAIR: Yes, the agreed charge to Fort Frances is well below the ordinary rate.

Mr. FISHER: Has there been an indication from the railways that the agreed charges compensate them for the haul?

Mr. BLAIR: Yes. I am sure they would not have entered into them if there was not compensatory.

Mr. FISHER: In other words these rates which do apply with these raises have been profitable to the railways?

Mr. BLAIR: Yes. We have argued before the board on several occasions that the lignite coal rates are highly remunerative to the railways because it is a short movement and is carried in train load lots.

Mr. FISHER: Is it in no sense in competition with Alberta coal?

Mr. BLAIR: No; fortunately for Alberta coal we are not. They have been virtually excluded from the Winnipeg market because of other circumstances.

Mr. CHEVRIER: In the beginning of your brief you say there has been no relief from any of the successive flat cents-per-ton increases. Does that mean in the 17 per cent case you got no relief?

Mr. BLAIR: Do you mean the most recent increase?

Mr. CHEVRIER: Yes.

Mr. BLAIR: No, we were given the same 22 cents per ton which applies to all higher valued coal produced and shipped in Canada.

Mr. CHEVRIER: Then what is meant by the sentence "... has received no relief from any of the flat cents per ton increases imposed on all coal in post war years".

Mr. BLAIR: What I mean by that is we never have been able to make the argument stick before the board of transport commissioners, or other tribunals, that as a low valued commodity moving over a short haul we should have received a lesser increase than the same charge per ton put on other coal.

Mr. CHEVRIER: But you did get the increase which was authorized for coal and coke?

Mr. BLAIR: Yes.

Mr. CHEVRIER: On what classification of rates does the coal move—normal commodity?

Mr. BLAIR: I think they would be properly described as commodity rates. Mr. Knowles nods his head.

Mr. HORNER (*Acadia*): I have a question which I want to clear up in my own mind. Are the coal mines in the eastern part of Alberta, mainly around Sheerness, the strip mines a subsidiary of this Great West Coal Company at Estevan?

Mr. BLAIR: I think they are. I know they own some coal mines in Alberta and I think Sheerness is the place.

Mr. PASCOE: Mr. Chairman, as a member from Saskatchewan I would like to compliment Mr. Blair on his presentation. In looking it over I see it says the lignite industry protests against the exclusion of lignite coal from the subsidy relief. Have you made application to the board of transport commissioners before presenting these facts and, if so, what was their reply?

Mr. BLAIR: I am afraid the board might say we have been rather constant attenders at their various hearings.

Mr. PASCOE: I mean in respect of what you have here now?

Mr. BLAIR: We were present at the 1958 case, the case which was decided last autumn and the board ruled we were entitled to no special treatment as compared to other shippers of coal. We did not make any appeal against that ruling to the board or the cabinet because our position was obviously fixed by that decision.

Mr. PASCOE: Further down you mention that you asked for equivalent relief. Have you made any estimate how much that would amount to?

Mr. BLAIR: Mr. Fisher asked we what the figures might be and I gave a few of them. If we got the full amount back it would be something like \$484,000 in a full year. Half of that would be \$242,000 and if we were getting it in the same proportion as is contemplated under the general reduction it would be in the order of \$170,000 to \$180,000.

Mr. CHEVRIER: If you got relief from the time the subsidy act comes into effect for a year, how much would it amount to?

Mr. BLAIR: It would all depend on the formula, but I suppose if it were more or less equivalent to the type of relief being given other shippers it would be under \$200,000.

Mr. BALDWIN: Approximately how many persons are employed in this industry?

Mr. SOUTHAM: I would say roughly around 300.

Mr. BALDWIN: On page 6 you say one paper mill representing something like 5 per cent of the industry's total production has been lost. Does that come about simply because of the competitive position of natural gas, or has it anything to do with the flat rate increase of 22 per cent?

Mr. BLAIR: It is really because of the better competitive position of the other fuel.

Mr. DRYSDALE: Mr. Chairman, in the annual report of the dominion coal board, 1957-1958 they state the following at page 20 with reference to subventions:

The Saskatchewan industry was in a reasonably healthy condition and did not appear to qualify for further subvention help at that time.

I notice in the report of the board of transport commissioners, order 93600, that they state the situation was different at that time on lignite coals but perhaps I might read this and then ask for Mr. Blair's comments:

However, the facts are not the same now as they were then. The increases authorized by that judgment were disallowed by the governor in council; the position of the coal industry in Alberta has worsened because of economic factors; the increases in railway labour expenses apply to the carriage of all traffic and to Saskatchewan lignite as well as to Alberta coal; and increases in freight rates being authorized at this time are by way of interim relief in consequence of such labour expenses. The board considers that there is not the same justification now that there was at the time of the last judgment for the board to establish lower rates on Saskatchewan lignite coal than on Alberta coal, and that, at least for the purposes of this interim judgment, coal traffic should bear a share of the burden of the increases in labour expenses without difference of treatment as regards different kinds of coal.

Have you any comment on those observations of the board?

Mr. BLAIR: First, it is true that the Saskatchewan lignite industry is not in the same condition as is most of the coal industry in Canada; but the writing is on the wall for it unless it is vigilant in protecting itself against this kind of transportation charge increase which will deprive it of its market. Without any disrespect to the other parts of the coal industry which are in an unfavourable position, we do not want to be put in that position. That is why the industry has taken part in all the recent hearings of the board of transport commissioners, simply to protect itself against the transportation increases which are the uncontrollable element in its selling price to its customer.

Mr. DRYSDALE: Are you contending the determining the factor is the amount you would have to pay in freight rates? In other words, that would determine their choice to convert perhaps to natural gas or some other fuel?

Mr. BLAIR: I venture to think there is no other industry in this country where the only increase in the price of its product has been ten cents in ten years.

Mr. DRYSDALE: As a point of interest, what is the selling price of lignite coal?

Mr. BLAIR: Two dollars a ton on the average at the mine.

Mr. DRYSDALE: But what is the final selling price with the freight rates and everything added on.

Mr. BLAIR: Two dollars plus the freight rates. There is so little of a domestic market where you put it through middlemen that it does not count. We sell direct to the user of the coal.

Mr. FISHER: At the time of this judgment was the board cognizant of the competition appearing with the development of the trans-Canada pipe lines.

Mr. BLAIR: Oh, yes. I am sure they were.

Mr. FISHER: I would like to ask Mr. Southam his intention with regard to this matter. I wonder if he plans to bring in an amendment to the committee in connection with this particular matter which would extend the benefit of this subsidy to the Saskatchewan lignite industry.

Mr. SOUTHAM: Might I say in answer to Mr. Fisher first of all that I would like to compliment Mr. Blair on his presentation of this brief, and to thank the chairman as well for the privilege of allowing me to sit in on this. I feel quite at home on this subject because it is right on my doorstep, so to speak, in my riding. I would like to suggest that if this 22 cents per ton of freight rate comes into effect, it would probably break the camel's back as far as this industry is concerned.

I have been watching these people for a number of years, and I know that through technological and scientific improvements they are trying to meet competition. I was over there last year when I saw one of the four largest drag lines on the North American continent put into operation.

Mr. Blair suggested that it cost \$1,500,000; but as a matter of fact, they put in facilities to handle freight cars and the result was that it cost \$1,850,000. They shipped in enough cars to bring it up to \$2 million. They were optimistic when the technological people said that they could come down to a 90 foot seam and that they could compete with natural gas.

There is another feature to it. We have a very big development of natural gas and oil on our doorstep. Steelman developed and put into operation a \$10½ million gas extractor last year, and that industry is now coming into the domestic market. They are supplying Estevan and a large area adjacent to Bienfait. They are coming right down the line to the immediate towns along the international boundary. That is providing real competition to the coal industry.

This last particular increase is something which I do not think they were anticipating. I think that is why they asked Mr. Blair to make this representation. I am in sympathy that some consideration should be given to that industry. I have not gone so far as to suggest an amount however.

Mr. PASCOE: Recently we have heard a lot about trucking. I wonder if Mr. Blair could tell us if there is an alternative form of shipping out in competition with the railways?

Mr. BLAIR: My understanding is that apart from trucking it five or ten miles from the mine, it is not an attractive product for haulage by truck.

I do not think there is ever any prospect of competition by trucks in the way of bringing railway freight rates down.

Mr. PASCOE: The railways are doing practically all the hauling of that coal?

Mr. BLAIR: We have said that this is a "captive market" so far as the railways are concerned.

Mr. PASCOE: I did not catch all the answers given to Mr. Fisher in regard to agreed charges. Is most of that coal shipped on agreed charges?

Mr. BLAIR: No; I think somewhere upwards of 25 per cent is shipped on agreed charges.

Mr. PASCOE: I have one more question: there is a suggestion in the bill that this relief would bring the percentage increase down to around 10 per cent if lignite coal was granted the relief they are asking for. What affect would that have on the percentage of decrease, or the decrease of percentage increase?

Mr. KNOWLES (*Commissioner, Board of Transport Commissioners*): Do you wish me to answer that question, Mr. Chairman?

The VICE-CHAIRMAN: If you please, Mr. Knowles.

Mr. KNOWLES: It all depends on how far you go in this coal situation. If you can confine it to lignite, you would have only a very small difference in the percentage. It might be 6.8 per cent instead of 7 per cent. But I cannot concede that you could hold it. I would think that the province of Alberta would ask for the same thing; and then you would have the Nova Scotia people asking for the same thing. They are all recipients of about \$1½ million a year, and I estimate it would be about 10 cents a ton in line with that, making \$17.10. That would be about \$1½ million.

In addition to that, or included in that, there is a large amount of American coal which is brought in by water to points such as Toronto, Kingston, Montreal and Belleville, which could not be excluded in the tariff from the reduction. So you would be handing out half a million dollars to American coal which would be included in the \$1½ million I have mentioned. If you do that, and if the government changed the bill and said you must take 10 cents a ton off all coal, the remaining reduction would be between six and six and one half per cent on the other traffic.

Mr. BELL (*Saint John-Albert*): Do we have knowledge of any other type of small operation like this coal, or otherwise, that is excluded from this subsidy, or even benefited by it?

Mr. BELL (*Saint John-Albert*): Let us talk about coal first.

Mr. KNOWLES: You mean under the coal? Are you talking about coal?

Mr. KNOWLES: I do not know of any small individual operation on coal other than in Saskatchewan. It may be, I would say, that the Alberta industry is very much greater. Possibly the British Columbia industry, referring to Vancouver island, is about the same as that of Saskatchewan. I do not know the exact tonnage. But when you come to eastern Canada, there is a tremendous difference in the tonnage produced by the mines in Nova Scotia, as compared to the mines in Saskatchewan. So it would be a very large matter as far as the Nova Scotia and New Brunswick people are concerned.

Mr. BROWNE (*Vancouver-Kingsway*): I suppose it is difficult to answer the question regarding other types of industry because they are so widespread, but I wondered if there was an undertaking to isolate a big industry like this that seemed to have difficulty?

Mr. KNOWLES: You have a tremendously large number of different types of industry in Canada. I have no doubt there are plenty of them in a small way

which could make some sort of score. I do not know what they are. It may be the stone industry, or the lumber industry. I would not know. It is a subject which is too broad about which to give a general answer. I just happen to know about the coal industry because I have had a great deal to do with it over so many years.

Mr. BELL (*Saint John-Albert*): It might be reasonable to suppose that there would be some other industries in which the main parts come under this subsidy, but there is a big exception in a case such as the lignite industry here.

Mr. KNOWLES: All other industries are going to get some percentage of reduction if they have normal rates.

Mr. BELL (*Saint John-Albert*): They are all going to get it except this lignite industry.

Mr. KNOWLES: Yes. The coal industry is the only one which is excluded from this bill, where the normal rates have been increased by 22 cents per ton.

Mr. BELL (*Saint John-Albert*): They are all going to get it except this companies affected which, for various reasons, have not been able to make representations as has been done here today, or if there are any others which may be affected?

Mr. KNOWLES: I do not see why other industries would want to come here if they are not being affected, because if they are paying the 17 per cent increase they will get a seven per cent reduction.

Mr. BROWNE (*Vancouver-Kingsway*): Am I right in thinking that this 22 cents per ton increase is based on the number of miles the commodity moves?

Mr. KNOWLES: That is right.

Mr. BROWNE (*Vancouver-Kingsway*): Are there any figures on it in relation to the problem as it affects the coal industry? Do you have any figures particularly about it in relation to other industries, and whether the rate is excessive in that regard? Do you have any figures relating to that?

Mr. BLAIR: It was my general impression after some work that I did some years ago—I cannot recall the mileages—I think it is fair to say that it is generally accepted that this particular branch of the coal industry is closer to its markets than almost any other. Perhaps Mr. Knowles would have some comments on that.

Mr. CHEVRIER: What would be your reply to Mr. Knowles' statement, that if this is opened up to lignite, then we will be faced with a similar position taken by all other coals, such as American coal and so on?

Mr. BLAIR: Our reply to that is this: this is something that lies entirely in the lap of the government or of the parliament of Canada.

If it is agreed that the benefit of this subsidy should be given to the domestic Canadian producers of lignite coal, it does not carry with it the necessary conclusion that that subsidy must also be given to American coal.

These coal rates are all set out in a special tariff, and if you establish particular rates for the movement of lignite coal from Estevan to Winnipeg, it would certainly create no change in the freight rates of coal moving from Ohio to Ontario.

Mr. CHEVRIER: You think because of the local or regional nature of this activity that it deserves to have special consideration?

Mr. BLAIR: That is our contention.

Mr. DRYSDALE: I shall refer again to the dominion coal board annual report for 1957-58 at page 21, where they said:

At its January 1958 meeting the dominion coal board considered in detail the situation in each of the coal mining areas of Canada. An

attempt was made to see the problems peculiar to each district in relation to changing patterns in the utilization of energy and also in relation to the recession from the high level of economic activity of the past few years. This was the picture:

In western Canada the bituminous coal mines of Alberta and the Crowsnest pass district of British Columbia had lost a large proportion of their former markets through railway conversion to oil-fired and diesel locomotive propulsion. There seemed little hope of extensive new markets in the west itself while oil and natural gas remained in large supply at relatively low prices. Subvention was already available to make the mountain coals competitive in the western parts of Ontario, but to have extended the competitive areas to cover all of Ontario would have required subventions ranging up to \$9 or more per ton. Looking at it another way, in terms of employment provided for coal miners, one day's addition work for a miner, who in this region averages four tons of coal a day, would have needed an expenditure of \$36 in subventions. Another difficulty is that the majority of industrial furnaces in central Canada are designed for somewhat different types of coal. New equipment would be needed to achieve full efficiency with western coals. The hope of new markets obviously lay elsewhere. The Japanese were interested. Negotiations, in which the coal board and the producers were working together closely, were already under way in an attempt to establish a substantial market in Japan.

There is no foreseeable large new market for the Alberta sub-bituminous coals except where very low cost production by strip-mining methods makes their cost per million BTU as low as that of natural gas or oil.

The situation in the Saskatchewan lignite fields was relatively good. Production costs are the lowest in Canada. The price of the coal enables it to be competitive with natural gas in the industrial markets of Manitoba and Saskatchewan. Additional thermal electric plants in Manitoba were being designed to burn lignite, although they might also burn some gas. The existing subvention was adequate to enable a substantial quantity of Saskatchewan lignite to move into Ontario for industrial use.

And the question which follows from that is: if the dominion coal board does not feel a subvention is necessary and in view of the fact their meeting was in January after the freight rate decision, what justification can you give for effecting a subsidy to the lignite coal through a portion of this \$20 million freight subsidy?

Mr. BLAIR: I think my clients would hope the description given of their position would be true, but they would regard it as very optimistic. To answer the other branch of your question, when this report was written it had no reference at all to the fact that subsidy relief might or might not have been given against the most recent freight rate increase. I can only repeat what I have said before, that this industry is not coming here on its hands and knees. Fortunately, it is not in the terrible economic condition of other branches of the coal industry in Canada. However, it is only selling 2.2 million tons per year and if it loses any substantial part of its present market, it is going to go under.

Mr. DRYSDALE: The meeting was held in January, 1958.

Mr. BLAIR: Yes, January, 1958.

Mr. DRYSDALE: And at that meeting which was held in January, 1958, the dominion coal board considered in detail the situation in each of the coal mining areas in Canada.

Mr. BLAIR: I am not with you.

Mr. DRYSDALE: When was the increase?

Mr. BLAIR: The increase was in November or December, 1958.

Mr. DRYSDALE: I am sorry; I stand corrected then.

Mr. BLAIR: The optimistic survey they gave, of course, was based upon the condition of more than a year ago when we had been successful in withstanding this most recent increase.

Mr. FISHER: It seems to me the Achilles heel of your argument is the fact you have a subvention going into Ontario at the present time and that keeps you from being classified as distinct from the subvention for the relief of the Alberta and Nova Scotia coal. It seems to me that the main point in your favour is that you are a coal industry that can be isolated and examined as an economic unit. Would it be possible to drop the subvention into Ontario and pick up the adequate relief from this particular measure?

Mr. BLAIR: I am afraid I do not quite follow the reason why we should.

Mr. FISHER: The argument Mr. Knowles presented is against your getting this particular thing so that it would have to be applied to the whole coal industry since at the present time, like all the other parts of the coal industry, you get a subvention. At least, this is what I take to be his argument and, therefore, if you were selected as a special case, the other people would have a similar right to the cutdown.

Mr. CHEVRIER: In other words, would you drop the subvention for relief under this act?

Mr. HORNER (*Acadia*): You would lose money on it?

Mr. BLAIR: I do not follow the suggestion made by Mr. Fisher. The freight rates and subvention have been dealt with somewhat differently. After all, the scale of subventions in the movement of maritime coal is pretty high. I am told it goes up to \$5 or \$6 a ton. We get a small subvention for a small movement of lignite coal which happens to go across into Ontario. However, our main market lies within the western region and we are simply asking this committee to consider that we should be relieved of some part of the freight increase to protect us in our main market.

Mr. FISHER: As I understood Mr. Knowles' argument, if this was extended to you, it would open up demands from the rest of the coal industry, and so far as the government is concerned that would seem to me to be a very powerful argument against giving it to you.

Mr. BLAIR: Well, I would like to make this suggestion, and I know we are getting into the realm of policy. We have made only a presentation, for your consideration, on behalf of lignite coal. But I have also stated that there is no particular reason why an extension of the subsidy to lignite coal should be applied equally to American coal moving into other parts of Canada. And then perhaps the government of Canada might well consider that the scale of relief also granted to maritime coal by way of subventions is such that it does not make it necessary to pay any more. After all, both the Minister of Transport and Mr. Knowles and others who have spoken on this have suggested that the reason for not giving any further relief to coal was due to the tremendous scale of subventions granted. Now, we have said that we do not share in this subvention benefit in any way comparable to other parts of Canada and, therefore, an injustice has been done in a sense to the producers of lignite.

Mr. FISHER: I would like to ask the Minister of Transport whether the lignite coal industry in Saskatchewan was considered when this bill was drawn up?

Mr. HEES: No. The coal in various parts of the country received subventions in accordance with the need. For instance, as you know, more recently in order to make it possible for over 100,000 or 150,000 tons of Alberta coal to be sold to Japan it was necessary to increase the subvention by 50 cents a ton. We did that to make the sale possible. Provinces are paid according to the need. If it is shown that it is necessary, they will be paid. If your particular coal industry does not receive much in the way of subventions, it is because you do not need it. Actually, I have gone into this plant and I know how much cheaper it is to produce your coal. I have inspected your operations and have seen the tremendous shovels that are used to dig it out of the ground. Because of the costs involved, you do not need the same assistance as other people, who might have to go very deep down in the ground, to sell your coal. That is why you do not get it.

Mr. FISHER: Are you indicating then that the giving of subventions is easy enough to receive and that that would be the proper place for this particular industry to turn to?

Mr. HEES: Yes.

Mr. DRYSDALE: Is not the maximum subvention \$4 a ton?

Mr. BLAIR: The subventions are all on different scales for different types of coal. The maximum applicable to lignite is \$1 a ton.

Mr. HORNER (*Acadia*): I would like to commend Mr. Blair on his presentation; he has put up a good argument. However, there is one thing on which I am not clear. You spoke of the Manitoba and Saskatchewan Coal Company when I asked you a question earlier. Is Sheerness in the eastern part of Alberta a subsidiary of this Great West Coal Company; I think it is. Are you drawing a line down the border of Saskatchewan and saying that only the coal companies operating on the east side of Saskatchewan should receive consideration?

Mr. BLAIR: I am glad you asked that question, and the answer is: Sufficient unto the day is the evil thereof. One of the companies I represent, either directly or through a subsidiary, owns strip coal mines in Alberta and we are here making arguments on behalf of the Saskatchewan industry because the position which it now faces as a seller of industrial type lignite coal in competition with natural gas is so critical.

Mr. HORNER (*Acadia*): Along that same line,—and the reason I bring it up is that there was up until last fall two coal companies operating in the Sheerness area with 100 workers engaged in strip mining. They have a big electric shovel, and all the rest of it. I am not saying that it is as big as in Estevan; but last fall one had to shut down frequently on account of markets and the fact that natural gas was going into the city of Saskatoon. I would make reference to the mines at Sheerness because they are in my constituency, but there are others in the southern part of the province. They are all producing coal which I think would qualify under lignite, and I think they should receive consideration. A lot of their coal goes into the northern part of Saskatchewan by rail.

Mr. BLAIR: Well, there is one comment I wished to make in answer to an earlier question by Mr. Drysdale, and it refers to what you say. In terms of the most recent board judgment, it would appear that we in Saskatchewan were at odds with the coal producers of Alberta, which is not the case. We are trying to protect this industry against natural gas competition; and the position we took is, if the Alberta people have the same difficulty, and I am inclined to think they have, there is no reason why they should not possibly also receive the same type of consideration. We would not oppose it.

Mr. HORNER (*Acadia*): I wanted to make it clear as to whether you were speaking directly for the lignite coal company operating in Saskatchewan or for those operating in western Canada. When people refer to the coal in Alberta, they generally refer to the coal in the Crowsnest pass area, even the coal at Drumheller. The coal, particularly at Sheerness, is of a lower quality than that at Drumheller, and I think it would qualify under lignite.

Mr. BLAIR: I always felt the people of Alberta would never admit they produced a coal as cheap as lignite; they call it sub-bituminous.

Mr. HORNER (*Acadia*): I was interested in the price. They have not sold any to me at \$2 a ton, but they sell for just a shade better than \$2 a ton in carload lots going into Saskatchewan.

Mr. PASCOE: I have two questions. What railway hauls most of this coal; and is it a fair question to ask would that railway support your application for relief on the grounds of more business?

Mr. BLAIR: In answer to your second question, Mr. Pascoe, I hope they would, because there is a mutuality of interest between the coal company and the railway. They will not make a nickel transporting natural gas. My feeling is that more of this coal is transported on the Canadian Pacific Railway than on the Canadian National Railways—and I have a nod from a railway official who tells me that is the case.

Mr. SOUTHAM: I think we should emphasize point 5; subventions do not apply to major lignite coal movements. This subvention that has applied has only been on 275,000 tons, which is only about 10 per cent of the total lignite movement. It was just quoted in regard to the movement from the eastern Manitoba boundary into Ontario.

Mr. BROWNE (*Vancouver-Kingsway*): I wonder if I might have Mr. Knowles' comments on the question I asked earlier. Perhaps he could give some of the reasons why the 22 cents applies regardless of the mileage that is involved and why some of the other coal is receiving some of the same subventions when they might be better able to stand the 22-cent increase.

Mr. KNOWLES: Well, that goes back a long way, to 1917, when the railway companies applied through the board for a 15 per cent increase on all freight rates, including coal. After hearing all sides the board at that time decided that in view of the vital necessity of the people of Canada and the kind of climate we had, they would impose the smallest possible increase they could look in the face and, instead of giving the railways 15 per cent—which, true, would have made a small increase on the low rate, but a very big increase on a high rate of, say, \$4 or \$5 a ton—decided in their wisdom that they would only allow 15 cents per ton on all. "Let everybody suffer alike—a 15 cents increase".

In all increase cases since that time the railway companies have followed that lead set by the board and they only apply for flat increases; they do not apply for percentages on coal. The same thing applies in the United States; all the rates on coal within the last 15 or 20 years have been increased by flat allowance. After the last increase, the high increase, where coal was increased 40 per cent, it was only increased 20 cents per ton in Canada.

We are giving very great consideration to the coal industry all through these increases, and I might point out the average rate on coal in 1957, shown by the waybill study, is 3.36 cents per ton. The 22 cent increase on that is 6 per cent, instead of 17 per cent. That was another reason why I think that coal was not given much consideration in connection with this subsidy; it was because of the low increase it has already and the fact that most of it is subsidized today.

Mr. BROWNE (*Vancouver-Kingsway*): Would you not feel that over a long period of time successive flat amount increases—if one particular segment of the industry had a very short haul in relation to the rest of the industry—that would tend to discriminate between them?

Mr. KNOWLES: It may tend that way. We have rates now of 30 cents per ton and 50 cents per ton on regular coal. That rate has gone up 10, 20, 30, 40 cents per ton each time there has been an increase, and we only had that one complaint from the whole of Canada about this flat increase on coal.

It is quite easy for the board to abandon this practice and say that in future we will give a 10, 20, 25 per cent increase on coal; but we would have far more complaints about that than we have under the present situation.

Mr. FISHER: Is part of the complaint based upon the fact that the lignite coal shipped from Saskatchewan is of much lower value, and therefore the 22 cents applies more viciously to them than it does to the higher value coal of, say, Alberta?

Mr. KNOWLES: That is one of the complaints. But there is also coal in Alberta of the same quality, that has the same B.T.U.'s in it and also sells for \$2 a ton. But I grant you, the value of all coal in Canada is much higher than \$2 a ton.

Mr. FISHER: This does underline their particular weakness in competitive terms?

Mr. KNOWLES: That is just a matter of argument. It depends how much it costs to produce that coal.

Mr. CHEVRIER: Has the board jurisdiction to take a situation such as that into consideration?

Mr. KNOWLES: The board has jurisdiction to take any circumstances into consideration in fixing rates, and it usually does take all the circumstances into account. It did so recently in Saskatchewan, which has a 10 per cent lower mileage scale than Alberta because of the value of the coal. On the original rates case in 1914, there was a general attack on rates in western Canada. As a matter of fact, the original rates made by the railway were lower, and the board continued that practice and they just made a 55 per cent of the tenth class rate on Alberta coal and 50 per cent on Saskatchewan coal, leaving a difference of 10 per cent between them.

Mr. BELL (*Saint John-Albert*): I wonder if I could ask Mr. Knowles a question, Mr. Chairman. In connection with your first comment about American coal it was said that it might be possible in some way to restrict the subsidy, or make it possible for the subsidy to be payable to domestic Canadian users, or something of that nature. I was wondering if you would mind commenting further on that and say whether that would be possible, or how involved we would get with that type of restriction?

Mr. KNOWLES: It is a matter of opinion, and it is my opinion that you cannot make a distinction. Coal comes in by water from Nova Scotia to Prescott, Ontario. It comes in from the lake area on the American side. The coal is put on the dockside. Sometimes one shipment is put on top of another and we are having trouble distinguishing them.

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. BLAIR: Mr. Chairman, I wonder if I might be permitted to make a comment on what Mr. Knowles has said. The original 1914 ruling of the Board of Transport Commissioners recognized that lignite was a less valuable coal than other types of coal and it prescribed a rate for lignite which was 10 per cent below that of ordinary coal. Over the years this 10 per cent differential has been eroded away by these flat cents per ton increases, and

in 1957 the board did apply a hold-down on lignite, somewhat in the same way as the I.C.C. in the United States. In its post-war cases the I.C.C. has always given a lesser increase to lignite than to higher types of coal.

I do not say for one minute what the only lignite coal produced in Canada is in Saskatchewan. There is low value coal in Alberta which is entitled to the same type of consideration. We have never set ourselves in opposition to that.

In reply to Mr. Bell's question, these coal rates are all separately published, and so far as lignite coal is concerned we could be easily given the reduced rate. It would involve no rate complication elsewhere in Canada. It would be our respectful submission, and without any hostility to the maritime coal industry, that perhaps it might be felt that the maritime industry had received such generous help by way of other types of subvention that this particular type of relief could be given to Saskatchewan without involving the maritimes in any rate complexities.

Mr. CHEVRIER: Have you got to charge the rate which is authorized under the judgment, or can you charge lower rates?

Mr. BLAIR: You mean the railways?

Mr. CHEVRIER: Yes. I should have said, when you ship lignite coal, do they charge the rates under the judgment of the board, or can it be shipped under lower rates?

Mr. BLAIR: The railways can fix any rate up to 22 cents per ton.

Mr. CHEVRIER: Is there any place other than here where you can get relief?

Mr. BLAIR: There are two places.

Mr. CHEVRIER: I am excluding the subvention area.

Mr. BLAIR: There are two places. First, of course, is by direct negotiation with the railways to make new agreed charges. The second would be, in a very grievous type of case, to go to the Board of Transport Commissioners with the complaint. But we have tried that and it has not been successful, for a variety of reasons, many of them quite difficult to summarize.

Mr. KNOWLES: Since I have been asked a lot of questions, Mr. Chairman, and I am not a witness here, there is one thing I want to say.

The CHAIRMAN: You certainly are a witness, Mr. Knowles.

Mr. KNOWLES: There is one thing I want to say right on this record, and I think Mr. Blair will agree with me on this. On page 3 he says, "Lignite coal is a low value commodity to a comparatively short haul but has received no relief from any of the successive flat cents per ton increases imposed on all coal in post-war years."

I think Mr. Blair has overlooked the fact that the railways gave him a reduction of 40 cents a ton to some of his principal competitive points in Manitoba and Saskatchewan. I should like to make it clear on the record that it has not been a case of "all imposed and none taken off."

The CHAIRMAN: Thank you, Mr. Knowles. I am sure we all appreciate the presentation Mr. Blair has made on behalf of the coal companies of Saskatchewan, and we thank him for it.

We also thank Mr. Southam for coming forward and giving us the benefit of his local experience with regard to these coal matters.

Mr. BLAIR: Thank you.

The CHAIRMAN: The next witness we have is Mr. Jack Guest, an economist representing the government of the province of British Columbia. Mr. Guest has a brief, I understand. Gentlemen, I present to you Mr. Jack Guest, an economist representing the government of the province of British Columbia.

Mr. JACK GUEST (*Economist, representing the government of the province of British Columbia*): Mr. Chairman, Mr. Minister and gentlemen: we are very pleased to have the opportunity of discussing a number of questions which are of concern to the province of British Columbia in regard to the proposed subsidy of \$20 million.

These problems concern the application of the subsidy. I realise that the position of the Board of Transport commissioners as administrators of the subsidy has been made relatively clear since the committee began meeting on some of the problems that bother the shippers in the Pacific region. However, we feel that the attitude and opinion of the shippers of British Columbia should be made known to the parliamentary committee considering the Freight Rate Reductions Act.

It is the opinion of the government of British Columbia that a normal rate in effect December 1, 1958, and which took the full 17 per cent increase in rate, but in the interval, by virtue of competition or other circumstances may have been reduced below 17 per cent, but above 10 per cent, is entitled to a reduction in rate so that the increase will not exceed 10 per cent. It appears manifestly unfair to us that a rate which has taken all the increases to date, but by virtue of competitive conditions, has now been reduced but is still in excess of 10 per cent, above the December 1, 1958 level, should be given the advantage of subsidy to the maximum percentage allowed by the Board. Therefore, we propose that all non-competitive commodity and class rates which were increased by 17 per cent pursuant to the board order 96,300, effective December 1, 1958, be reduced to the extent the subsidy will allow but not in excess of 10 per cent above the level of rates prior to December 1, 1958.

Everyone is well aware that horizontal increases have the effect of placing an excessive burden on long-haul shippers, particularly all lower value commodities. We refer to the report of Turgeon's royal commission on transportation in the chapter entitled, "Horizontal increase", pages 61 and 62, as follows:

"Horizontal increases aggravate the disadvantage already suffered by long-haul shippers and consignees."

The Report continues:

"Special attention should be given to long-haul traffic and to rates on basic or primary commodities."

Since the report of the royal commission, a number of increases have been granted and the board has not seen fit to implement recommendations of the commission in regard to the impact of horizontal increases on long-haul shippers. It is well known that the western provinces suffer the most from horizontal increases on long-haul shipments. The table entitled "non-competitive commodity rates, distribution of intra and interprovincial car movements by mileage blocks" indicates the relative importance of the long-haul to the various provinces and it is interesting to note that 56 per cent of Alberta cars moving on non-competitive commodity rates travel, on the average, over 500 miles; followed by 46 per cent of the Manitoba traffic and 44 per cent traffic in British Columbia. That is the first table attached. The percentages appear at the bottom of the table.

According to the waybill analysis, Saskatchewan has no inter-provincial movement—the average mileage of which comes within the 500-750 mileage block. Nova Scotia is in a similar position to Saskatchewan. In the average inter-provincial mileages over 750 miles, Saskatchewan has the highest percentage followed by Manitoba, British Columbia, Alberta and Nova Scotia. It is obvious by the percentages of the provincial movements that the western provinces bear the bulk of the burden imposed on long-haul shippers by horizontal increases.

On the basis of the present proposed application for the subsidy the bulk of the subsidy will go to commodities which move on the average 500 miles or less. To be precise 52.9 per cent of the revenues for non-competitive commodity rates are earned on hauls 500 miles west and 35.5 per cent on hauls under 250 miles. On shipments originating in the province of British Columbia only 27 per cent of revenues are received from shipments under 500 miles. Approximately half of the national figure.

I might point out that the revenue figures only cover commodity non-competitive rates and because of lack of time and because these rates will move 80 per cent of the traffic on which the subsidy will apply, we think they are an adequate example.

The proposed subsidy legislation gives the government and the board the opportunity of implementing the important recommendations of the Turgeon commission by ensuring that the last horizontal increase be reduced in such a manner as to overcome the disadvantages suffered by the long-haul shippers. We therefore propose that rather than apply the subsidy as a uniform percentage reduction in rate that the reduction be graduated with a smaller percentage to movements under 500 miles and a larger percentage to movements over 500 miles. As an example we have filed the table entitled "Application of Subsidy to Non-competitive Commodity Traffic originating in British Columbia". By applying subsidy on a graduated basis some small relief will be given to long-haul shippers, and we believe that this was the intent of the minister when he stated in the house on April 7, 1959, that:

"it was the opinion of the government that it would be a fair thing to do to alleviate the burden imposed on the people affected particularly those who have to pay the cost of the *long haul across Canada*, and it was for this reason that the subsidy is being introduced at the present time."

We realize that there are difficulties in dealing with a graduated subsidy involving a reduction in rate just as there are difficulties involved in applying an increase in rates on other than a straight percentage basis but the impact of horizontal increases on the competitive position on long-haul shippers has been such that we must make some extra effort to find a more equitable solution.

Mr. CHEVRIER: Have you looked at clause 3 of the bill? Would you look at it and let me ask you this question: in line 19 if the words, "increased by 17 per cent" were taken out, would that meet your position?

Mr. GUEST: I think that would go a little further than we propose.

Mr. DRYSDALE: Following on Mr. Chevrier's suggestion, would not the answer be within the framework of the present legislation to have the railways make some announcement to the effect that all the freight rates which had increased to 17 per cent had gone down for competitive reasons to 10 per cent, or some other rate. If those particular rates which had been decreased could be deemed to be increased to 17 per cent immediately prior to the passing of this bill, then I think that would meet what Mr. Knowles has stated because the act, as I read it, says that the rate changes have to be at 17 per cent prior to the passage of this act. If there was this time difference of even thirty seconds I think it would be taken to come into effect immediately prior to the act within the present framework. Has Mr. Knowles any comment on this?

Mr. CHEVRIER: The minister said in the house this could not be done.

Mr. DRYSDALE: I think the situation is that Mr. Guest's case is that it had come down to 17 per cent because of competitive reasons, and that is why I think it would be feasible to let it go back up immediately before the freight rate.

## NON-COMPETITIVE COMMODITY RATES

## DISTRIBUTION OF AVERAGE INTRA AND INTER-PROVINCIAL CAR MOVEMENTS BY MILEAGE BLOCKS

Mileage Block	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland	Total	%
0- 249.....	428	296	181	125	2,542	867	225	498	25	200	5,387	60.6
250- 499.....		133	287	63	413	391	142	90		3	1,522	17.1
500- 749.....	147	321		69		46	3				586	6.6
750- 999.....	58	99	103	40	69		58	118			545	6.1
1000-1499.....	73		36	8	320	13		33	1		484	5.4
1500-1999.....			24	40	49	5	4				122	1.4
2000-2499.....	48	117	7	4	3	30		3			212	2.4
2500-2999.....	9	6			11						26	0.3
3000-3499.....	3					2					5	0.05
											8,889	
% of Cars*												
Over 500 miles.....	44.1	55.9	26.6	46.2	13.4	7.1	15.0	20.7	3.8			
750 miles.....	24.9	22.9	26.6	26.4	13.4	3.7	14.3	20.7	3.8			
1000 miles.....	17.3	12.7	10.5	14.9	11.4	3.7	0.9	4.8	3.8			
1500 miles.....	7.8	12.7	4.9	12.6	1.8	2.7	0.9	0.4				

\*Of the Provincial total.

SOURCE:—Waybill Analysis 1957.

## NON-COMPETITIVE COMMODITY RATES

## DISTRIBUTION OF REVENUES BY MILEAGE BLOCK IN INTERPROVINCIAL CAR MOVEMENTS

Mileage Blocks	British Columbia	Alberta	Saskat- chewan	Mani- toba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	New- found- land	Total	% to Total
(In Dollars)												
0- 249.....	88,968	62,914	29,278	22,380	396,697	174,210	27,975	37,146	3,874	22,395	865,747	35.5
250- 499.....		28,704	62,991	15,927	143,046	121,984	35,439	15,191.....		759	424,041	14.4
500- 749.....	79,125	103,717.....		36,852.....		16,570	608.....				236,872	9.7
750- 999.....	40,949	29,330	42,841	21,346	56,288.....		22,446	42,994.....			256,194	10.5
1000-1499.....	49,517.....		19,684	5,187	143,302	13,091.....		18,449	641.....		249,871	10.2
1500-1999.....			20,229	34,118	83,154	7,198	3,959.....				148,658	6.1
2000-2499.....	55,281	96,075	7,725	3,473	4,600	49,047.....		3,412.....			219,613	9.
2500-2999.....	10,604	6,307.....			15,246.....						32,157	1.3
3000-3499.....	3,477.....					2,776.....					6,253	0.3
	327,921	327,047	182,478	139,283	842,333	384,876	90,427	117,192	4,425	23,154	2,439,406	100.0

APPLICATION OF SUBSIDY TO NON-COMPETITIVE COMMODITY TRAFFIC ORIGINATING IN BRITISH COLUMBIA;  
AT SEVEN PER CENT; GRADUATED TO YIELD SAME REVENUE

Destination	Average Distance (Miles)	No. of cars	Percent	Ton Miles ( <sup>'000</sup> )	Percent	Revenue \$	Percent	7% Subsidy (\$)	Graduated Rate (%)	Subsidy \$
British Columbia.....	178	428	55.9	3,606	22.0	88,986	27.1	6,229	6	5,338
Alberta.....	577	147	19.2	2,677	16.3	79,125	24.1	5,539	6	4,747
Saskatchewan.....	920	58	7.6	1,666	10.2	40,949	12.5	2,866	7	2,866
Manitoba.....	1,131	73	9.5	3,424	20.9	49,517	15.1	3,466	8	3,062
Ontario.....	2,168	48	6.3	4,139	25.3	55,281	16.8	3,870	9	4,075
Quebec.....	2,636	9	1.2	704	4.3	10,604	3.2	742	9	954
New Brunswick.....	3,064	2	0.2	98	0.6	2,493	0.7	174	9	199
Nova Scotia.....	3,440	1	0.1	68	0.4	984	0.3	69	9	78
								22,954		23,119

SOURCE:—Waybill Analysis, 1957.

Mr. HEES: The answer Mr. Chairman, is no.

Mr. DRYSDALE: For what reason?

Mr. HEES: I have made it as clear as I can. You can only stretch \$20 million so far and it is our intention to apply the \$20 million in the most effective way to the people we think are hardest hit, as far as this freight rate increase is concerned. We believe, after a great deal of consideration, that the most effective relief can be given in the way we have outlined. We may be wrong, but that is what we believe after a great deal of consideration.

Mr. DRYSDALE: We are in agreement actually with the minister, because the board had ruled that the particular commodities were entitled to a 17 per cent increase. I am saying it is fine as far as the board was concerned, but when the railways faced the facts of life on some kind of commodities they probably had to reduce it to 17 per cent.

Mr. HEES: The aim of this measure is not to subsidize the carriers, but rather the consumers who pay the increased freight rates. If consumers are paying less than the 17 per cent rate increase they are not as hard hit as those who are paying the full 17 per cent increase, and it is our intention to help those who are paying the full increase because we believe they are the ones hardest hit.

Mr. DRYSDALE: Would the minister agree that under the terms of this legislation there is nothing to prevent the railways increasing these rates to 17 per cent immediately before this legislation comes into effect in order to take advantage of it?

Mr. HEES: If the legislation permits them to do that then, of course, if they want to do it they can.

Mr. DRYSDALE: May I have commissioner Knowles' comment on this interpretation of the legislation.

Mr. KNOWLES: If you had my comment it would be you are simply extending the subsidy under competitive rates and will bring in an enormous amount of traffic that is not getting a subsidy.

Mr. DRYSDALE: What I am saying in effect is if that is not your intention, then the way the act is drafted is wrong; because as I read the act they are entitled to raise it back up to 17 per cent any time immediately before this act is brought into effect.

Mr. KNOWLES: Yes; but it is a permissive order. If the railways have not taken 17 per cent and if they want 10 or 14 or if they applied 17 per cent and took 3, 4, 5 or 6 per cent off, then they can file the tariff again up to the 17 per cent and the shipper will automatically become entitled to the 17 per cent reduction.

Mr. CHEVRIER: Mr. Guest, in the first part of your brief you say the recommendation of the royal commission with reference in particular to horizontal rates has not been carried into effect by the railways. What the recommendation did say was that the remedy with reference to the impact of horizontal increases could be given by studies made by the railways and could be applied by the railways themselves. I am asking whether there has been any representation made to the railways, the two main railways, by the government of the province of British Columbia with reference to asking them to do something on these long-haul rates which would alleviate the impact of the horizontal increases.

Mr. GUEST: The recommendation of the Turgeon commission, if I remember it correctly, goes on to state that if the railways do not do it, the board should. Not only the province of British Columbia but also the other provinces have requested the board to take this into consideration; and the board has

continually stated, and with some justification, that there are too many problems in applying other solutions. For example, you could apply a solution which is currently being discussed of applying a horizontal increase, partly on weight and partly as a percentage on rate.

Mr. CHEVRIER: May I interrupt. I do not want to disagree because there may be some other part of the recommendations with which I am not familiar. However there are two sentences at page 61 which say:

The remedy does not lie in the prohibition, statutory or other, of horizontal increases, but is in the hands of the railways themselves. The railways should make studies of traffic conditions in all the bearings and should present to the board . . .

It does not say the board should do it.

Mr. GUEST: At the bottom it says:

. . . that if the railways do not approach the task in this way it should be the duty of the board to see they do so.

Mr. CHEVRIER: But do you not think that first of all you should make representation to the railways to ascertain from them whether or not they will comply with your request.

Mr. GUEST: Mr. Chairman and Mr. Chevrier, I think that numerous requests have been made to the railways by the provinces. The railways have always supported the contention of the board, to my knowledge, that the only way to impose an increase is on horizontal basis.

Mr. CHEVRIER: I thought it was the other way around. Perhaps I was mistaken.

Mr. GUEST: I think it could be the other way around, but it is the same thing.

I am sure that the railways, to my knowledge of the general freight rate cases, have always stated that it would involve too many complexities to do anything else. But there has been a serious impact on the competitive position of long haul shippers, particularly from the province of British Columbia, and I am sure from the province of Alberta as well, and according to the figures, from the province of Manitoba too. But I speak for the province of British Columbia, and I know that some of our industries have lost markets, and have had their markets continually eroded.

I am not suggesting that it was always the fault of high freight rates; but certainly the horizontal increases in rates has placed British Columbia industry in a very difficult position in regard to the markets of eastern Canada and in regard to markets in Manitoba and parts of Saskatchewan, and not to mention the Lakehead.

Mr. CHEVRIER: How is the traffic divided in British Columbia as between trans-continental rates and what we are dealing with now, class and commodity rates?

Mr. GUEST: I could not answer that question at the moment. But tomorrow morning I think I could.

Mr. CHEVRIER: It is a fact that the great majority move on trans-continental rates, do they not?

Mr. GUEST: I do not think so, but I can get that answer for you by tomorrow morning.

Mr. CREAGHAN: I would like to ask two questions on the brief. The first question concerns paragraph 3 of the brief where you said that because of competition "or other circumstances" the railways have not put in the whole 17 per cent. In some cases it must be much less than 17, but above the ten.

Can you explain to satisfy my curiosity what you mean by the words "or other circumstances", other than competition now?

Mr. GUEST: Well, there are rates which are definitely competitive rates. I think it was explained at some length yesterday by Mr. Knowles.

Mr. CREAGHAN: Are you going on the agreed charges and competitive rates?

Mr. GUEST: No, I am trying to answer this question, because one deals with competition, and the other deals with "other circumstances". A rate marked competitive, is intended to meet competition caused by water carries or some other form of carrier. Then there are reductions in the rates caused through competition between the railways. In other words, they are a special form of competition.

There are rates which are lower by virtue of certain market competitive situations which may or may not be so considered "officially" competitive. There appears to be a division of opinion in this regard, as to what is a competitive rate. What we are requesting is this, if the rate had absorbed the full increase to last December, that is, if it was a normal rate last December and by virtue of the 17 per cent it had become in part competitive, then it would be entitled, up to 10 per cent, to the same relief.

Mr. CREAGHAN: Has there not been a marked change in the competition or in the other circumstances in British Columbia between November 18 last and the present date.

Mr. GUEST: There have been some quite considerable changes, and I can say this: that at a meeting of our advisory committee on freight rates ten days ago when this question was discussed, some of the larger shippers in the province in discussing the rates which took 17 per cent, when requested to give examples said that it was very difficult, because of the competitive situation which had developed since December 1, 1958, and also because the railways had not fully clarified their position as yet. The situation is not clear as far as rates are concerned, unfortunately for some of our major commodities.

Mr. CREAGHAN: My final question is this: I presume that basically you are not opposed to the \$20 million subsidy?

Mr. GUEST: Oh no.

Mr. CREAGHAN: You seem to be opposed to the purpose of the bill. If I am right in assuming what you suggest, you want another bill to provide a subsidy for payment with respect to other types of rates, which were not protected.

Mr. GUEST: No. We are not requesting a subsidy on agreed charges or competitive rates. But in view of the uncertainties of the situation we are only requesting that if the normal rate took 17 per cent and for any reason at all, the rate was reduced below 17 per cent, but above 10 per cent, that it be given the benefit of whatever difference there is between the ten per cent and the reduced rate.

Mr. CREAGHAN: My understanding was that all class and commodity rates must come up 17 per cent.

Mr. GUEST: No, they do not have to. The board issues an order and it says to the railways: you can take the 17 per cent or any part of it. Then the railways can take it or can refuse it. But if they reduce the rate—it may be for competitive reasons, it usually is—becomes a competitive rate; but if a particular rate up to this time has taken all the increases, and has not been held down before by virtue of competition and now, because of this last 17 per cent rate increase, it becomes a competitive rate in part. This is the rate which we want to protect.

Mr. CREAGHAN: It seems to me that yesterday Mr. Knowles stated to the committee—or some witness stated to the committee—that there was some evidence that all non-competitive rates went up 17 per cent. Did I hear that incorrectly yesterday?

Mr. KNOWLES: That was my understanding, but we have the assistant general freight traffic manager of the Canadian Pacific Railway with us, Mr. J. M. Roberts, and you might ask him if he advanced any rates 11, 12, 13, 14 or 16 per cent in his tariffs. I do not know all the tariffs, but Mr. Roberts is in charge of the tariffs of the Canadian Pacific Railway and he can tell you.

Mr. CREAGHAN: That is a point that got me confused yesterday, and I was sure it applied to non-competitive rates.

Mr. CHEVRIER: And commodity.

Mr. CREAGHAN: Oh yes, and that they automatically went up by 17 per cent.

Mr. CHEVRIER: No, that is not correct in my understanding.

Mr. DRYSDALE: Let us call the man from the Canadian Pacific Railway to find out.

Mr. CREAGHAN: If my assumption is correct, then everything we have been debating has to do with the whole purpose of this legislation.

Mr. FISHER: I have a few questions I would like to ask Mr. Guest. Will I get a chance tomorrow to ask them?

Mr. CHEVRIER: No, ask them now.

Mr. CREAGHAN: If we could get the answer to that proposition, at least the committee would know whether or not we are debating subjects which are not related to the legislation.

Mr. J. M. ROBERTS (*Assistant general traffic manager, Canadian Pacific Railway*): The rates were all increased, and all made subject to the tariff to which Mr. Knowles referred subsequently. Due to the force of competition, the 17 per cent may have been taken off. But originally, on December 1, all normal class and commodity rates were increased intra Canada.

Mr. CHEVRIER: In some circumstances you perhaps raised them only three per cent or five per cent?

Mr. ROBERTS: No sir, not originally.

Mr. CHEVRIER: Not originally; but after the judgment went into effect, you might have reduced that 17 per cent to three per cent, five per cent, or ten per cent?

Mr. ROBERTS: That is correct, according to the force of competition.

Mr. CHEVRIER: You would have increased them to 17 per cent in the first place?

Mr. ROBERTS: We cannot pick and choose because we do not have the time. We have to apply all of it to everything, and my understanding is that that was the procedure.

Mr. DRYSDALE: You say there is only a small proportion which went up 17 per cent?

Mr. ROBERTS: No, I would not say that.

Mr. DRYSDALE: Or a large proportion?

Mr. ROBERTS: Yes sir.

Mr. FISHER: Would you say that British Columbia with a good long haul perhaps gained more in the reduction than some of the other provinces?

Mr. ROBERTS: No, I would not say that. For example, lumber from British Columbia to eastern Canada did not get the 17 per cent, because it moved on a competitive rate along with Saskatchewan lumber.

Mr. FISHER: Yes, I know the whole story.

Mr. DRYSDALE: Is the Canadian Pacific Railway going to raise all these various rates and take advantage of the opportunity to bring them all back to 17?

Mr. ROBERTS: That is something to which consideration has not been given.

Mr. CHEVRIER: With respect to these rates which were discussed, could you give us the proportion as to those which remain at 17, and those which came down? Could you divide the traffic?

Mr. ROBERTS: No, I am sorry I could not.

Mr. CHEVRIER: Would you say that ten per cent were reduced, and 90 per cent were left at the same rate?

Mr. ROBERTS: There are so many rates that I would not venture an opinion. I would be deceiving you if I tried.

Mr. BELL (*Saint John-Albert*): Have any commodity rates been transferred to competitive rates?

Mr. ROBERTS: I would say that automatically if we did apply the 17 per cent increase to a rate on December 1, and subsequently took all or part of it off, it would be due to the force of competition, and it would move over into the competitive category.

Mr. BELL (*Saint John-Albert*): This reduction might have taken effect right away.

Mr. ROBERTS: We moved as fast as we could.

Mr. FISHER: Is it possible that in shipping into some point where you have both the Canadian National Railways and the Canadian Pacific Railway, that one railway would reduce the 17 per cent while the other would not?

Mr. ROBERTS: No sir. We do not like to see the Canadian National Railways get the business. If they took the 17 per cent off, and we did not they would get the business.

Mr. FISHER: If I showed you an example where the Canadian National Railways knocked off the 17 per cent on a shipment of lumber from British Columbia to Armstrong, into the eastern territory of the Canadian National Railways, into the lakehead, and that the rate had been reduced, would you say that this happened normally, or that it would just be due to an accident?

Mr. ROBERTS: No, that would depend on conditions. I do not know the circumstances. We would have to look at it.

Mr. CHEVRIER: Are you not bound by a statute to cooperate under the Canadian National-Canadian Pacific Act which requires a certain amount of cooperation?

Mr. ROBERTS: Yes, we are, otherwise there would be chaos.

Mr. DRYSDALE: Mr. Guest suggested this very equitable basis of tapering the rates. The suggestion was that apparently it should be initiated by a study made by the railroads. Speaking for the Canadian Pacific Railway, would you have any objection to suggesting such a study in order to make the rates more equitable across Canada?

Mr. ROBERTS: We tried that one in the 17 per cent case, and we had some difficulty in deciding upon the types of commodities to apply what you might call a flat increase to. The provinces contended that we should do away with

the inequities of a flat percentage increase. But we as a railway should not set ourselves up, we contend, as a judge, as to what industry or particular commodity should be picked out and treated in this fashion. I might say that if we did that, we would start out with fresh fruit, and from fresh fruit we would go to canned fruit, and then to fresh meat and from there to canned meats; or we would start out with ordinary wooden shingles and from there we would go to asbestos shingles and to asphalt shingles; the suggestion would grow like "Topsy".

Mr. DRYSDALE: Do you feel that the Board of Transport Commissioners would be in a better position to make such a study?

Mr. ROBERTS: I would not like to answer that question. I think it is a pretty difficult thing to do in a general rate increase.

Mr. DRYSDALE: Do you feel that tapering the rates is more equitable than applying a flat rate? Would a reduction in tapering the rates benefit the longer haul? As the distance increases the rate per mile gets lower, and the benefit which accrues to the long haul shipper should be built into the structure?

Mr. ROBERTS: As the distance extends the rate per mile gets lower, and that is the benefit that accrues to the long haul shipper.

Mr. DRYSDALE: Would you feel the percentage increase and decrease should be on a tapered basis, as suggested by Mr. Guest in his brief. He figured it out for British Columbia, and going from 6 per cent for less than up to, I think, 577 miles, 7 per cent for 920 miles and 8 per cent for 1,131, rising to a maximum of 9 per cent. What do you think of that?

Mr. ROBERTS: Regardless of which way you do it you are still coming up against the same situation, whether it be the flat increase of so many cents per 100 pounds, or graduated as some governments suggest.

Mr. CHEVRIER: Is it not a fact, as suggested in the brief, that the further away you are, the greater the impact of the uniform increase?

Mr. ROBERTS: In cents per 100 pounds, but not according to the service you are getting.

Mr. CHEVRIER: Well then you do not agree fully with this statement that was read a moment ago, that the horizontal rate increase affects more greatly the long haul provinces?

Mr. ROBERTS: Our contention is, of course, that by the percentage increase each one bears his proportionate share of the cost.

Mr. CHEVRIER: The royal commission did say that this horizontal rate increase had a greater effect on the far away provinces than on those in central Canada. Have you any remedy to suggest?

Mr. ROBERTS: No, sir I do not.

Mr. CREAGHAN: You have told the committee that you raised all of them to 17 per cent and then a great number were reduced to a lesser amount. What I am worried about now is that probably the day before the proclamation of this bill, they are all apt to go up to 17 per cent again, or certain chosen articles will, depending on the time of the year the act is proclaimed, which will create a great deal of confusion again with the shippers across the country.

Mr. ROBERTS: No, sir. I will say this. I personally have not given any consideration to raising the rate.

Mr. CREAGHAN: The purpose of this bill is to give \$20 million worth of relief to the shippers of Canada, and to get that relief the increase of 17 per cent must be in effect the day the act is passed. If my interpretation of section 3 is correct, the shippers will not be getting any effect unless you raise the rates again the night before the act becomes law.

Mr. ROBERTS: We can only raise them on thirty days' notice.

Mr. DRYSDALE: You had better give notice now then.

Mr. HORNER (*Acadia*): Mr. Chairman, I would like to ask either the minister or Mr. Knowles just how great a difficulty it would be to graduate the percentage increases so that the largest percentage went to the movement of over 500 miles.

Mr. HEES: We examined that possibility when we were considering this measure. We considered it very seriously during a number of meetings. Mr. Knowles can explain briefly why we found what we did.

Mr. HORNER (*Acadia*): It seems to me it would bring the greatest amount of benefit to the consumers who have to pay for the long haul.

Mr. HEES: That is what we thought too. Mr. Knowles can explain the difficulties of working out such a condition.

Mr. KNOWLES: I will give you an illustration: take a box of groceries from Montreal to Toronto. The rate went up 38 cents per 100 pounds. That will be reduced by 15 cents. The same box of groceries going to Vancouver went up \$1.92 per 100 pounds, not 38 cents. It went up nearly five times as much, and it will come down five times as much by a 79-cent reduction. There is the effect of the rolling back on the long run versus the short haul, and I do not see what British Columbia wants more than that.

Mr. HORNER (*Acadia*): Does that satisfy Mr. Guest?

Mr. GUEST: That is the whole point the Turgeon commission made. The cost of these groceries went up 38 cents between Montreal and Toronto; with the reduction they will go up 23 cents. When you increase rates by percentage, you increase the value. The competitive position of a commodity becomes much more unfavourable when a percentage increase is placed on a rate. Now a percentage decrease, of course, brings the rate down to the same extent the percentage increase raises it up. But the inequity is still in the rate as a result of a series of percentage increases. It is the dollar and cents disparity created by the long haul, which costs a lot and the short haul, which costs a small amount. It is true there is a service involved and you have to provide more work long distance haul than a short distance haul. But with hauls like we have in Canada, this has serious consequences to shippers with a market 1,000 or 1,500 miles away.

Mr. HEES: Mr. Guest, you have been saying that everyone in British Columbia is being discriminated against because everything they buy comes from the east and they have to pay a long haul. What about Ontario consumers who buy British Columbia apples, British Columbia salmon and British Columbia plywood or lumber? If you live in Vancouver you pay practically no freight at all, but if you live in Toronto you pay a great deal of freight. So this becomes a really involved argument. I suppose if you get into the philosophy of the thing perhaps you might say the "privileged" people in British Columbia pay that extra premium for the privilege of living in what they consider to be the finest province in Canada. That about sums it up.

Mr. DRYSDALE: Hear, hear. The only point, Mr. Chairman—

The CHAIRMAN: I am sorry. We have lost a quorum.

Mr. DRYSDALE: Let us get going anyway. I do not think you have to have a continuing quorum under the rules of the committee.

The CHAIRMAN: Yes, we do. Tomorrow morning, gentlemen, at 9.30 in this room, and again tomorrow afternoon at 3.30.

Mr. HEES: Could I say, Mr. Chairman, that I am very sorry, but I am afraid I cannot be here tomorrow. I rather expected that the committee would

have concluded its hearings by tonight and I made an appointment to go to Washington tomorrow on business regarding pilotage, which Mr. Fisher and Mr. Chevrier urged me to go on. I am afraid I cannot put it off, and I cannot be here tomorrow.

Mr. CHEVRIER: I feel terribly sorry about this, because I have to be away as well and I was relying on you to be here.

Mr. HEES: Then the committee should go ahead very quickly, tomorrow.

The CHAIRMAN: Thank you, gentlemen. We will see you tomorrow morning, when we have some more witnesses to hear.

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

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STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* GORDON K. FRASER, ESQ.

*Vice-Chairman:* MARVIN W. HOWE, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

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Bill, C-38, An Act to make Provision for the Reduction of Certain  
Class and Commodity Rates on Freight Traffic.  
Including Fourth Report to the House

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THURSDAY, APRIL 16, 1959

FRIDAY, APRIL 17, 1959

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WITNESSES:

Messrs. L. J. Knowles, Commissioner, Board of Transport Commissioners for Canada; A. S. Kirk, Director, Traffic Branch, Board of Transport Commissioners; G. A. Scott, Director, Economics Policy Branch, Department of Transport; J. Guest, representing the Government of British Columbia; E. A. Charnock and H. Styffe, representing the Joint Transportation Committee of the Fort William and Port Arthur Chambers of Commerce; H. A. Mann, Executive Manager, The Maritimes Transportation Commission; J. J. Frawley, Counsel for the Government of Alberta; J. Magee, Executive Secretary, Canadian Trucking Associations Inc.; A. Mauro, representing the Government of Manitoba; and V. Stechishin, Manager, Manitoba Transportation Commission.



STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* G. K. Fraser, Esq.

*Vice-Chairman:* M. W. Howe, Esq.  
and  
Messrs.

Allmark,	Drysdale,	Michaud,
Asselin,	Fisher,	Monteith (Verdun),
Badanai,	Fréchette,	Nielsen,
Baldwin,	Grills,	Nixon,
Batten,	Hardie,	Pascoe,
Bell (St. John-Albert),	Horner (Acadia),	Payne,
Bigg,	Horner (Jasper-Edson),	Phillips,
Bourbonnais,	Howard,	Racine,
Bourget,	Johnson,	Richard (Kamouraska),
Brassard (Lapointe),	Keays,	Rynard,
Browne (Vancouver- Kingsway),	Kennedy,	Small,
Brunsdan,	MacInnis,	Smallwood,
Cadieu,	MacLean (Winnipeg North Centre),	Smith (Calgary South),
Campbell (Stormont),	Martin (Essex East),	Smith (Lincoln),
Chevrier,	Martini,	Smith (Simcoe North),
Chown,	McBain,	Tassé,
Creaghan,	McDonald (Hamilton South),	Thompson,
Crouse,	McMillan,	Tucker,
Dupuis,	McPhillips,	Webster,
		Wratten.

J. E. O'Connor,  
*Clerk of the Committee.*

## REPORT TO THE HOUSE

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### FOURTH REPORT

Your Committee has considered the following Bill and has agreed to report it without amendment:

Bill C-38, On Act to make Provision for the Reduction of Certain Class and Commodity Rates on Freight Traffic.

Your Committee recommends that the words "and the traffic in respect of which" appearing in line 27 of Section 2 of Clause 3 be examined to further determine their effect on the application of the provisions of the Bill. A copy of the Minutes of Proceedings and Evidence in relation thereto is appended.

Respectfully submitted,

W. M. HOWE,  
*Vice-Chairman.*



## MINUTES OF PROCEEDINGS

THURSDAY, April 16, 1959.

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.50 a.m. this day. The Vice-Chairman, Mr. Howe, presided.

*Members present:* Messrs. Asselin, Badanai, Bell (*St. John-Albert*), Browne (*Vancouver-Kingsway*), Campbell (*Stormont*), Chown, Creaghan, Crouse, Drysdale, Fisher, Grills, Hardie, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Kennedy, MacLean (*Winnipeg North Centre*), McMillan, McPhillips, Monteith (*Verdun*), Nixon, Pascoe, Phillips, Smallwood, Smith (*Calgary South*), Tucker and Wratten. (27)

*In attendance:* Messrs. R. Kerr, Chief Commissioner, Board of Transport Commissioners for Canada; L. J. Knowles, Commissioner; A. S. Kirk, Director, Traffic Branch, J. Magee, Executive Secretary, Canadian Trucking Associations Inc.; J. Guest, representative of the Government of British Columbia; E. A. Charnock and H. Styffe, representing the Joint Transportation Committee of the Fort William and Port Arthur Chambers of Commerce; A. Mauro, representing the Government of the Province of Manitoba; and V. Stechishin, Manager, Manitoba Transportation Commission.

The Vice-Chairman observed the presence of quorum, and on Clause I of the bill called Mr. Guest who was further questioned.

Messrs. Charnock and Styffe were introduced and read a brief on behalf of the Joint Transportation Committee of the Fort William and Port Arthur Chambers of Commerce.

Following their questioning the Committee recessed at 11.15 a.m.

At 11.25 a.m. Mr. Mauro was called and assisted by Mr. Stechishin presented the views of the Province of Manitoba.

Questioning of Messrs. Mauro and Stechishin completed the Committee adjourned at 12.15 p.m. to meet again at 3.30 p.m. this day.

### AFTERNOON SITTING

The Committee met at 3.30 p.m. this day. The Vice-Chairman, Mr. Howe, presided.

*Members present:* Messrs. Asselin, Badanai, Bell (*St. John-Albert*), Browne (*Vancouver-Kingsway*), Creaghan, Crouse, Drysdale, Grills, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Johnson, Keays, Kennedy, MacInnis, McPhillips, Monteith (*Verdun*), Nixon, Pascoe, Phillips, Smallwood and Tucker. (22)

*In attendance:* In addition to those persons listed in attendance this morning, Messrs. H. H. Griffin, Assistant Chief Commissioner, Board of Transport Commissioners for Canada; H. A. Mann, Executive Manager, The Maritimes Transportation Commission; H. J. Darling, Chief, Economics Division, Department of Transport; and J. J. Frawley, Counsel for the Government of the Province of Alberta.

Mr. Mann was introduced and on behalf of the Maritime Transportation Commission stated the position of the maritime provinces with regard to the bill. During the course of his presentation he introduced two sets of tables and it was agreed that they be printed as appendices to today's record. (See Appendix "A" and "B")

Following Mr. Mann's examination Mr. Darling was questioned concerning the interdepartmental Committee on transportation.

Mr. Frawley was called and presented the views of the Government of the Province of Alberta with respect to the measure, and criticized the presentation of the Canadian Trucking Associations Inc.

Mr. Frawley's presentation concluded, the Committee adjourned at 6.00 p.m. to meet again at 9.00 a.m. Friday, April 17, 1959.

## MINUTES OF PROCEEDINGS

FRIDAY, April 17, 1959.

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.15 a.m. this day. The Vice-Chairman, Mr. Howe, presided.

*Members present:* Messrs. Allmark, Badanai, Baldwin, Bell (*St. John-Albert*), Browne (*Vancouver-Kingsway*), Chevrier, Chown, Creaghan, Crouse, Drysdale, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Kennedy, McPhillips, Monteith (*Verdun*), Pascoe, Payne, Phillips, Smallwood, Smith (*Calgary South*) Tassé and Tucker. (23)

*In attendance:* Messrs. R. Kerr, Chief Commissioner, Board of Transport Commissioners for Canada; Mr. L. J. Knowles, Commissioner; A. S. Kirk, Director, Traffic Branch, G. A. Scott, Director, Economics Policy Branch, Department of Transport; G. Blair, Counsel for Great Western Coal Co. Ltd., and Manitoba and Saskatchewan Coal Co. Ltd.; J. Guest, representative of the Government of British Columbia; H. A. Mann, Executive Manager, The Maritimes Transportation Commission; H. J. Darling, Chief, Economics Division, Department of Transport; V. Stechishin, Manager, Manitoba Transportation Commission; A. Mauro, representing the Government of the Province of Manitoba; and J. Magee, Executive Secretary, Canadian Trucking Associations Inc.

The Vice-Chairman observed the presence of quorum and called Mr. Magee who answered a question asked at a previous meeting.

Clauses 1 and 2 were called and adopted.

On Clause 3 Mr. Chevrier moved, seconded Mr. Badanai.

That the words "increased by 17 per cent" in lines 18 and 19 be deleted.

The motion was negatived—yeas, 2; nays, 12.

Following further questioning of Mr. Knowles, Mr. Chevrier, moved, seconded by Mr. Badanai,

That the following words be added to line 23 of Section 2 of Clause 3:

"provided the reduction thereby effected shall not be less than 7 per cent."

The motion was negatived—yeas, 2; nays, 16.

It was agreed to stand Clause 3 of the Bill until a representative of the Department of Transport could be called to explain the effect of Section 2 of Clause 3.

Clauses 4 to 7 inclusive and the Title were called and adopted.

At 9.45 a.m. the Committee recessed.

At 9.50 a.m. the Committee reverted to consideration of Clause 3, and Messrs. Scott, Knowles, Kirk and Mann were further questioned.

Clause 3 was called and carried on the understanding that the Committees Report to the House will contain the following recommendation:

"Your Committee recommends that the words 'and the traffic in respect of which' appearing in line 27 of Section 2 of Clause 3 be examined to further determine their effect on the application of the provisions of the bill."

The Bill was adopted and the Vice-Chairman instructed to report the Bill without amendment but with the aforementioned recommendation.

At 10.15 a.m. the Committee adjourned to the call of the Chair.

J. E. O'Connor,  
*Clerk of the Committee.*

## EVIDENCE

THURSDAY, April 16, 1959.  
9.30 a.m.

The VICE-CHAIRMAN (Mr. Howe): Gentlemen, I see we have a quorum. We are still on clause 1 of the bill. We are still asking questions of Mr. Guest who presented a brief from British Columbia. Are there any more questions for Mr. Guest?

Mr. BROWN (*Vancouver-Kingsway*): Mr. Guest, on this tapering of freight rates that we were discussing last night the question arose that while it may be a useful means of solving the situation, that there did not seem to be any practical way of applying it. Has your committee given any consideration to that or have you any suggestions to make as to how it could be applied?

Mr. JACK GUEST (*Economist representing the government of British Columbia*): There are a number of ways of applying an increase in rates. I think the same method can be applied in reverse—in reducing rates. I think these suggestions have been made from time to time. There is one suggestion that is being discussed here of increasing rates partially by cents per hundred-weight and partially by a percentage increase of the rate.

Similarly, a reduction in rates could be brought about in the same way. However, it is my opinion that a rate can be reduced to give a long-haul shipper a greater reduction than a short-haul shipper by graduating the decrease. There are problems, I realize,—Mr. Knowles has pointed out some problems. There are problems with everything we do, but if we are going to give the long-haul shipper—who has suffered unduly because of percentage increases—any assistance, that is what we have to do and we have to grapple with these problems and find the solutions for them.

All I can say is that a graduated decrease based on mileage blocks seems to us in British Columbia, the simplest way of effecting a decrease that will give long-haul shippers some additional relief.

Mr. BROWNE (*Vancouver-Kingsway*): In other words then, Mr. Guest, you are suggesting there should be partially a cents per hundredweight decrease and partially a percentage increase?

Mr. GUEST: No, I am not suggesting that, Mr. Browne. What I am suggesting is this, that shipments up to—take any arbitrary figure but just for the sake of explanation, shipments under 250 miles will get a reduction of so much per cent—be reduced by a greater percentage, from 500 to 1,000—it does not matter what blocks you take, that would have to be worked out, but the object of the graduated reduction would be to give assistance to the long-haul shippers who have suffered competitively by virtue of the horizontal increases.

The CHAIRMAN: Are there any other questions?

Mr. FISHER: Have you any idea, Mr. Guest, how this 17 per cent increase has affected the shipments into eastern Canadian markets of fir plywood and dressed spruce lumber?

Mr. GUEST: On fir plywood there was no increase in rates. On spruce lumber there has been some increase in rates. Most of the spruce comes from northern British Columbia and a lot of it off the Pacific Great Eastern Railway, for example, the Prince George area. The arbitraries which apply on shipments from the Pacific Great Eastern Railway took that full 17 per cent, and

I assume that they will get the benefit of any reduction. But there has been an increase in spruce, that is, if it is shipped from originating points on the Pacific Great Eastern Railway.

Mr. FISHER: What about some spruce, say, from Kamloops or in that area?

Mr. GUEST: No increase, not to eastern Canada.

Mr. FISHER: Have you any indication how this increase has affected the lumber interests in these shipments to the eastern Canadian market?

Mr. GUEST: I do not think it has had any effect except, as I said, from points on the Pacific Great Eastern Railway. The rate has not changed, there was no increase in lumber rates to eastern Canada, lumber or related rates.

Mr. FISHER: Is it not possible that if your competitors in plywood and in dressed spruce lumber are to the east, here in Ontario, that in effect the freight rate boost may be to your advantage since the international rate has kept the increase from going on most of your wood products and yet these producers in Ontario are bearing the 17 per cent?

Mr. GUEST: There may be some slight advantage, but the forces of competition will compel the railways in Ontario to meet the competitive rate.

Mr. BELL (*Saint John-Albert*): Mr. Guest, would it be fair to say that your problems and your proposals are really for the future and separate from this bill which merely deals with horizontal increases and tries to hold them down in a horizontal way?

Mr. GUEST: I think you are partially correct, because one of the major problems confronting the royal commission will be the question of horizontal increases; but my proposal, or the proposal of British Columbia, is very pertinent to the present bill because it is possible to reduce the rate. There are problems in reducing rates by graduating the percentages on a mileage basis, but it can be done. There are big problems and we are certainly willing to concede that there are problems, but it can be done. Therefore, our submission, we consider, is extremely relevant to Bill C-38.

The VICE-CHAIRMAN: Any further questions, gentlemen?

If not, I am sure we appreciate the brief that Mr. Guest has presented and the manner in which he has answered all your questions as capably as he has.

The next witnesses are Mr. Robert Styffe from Port Arthur and Mr. E. G. Charnock from Fort William, and you have the brief which they are presenting this morning.

Mr. E. G. CHARNOCK (*Chairman, Joint Transportation Commission, Port Arthur and Fort William*): Mr. Chairman and gentlemen, the story goes that there were two men who considered that they knew all there was to know about freight rates. Unfortunately, one of them went into the nut factory to get a brain for his cranium and the other one went into the bug house with no brain at all. I do not aspire to be in either class, if I can help it. Therefore, I am not setting myself up as any expert but I have been interested in transportation for many, many years; also, in the situation at the head of the lakes, on the Canadian side.

For those who are not too conversant with our situation may I read this to you?

The lakehead cities of Fort William and Port Arthur are situated in what has come to be called northwestern Ontario. We are also becoming known more and more as the Canadian lakehead.

In railway mileage terms these cities are 419 miles from Winnipeg, 551 miles from Sudbury, and 810 miles from Toronto. The huge region, over 225,000 square miles in area, is crossed by the trancontinental line of the C.N.R. in its north-centre, by the C.P.R. in its south-centre, and by a line of

the C.N.R. along its southern edge, west of the lakehead. In freight rate terms, the western region begins at Fort William and at Armstrong to the north on the C.N.R.

Traditionally the lakehead cities have been entre-pôts for the west. Aside from this transportation aspect of our economy, the region's main industries and activities centre on the forests—pulpwood, lumber, plywood, paper, and poles—and the mines—largely iron ore and base metals. As yet our highways are imperfectly developed. We have only one through highway, and it is not entirely a first-class road.

May I add a little to this brief? In converting that paragraph into the matter of tonnage we handle through the two lake ports which are considered often as one, approximately 12 million tons in a season. Of that about 600,000 tons is packaged and general cargo. Of that 600,000 tons 90 per cent is for the account of the west. That means Winnipeg and the western provinces. Therefore, the handling of that traffic is an important item with us.

Before leaving that, I am wondering if Mr. Blair would confer with me after this meeting in connection with coal because the conditions on the Great Lakes to start with this season, with a working depth of only 21.9 feet, means that they could use a light-weight fuel if the b.t.u. factor were good enough. It might work in.

The case of northwestern Ontario on freight rates stems from the effect of horizontal increases since 1948. These increases have amounted to 157 per cent; and due to their cumulative effect they have worked out to the marked disadvantage of our territory where long distances make for high freight costs, inordinately increased by the percentage basis.

Other speakers have mentioned the disadvantage to the long haul in connection with these horizontal increases. For anybody who wants to work that out fast, let him take three consecutive increases of 20 per cent and apply them to rates for \$1 and \$2. Whereas you have a spread of \$1 in the first instance your earlier rate becomes \$1.73, your \$2 rate becomes \$3.46 with a factor of \$1.73. That difference of 73 cents is enough translated into actual money, regardless of percentages, to be very disturbing to certain smaller industries at least, and a good many big ones.

Southern and eastern Ontario, in contrast, have a larger percentage of short hauls. Consequently, their lower freight costs—in relation to our own—are helped rather than hurt by the succession of horizontal increases. Hence, the provincial government, the vast majority of whose people and interests are concentrated in the south, has not deemed it necessary to protest the increases. I think there will be an improvement along those lines.

In testimony related to the equalization of class rates, our region's representatives showed that our situation in freight rates was more closely related to that of Manitoba than to southern and eastern Ontario. Thus Manitoba's protests could have related to our territory, though we are geographically part of Ontario. In effect, the rate structure and the economic structure are not in agreement. We have gathered documentary evidence from many varied interests in our territory that would show their financial situation has been strained to the utmost. Business has been lost because customers have not been able to absorb the increased costs engendered by freight rate increases. Further increases spell disaster.

In order to back that up with what you might call the outward and visible demonstration of the inward and devilish situation, I have with me Mr. Styffe who is operating the Oscar Styffe Lumber Company in Port Arthur and he speaks not only for Port Arthur, but for other concerns of a like nature in our district.

Therefore, we are strongly in favour of this \$20 million subsidy if it is applied fairly across the board.

We feel however, that this temporary or interim adjustment only partially solves the problem of providing the carriers with funds to meet the stated requirements of their employees. Its net result—a 10 per cent increase—will enable the railways to realize only a portion of their needs, after considering the items to which the increase—and decrease—does not apply, viz: agreed charges, “piggy-back”, competitive commodity tariffs, international traffic and so on, and also considering the fact that increases have each allowed the truckers to compete in classes of freight, further and further down the scale.

There was a time when truckers started about 30 years ago, when they could only compete in the first few classes. As rates have gone up they naturally can compete in lower classes because it costs so much to run a truck a certain distance, and the truckers’ costs, I am not prepared to discuss. However, they become more and more adjusted to the lower class rates as the railway rates go up.

The rate structure as a whole is very sensitive to changes, and often a seemingly realistic adjustment can boomerang in the most unexpected place and manner. For example, removal of the mountain differential looked good to British Columbia but it cancelled some reasonable commodity rates on their lumber to the Canadian lakehead and raised the rate at once by 19 cents per hundred pounds. This was the start of conditions bitterly complained about by our industry today.

Mr. Styffe will give you some of those.

Our lumber and wood operators have good cause to prove the present rate structure is out of line with the possible development of their business and the community.

Rate increases do not necessarily increase the value of the service to those who have to pay them. The value of transportation services depends, of course, upon the sales value of your goods at destination and you cannot consider freight rates without considering supply and demand, and other economic factors. Instead, they unfairly add to costs of products, creating an artificial factor in merchandising competition.

If the carriers do not realize sufficient earnings to meet operating and administrative requirements, why not provide funds for them without putting them through this complicated rate structure.

I know somebody is going to say that is foolish, it is impossible, but during some 50 years of watching the transportation game I have seen many impossible things come into existence. Perhaps some of the difficulty that might be encountered in working that out would be resolved by a reference to the deficit occasioned in many branches of the national harbours board. In hardly any case is the burden of the increase evenly distributed.

The small man now, and the long distance operator, is definitely paying a larger proportion of freight costs than his neighbour, who may be located in another district and is getting advantage of agreed charges, and so on. If such a simple procedure out of the present difficulty is impractical, then there should be a strong argument for the 100 pound basis, not the percentage basis being used.

That is in horizontal increases. An outline of such a procedure has already been submitted by our Manitoba friends and the Board of Transport Commissioners and I agree with them, except that I would perhaps go a little farther than they have gone. If the increases in that case in rates for very short distance hauls were excessive, it could even be considered leaving that short distance haul to the truckers, who already pretty well have it.

We support the subsidy. We trust it can be applied fairly, considering the anomalies which exist in the rate structure as a whole.

That, gentlemen, is our case and all we want is a square deal. We are not asking for any fringe benefits, but our situation is perhaps unique in that we are in Ontario, but in transportation matters we are far more closely associated with Manitoba.

Yesterday I noticed that somebody made reference to the costs of increases and so on being stood by the west. I want to say that that increase has also been stood by our northwestern Ontario section. We have plenty of evidence,—I will be glad to show it to anybody here—that definitely proves it.

I was wondering when listening to evidence yesterday, as to whether the truckers' rates were based on costs and what regulating authority they had to enforce the charging on that basis, if that was what was used, because I thought that that question was relevant to a good many of the remarks that were made.

In connection with Mr. Guest's statement, when we were equalizing the class rates, we went into the subject in connection with distribution of subsidy and I personally cannot see any reason why all things should not be settled on the same basis as the charge. That is, British Columbia enjoyed the benefits of tapering and probably that should also be considered in this.

May I call on Mr. Styffe for a few minutes to give you the realistic side of what I have said to you about our rate structure being out of line with the economic structure of the business at the lakehead.

Mr. ROBERT STYFFE (*President, Oscar Styffe Lumber Company Limited, Port Arthur*): Mr. Chairman and gentlemen, I must say at the outset that perhaps by way of humour I have heard myself called "S-t-i-f-e-" and "S-t-i-f-f". But for your information it is "S-t-i-f-f"—stiff in name only so I hope anything I have to say will be in the light of the fact that I am "stiff" in name only.

Mr. Charnock on our behalf, I believe, has placed the position of the lakehead area quite clearly in the brief which he has just read and it is not my intention to give any longwinded discourse on what he has said. He is an expert on traffic matters; as far as I am concerned I only appreciate the effect of freight rates because of the effect they have had on our own business, and their effect on other business, in the northwestern area in general.

I think, as most of you realize from what Mr. Charnock has said, northwestern Ontario is a great producer of raw materials, whether it be pulpwood products or mineral products. The rail movement or any other type of movement of those products constitutes in itself an industry upon which we are dependent and we naturally, therefore, are very sensitive to any costs which create a drop in the movement of these pulp products which will also mean a drop in the sale of the products, or a drop in the processing of the volume of this movement. We have suffered quite severely and perhaps the proof would be that the northwestern Ontario area, during the past ten months with the unemployment problem, was probably hit as hard as any other part of Canada.

It would be folly for us to suggest that railway rates are the only reason for our finding ourselves in a rather difficult position. The railway rates have been a contributing factor because, as I have just said, we do depend a lot on the movement of these raw products, whether it be to the processing plants or out of the territory by way of export, either within Canada or outside Canada.

I wanted to give just one or two small concrete examples of what actually has happened. In our own business we are at a location where prior to 1948 we had a freight rate per hundred pounds of 8½ cents. At the time we were paying on 4500 pounds but since it would—this was jackpine pulpwood, by the way—shipped it at an agreed weight of 4300. I will use the 4300 in this simple example I wish to give.

At the 8½ cents rate on 4300 pounds prior to 1948, the cost of movement of wood in this one particular example that I am giving you, which was a distance of approximately 175 miles, the cost per cord in dollars and cents was \$3.65

prior to the last 17 per cent increase. The rate then became 19 cents per hundred with the increases which have taken place since 1948, and prior to the last 17 per cent increase.

That 19 cents put the cost per cord for the movement of this wood in the particular area to which I refer, up to \$8.17. Anyone who knows anything about the economy in so far as a pulp produce such as pulpwood is concerned, realizes that an increase of almost \$5 per cord in transportation alone, and only one segment of the transportation, is an extremely serious matter.

Last December 1 the 17 per cent increase became effective. The rate then went to 22 cents and the rate per cord in this particular instance then became \$9.46. So from 1946 to 1958 the increase was almost \$6 per cord. But in percentage figures the thing which particularly disturbs us is that the last 17 per cent increase was in effect a three cents per hundred increase. You say it is only 17 per cent but if you refer back to the original rate of 8½ cents of not too many years prior to that, and if you use that three cents as an increase over that 8½ cents rate, the 17 per cent rate increase really means 35 per cent on the original basis rate which we were paying not too many years before.

When you express it in those terms it is rather alarming, because I am sure that even in 1946 when things were good, things were pretty buoyant and booming. If it were to be suggested that there was going to be a 35 per cent rate increase, most of us would have been really alarmed.

What has happened to our selling price? The selling price actually in the last two or three years has decreased and in our case, as any other business might have to do, we have taken a very careful look at the situation and the only way we could exist was to effect whatever economies we could in our own operations. We had to retain some volume and we, by perhaps more efficiency of operation, have been able to exist. But in this particular instance where we were operating on this long haul the curve of production went up to about its peak, in about 1952, and has steadily dropped down so that now we have a situation where the railroad and ourselves enjoy what might be considered a higher rate. But we are unable to do any business at that rate.

I see in that what seems to me to be a bit of moral teaching. I think the railways are losing good business. They need certain basic volume to keep operating, and it seems to me we have gone beyond the point of no return. But somewhere along the line somehow, it seems to me it is necessary that we do something about maintaining the volume moving over lines, in the sense of the railways. They have their problems, but when you get to the point where the rate is so high that business is lost, then we need to take another sound look at these raw materials particularly, and do something about the rate that retains the volume so necessary to maintaining basic costs in any business.

Those are just a few remarks I wished to make in relation to that. We had one other small example in that area, where we had a small plywood plant which started to operate in the Nipigon area and they are making plywood out of a low grade species of pulp. This is a product that has a sale on the low end of the market. They are to some extent, competing with low grades of west coast plywood. The 17 per cent increase, as you have heard expressed earlier, does not apply to the west coast plywood. But that 17 per cent increase does apply to this small new industry which we have located in our territory. From the information we have received from the owner of that plant, he is now at his wit's end to know how he is going to meet that competition with a product that is already low in price, and which competes more in the field of base flooring, roof sheathing and that sort of thing.

This 17 per cent increase to that type of business is a very serious matter, and I suggest too that the volume movement of his product to the east is a good bit of business to the railways.

These are two examples of the effect of these cumulative increases. We state again that we realize the railways are, like anyone else entitled to increases to offset the costs of operation. However, it appears to us that a good look needs to be had, at the way these increases are being applied because there are fewer and fewer of us who can bear the increases, particularly when so much of the rail rates are paid either on agreed rates or competitive rates. By way of a neophyte's suggestion—I am no expert on rail rates at all but I do know their effect in a business way and I am not so sure that the time has not come when perhaps—whether they are agreed rates, competitive rates, Crownsnest Pass or anything else—if we all take a small part of any subsequent increase, perhaps we can all live with them.

The CHAIRMAN: Thank you, Mr. Charnock and Mr. Styffe.

Gentlemen, have you any questions to ask these two witnesses?

Mr. HORNER (*Jasper-Edson*): These rates that you quoted on pulpwood, are those agreed charge rates?

Mr. STYFFE: No, that is the straight rate, and my point was that in that particular instance there is no competition. I might point out, as Mr. Charnock did, we have only one main thoroughfare, we do not have sufficient roads yet where trucks can compete, to give us the argument that there is reasonable competition and thereby get a competitive rate or agreed rate. We are paying the straight rate, but that is an example of what is happening to these people who cannot get either an agreed rate or a competitive rate.

Mr. CHOWN: Mr. Styffe, I understand in your particular industry it is a very simple thing to make optimum use of freight cars, because pulp is relatively clean and easy to pack in freight cars. Do you feel that the railways are making the maximum effort to sell their service and make full use of their empty freight car storage capacity, which is available from time to time on the line, to a degree where they can give you some concessions for giving them volume, in terms of your particular industry?

Mr. STYFFE: They have proved—I would say the railroads have gained some benefit from the pulpwood movement because our pulpwood movement takes place largely in the winter time, and mostly with gondola cars in our particular area. We do not handle too much box car movement in that area—gondolas which otherwise perhaps are busy in gravel or some other types of material, like coal, during the summer months; and I think the pulpwood has worked to their advantage in that they have been able to keep otherwise idle gondola cars busy during the year.

In regard to clean handling, something was mentioned the other day in connection with grain rates. That is, the grain people said there was not so much by way of storage facilities. We are in much the same position because no railway is required to put up any other facilities than to put in the cars on the spur. Most of the pulp and paper companies and contractors move very quickly, the same day. Unloading is also quite rapid, so we do not have to hold up cars at the other end, as with grain. Very often we are off in the same day or two days.

Another point which I wished to bring out in connection with volume movement on traffic, which I think is so important to the railways' business is, these domestic rates on pulpwood from the large papermill companies are getting quite high. While they have been unable to get the rates reduced, they have faced these higher rates, but there has been a trend towards moving truck roads into their limited areas to avoid using the railways.

Personally, for the railways' sake, I believe it is unfortunate because we have vast quantities of pulpwood which should normally move by rail.

Mr. CHOWN: Just one complementary question: are you satisfied that the railways—without trucking competition in your particular area, and in connection with your particular industry,—are doing a real job of selling their services and keeping their freight cars loaded at all times, with this valuable product that you are putting up?

Mr. STYFFE: I think the direct answer to that, in my opinion, would be no, for the reason that while the railway people on the local level have been very sympathetic to this problem, it seems to me by the time they attempt to get the problem all the way through the chain of the various headquarters and on up to the top that somewhere along the line the requests get buried. I believe a good hard look needs to be given to the possibilities of retaining this great volume of traffic for themselves.

Mr. FISHER: If I may interject there, I brought this question up with Mr. Gordon, inasmuch as the Canadian National Railways run through the greater portion of the pulpwood region, and he insisted the railways did every thing they could. I think the facts that support the contention of Mr. Chown's question are these, that we know of no case in any particular region where an agreed charge has been made for volume movement of pulpwood. The trend that Mr. Styffe has remarked upon has been very noticeable, especially that the firms and companies are developing their own private trucking on their own roads despite the very high cost, rather than use the railway's services. I think it is one of the great ironies that we find great railway lines running through pulpwood country, and yet the fact that the railways have not risen to the occasion has led to what everyone would say is a high-cost way of moving this particular product either to the mill or to the lakehead, for example.

Mr. BELL (*Saint-John-Albert*): Well, Mr. Chairman, I think we should be fair and so I say that because there is not an agreed charge it does not necessarily follow that that is the railways' fault.

Mr. FISHER: That may be true.

Mr. CHARNOCK: There has been no attempt to accuse the railways of anything in that respect. The only thing is that the rate structure may be quite in order from a rate-making point of view, but in connection with the economic factors that our people have to meet they are not—the structure is not such that it will move the goods.

In the previous question asked I was wondering if there was any intention to ask whether there was any trouble in connection with the railways supplying equipment. I would say no to that, if that was intended.

Mr. CHOWN: I was going to say I really did not intend that. I was just wondering, having heard complaints from industry in my own province, as to whether the on-site equipment is being used to the maximum, as far as the movement of pulpwood is concerned. The industry in my province complains that it is not being used to the maximum and Mr. Styffe bears that out in what he had to say in terms of the red tape that has to be cut before they can get that equipment down and get the maximum use out of it.

Mr. CHARNOCK: Your province is?

Mr. CHOWN: Manitoba.

Mr. STYFFE: Just to be sure I know what the particular question is, if you are referring to the kind of service they give in giving us cars, in that connection I must say the service has been good. I was referring to the fact that even though we have talked perhaps too much at the local level about the problem, it seems to me enough consideration has not been given by the railways to this problem of the volume which they are losing. It seems to me that a very careful study of what is happening to them should indicate to them that since

they are beyond the point of no return, maybe they should retract and make some arrangement, whether agreed charges or whatever it is, but come back to a rate where they can live and so can we.

Mr. CHARNOCK: The test of any freight rate, whether boat or car or whatever it is, the test of any freight rate is whether or not it will move the goods; and that ties in with other economic conditions, as you all know.

Mr. DRYSDALE: Mr. Chairman, Mr. Charnock mentioned earlier he had some questions on truck operating costs. I notice Mr. Magee is still here and I would be interested in hearing Mr. Magee's reply, if we can recall him, and Mr. Charnock would like to ask the question.

The CHAIRMAN: You can put your question on record, Mr. Charnock, and we will ask Mr. Magee to come up and answer it after you are finished.

Mr. DRYSDALE: Would it not be easier to clear it up now?

The VICE-CHAIRMAN: Apparently there are some rules regarding witnesses asking other witnesses questions and in that way taking the proper authority away from the committee and it could get out of hand.

Mr. DRYSDALE: I just wanted to have the record complete. It looks rather ludicrous, as we had a theoretical or hypothetical question from Mr. Charnock.

The VICE-CHAIRMAN: Well, you can put the question on record now, Mr. Charnock, and Mr. Magee can take notice of it and we will call him back to answer it.

Mr. CHARNOCK: It is entirely on the questions and answers that took place yesterday morning and I think it would be well if Mr. Magee would clear up that point as to whether or not the truckers' rates are based on costs and what authority, if any, is used to see that that base is valid. As I say, that is based entirely on what took place yesterday, because from my unbiased point of view it seemed that a great deal of the questions and answers are irrelevant, if that is not the case.

The CHAIRMAN: Any further questions now?

Mr. FISHER: You make the suggestion that perhaps it is a poor way to do things, to force this subsidy through the complicated rate structure; that it would be much simpler to just give a direct payment to the railways. Have you any ideas of the weaknesses involved in that particular suggestion?

Mr. CHARNOCK: That is a dirty one from you, my friend; of course I have. The supposition is that, in granting this subsidy and so on, that you are relieving the situation and that in putting through increased revenue for the carriers, be it through freight rates, you are distributing the burden of that increase to the people who actually use the services. But from my point of view it is a question that can well be debated by people qualified to do so on a higher level, as to whether or not that is the case, because as we have pointed out, and as Mr. Styffe has shown, certain small businesses, comparatively small, stand a higher percentage of increase than certain others who are able to get agreed charges, and so on.

The question of distributing the cost is a big question and I realize that; but it is being met to a certain extent in connection with the National Harbours Board where certain of their branches have very considerable financial deficits, and I do not think it is beyond the possibility of adjustment. There are problems, but the point is this, that it has become a regular pattern now, this three-play procedure of labour to board to parliament; and how far can that go?

We have already suffered some losses in our neighbourhood. We have had large firms threaten to pull out when an extensive part of their difficulty, in large part, can be attributed to these increases. How is a reasonably large firm or how are a lot of small firms to carry on their business, if they do not know sufficiently in advance, or in a reasonable time, what charges they are

going to be called upon to meet? These increases that have come through have definitely been very detrimental to a lot of private enterprises and businesses that we want to retain.

Does that answer your question?

Mr. DRYSDALE: Mr. Charnock, applying to this specific bill you said you are happy with the \$20 million subsidy. Are you happy with the plan of taking the 7 per cent off the straight 17 per cent? As I understand it, most of your objections and suggestions would be more of the kind that should come before a royal commission on transportation to try and effect the over-all situation. But just as to the present legislation, Bill C-38, are you happy with the 7 per cent off?

Mr. CHARNOCK: Your question reminds me of the old maid who was out on the edge of the bush praying for a husband, and an owl in a tree came up with a "Whoo, whoo," and she said, "O Lord, anybody." So we are satisfied with anything which will reduce our transportation costs.

The CHAIRMAN: Anyone else?

Mr. KENNEDY: Mr. Charnock is not married, either.

Mr. CHARNOCK: No personalities, please.

Mr. FISHER: Do you see the difficulty in your proposal as lying in the fact that the Canadian Pacific Railway, at least for appearance's sake, is being carried on as a private business and that is the nub of the difficulty; that is why we are going through this complicated way—

Mr. CHARNOCK: The acceptance of the Canadian Pacific Railway as a yardstick was arrived at at the time of the equalization of class rates. The Canadian Pacific's accounting system was apparently more understood and translatable. There were fewer complications in connection with the Canadian Pacific system than the Canadian National. Therefore, they were accepted as the yardstick and the Canadian National just came in with a "me, too" problem.

The Canadian National Railways, of course, has grown like Topsy, absorbing the Grand Trunk and absorbing the Canadian Northern and so on, each one bringing complicated overhead burdens. So it was quite natural that the Canadian Pacific Railway study was more easily arrived at, and their situation was adopted as the yardstick.

I think that is about the only explanation I can give you; and if the Canadian Pacific Railway's problems can be solved, I see no reason why the Canadian National Railways' cannot also, once you divest the Canadian National Railways' situation of the complications of overhead and what not. After all, they are both operating railroads and they are supposed to be adopting uniform operating methods. As an illustration the depreciation system of the two roads was not on the same basis. So you can see there were difficulties in reconciling them.

Mr. FISHER: One question I would like to ask Mr. Styffe. He gave a call for volume business in our particular region, especially with pulpwood being so vital to the railways, that is, to their very great advantage. Can you give any suggestion on how this fits into the larger picture of our area as a region through which we have a much larger movement?

Mr. STYFFE: Mr. Fisher, I think while I mentioned pulpwood on a number of occasions, the reason for that is because it is something with which I am associated and know something about. I should in the same breath have been talking about all of the bulk raw materials which we handle and upon which we rely for our industry. For example, Steep Rock Iron Mines at Atikokan, that community and our community are inter-related and it is a very serious thing in so far as we, or anyone in northwestern Ontario, are concerned, if there is anything which will harm the competitive position of a volume business such as that.

In addition to that we have Geco and Willroy mines and other mines who are practically all railroad traffic and they are very vital to parts of our economy. Anything that happens to freight rates which puts them in a poor competitive position, is something with which we are very, very seriously concerned.

If there is no objection, Mr. Chairman, there is one point I wished to make substantiating to some extent, the thought I had, that the rates on bulk commodities like iron and pulpwood are beginning to get quite high. It may be unfair to use this example but I had occasion two or three years ago to examine freight rates comparable to our own in the states which border the Great Lakes, just down below us. Without exception on the same mileages and very many points, the rate was slightly more than half of our rates.

If they are private concerns and competing they are certainly in business to make money—maybe that is their loss leader, I do not know about that—but I do know if an investigation of those rates was to be made that the rates for comparative mileages, comparative weights and comparative species of wood, the rates which they charge are somewhere from half up to say, two-thirds. Certainly they are considerably less than ours.

Mr. FISHER: On that point, the lake states, in terms of pulpwood, are direct competitors in terms of our producers?

Mr. STYFFE: That is correct. In a direct and an indirect way, some for other reasons as well, but we feel we have lost quite a lot of our volume to the lake states.

Mr. HORNER (*Jasper-Edson*): That last statement of the witness substantiates the fact that you cannot compare rates on a ton mile basis.

Mr. STYFFE: I, sir, qualified to some extent what I was going to say in connection with this, from what I have heard here during the last two or three days. I suggested to you at the beginning that in so far as rate structures are concerned, I know nothing of them. I only know how it affects the direct business. When it was explained to me how our rate structure worked, involving such things as Crowsnest Pass, competitive agreements and so on, I could not understand. There could be a variance for which there is an explanation, and I see it a bit clearer now myself.

Mr. CHARNOCK: May I just add a word to what I said before and this is for the benefit of our friends from British Columbia? I would like to remind them that while this 17 per cent increase does not apply on international traffic, and allows lumber into Sault Ste. Marie cheaper than into Fort William, the same thing has a kick-back in admitting Oregon lumber into the lakehead, which is not good business for the Canadian carriers or the Canadian producers. I just mention that as a sort of side issue which has perhaps been overlooked.

Mr. FISHER: Have you any comments to make upon the British Columbia proposal as given by Mr. Guest, that is, the use of mileage blocks and having the rates of the increase graded, according to the length of the mileage block?

Mr. CHARNOCK: According to my understanding of the situation there was a very considerable amount of discussion took place in connection with the equalization of freight rates and the problem of tapering had very, very careful consideration. It is a technical point and there is no definite rule for its solution. But if all the far western provinces, including British Columbia, got the benefit of the tapering of those rates, in my humble opinion I think any adjustment that comes along should be on the same basis. That is, on the basis of so much reduction from tapered rates. I cannot see any difference in British Columbia than any other place, as far as their relations to the charges that were originally set up.

Mr. BROWNE (*Vancouver-Kingsway*): I am sure you would agree, though, that where there is no tapering of the rates the competitive situation would be changed. In other words, the dollar change in the competitive situation would be greater, the longer the haul.

Mr. CHARNOCK: If it is greater in one way, then it would be greater in the other. I would just do it on the rates as they have been set up.

Mr. BROWNE (*Vancouver-Kingsway*): But because of the percentage the actual dollar change would be more. In other words, there are a couple of examples given in the Turgeon report showing the amount of dollar difference in two competitive products going to a market, and the longer the haul to the market, the more actual dollars and cents—the one over the other. Therefore, that would change the competitive situation.

Mr. CHARNOCK: Yes, but the longer the haul, your process of taper means the lesser the cost per ton mile.

Mr. BROWNE (*Vancouver-Kingsway*): Yes, I quite realize that.

Mr. CHARNOCK: Therefore, if you can do it on the road up, why not make the same thing on the road down?

Mr. BROWNE (*Vancouver-Kingsway*): In your suggestion here you do agree that competitive situations are very pertinent to freight rates and that is something that would affect the competitive situation.

Mr. CHARNOCK: All right, competitive on an equalized basis.

Mr. FISHER: One last question. You say such a simple solution of the present difficulty is impossible. Then there should be a strong argument for the hundredweight basis and not the percentage basis being used. There is a strong argument for the hundredweight basis.

Mr. CHARNOCK: A strong argument for the hundredweight basis as to the inequality of the allocation of the increases on the percentage basis. The percentage basis works out, as I and others have told you, unfairly to the higher rated points. Our own points here, if anybody cares to see it I have a list of local rates here that in our particular territory go up to over \$2 a hundredweight on class rates. That is first-class—\$2.32 to be exact.

There is no comparison between that and the rates that would average the same number of points you might have in other sections of the country, especially in the east. It was claimed disparity between the eastern and western set-up that led to the equalization of class rates. However, these horizontal increases, having had the effect that they have had, those that have come through since equalization, have had a tendency to upset that basis and, of course, those that came through prior to the equalization simply raised the rates up and made the rate structure what it is.

I do not know, I cannot see any difficulty in that particular feature, although I do disagree with this business of allocating the costs on that particular basis. What I mean is the value of a rate is in getting your goods to market or bringing them to your market. Because the railroad employees want more money does not raise the value of that service to your industry. It means more cost that you have to assume, but it does not mean that that service has become any more valuable. Looking at it from the point of view of the railways selling their services, I think that is a feature that would tend to distribute these costs more and more on an equitable basis.

Mr. DRYSDALE: One more point. You mention here the horizontal increases having gone up 157 per cent since 1948. Our trucking friends said that the actual increase is only 58.3 per cent. Do you agree with that figure?

Mr. CHARNOCK: No, I do not, not on a cumulative basis. That is since when?

Mr. DRYSDALE: I presume since 1946. The 157 per cent is the total permissive increases; and they indicated yesterday, I think Mr. Roberts indicated,

that they will perhaps apply for the full percentage increase until they have a chance to look at the situation; and in most cases they do not implement them because of competitive factors. Perhaps if the railways are going to testify—I have had another figure thrown at me and I cannot tell you from where, of 88 per cent—I would like to have your comment since I think we should keep the actual increase in perspective, rather than the theoretical increase; but you do not know what the actual increase has been?

Mr. CHARNOCK: To my mind that is what it is. As I say, I am not infallible. I will be glad to check into that and if there is anything in my figure that is not correct, I will be glad to advise you.

Mr. DRYSDALE: I just wanted to emphasize that the 157 per cent increase, as I understand it, is a theoretical or a permissive level which has been allowed since 1948. We have a statement from the truckers that it is 58.3 per cent. I just wanted the actual increase.

Mr. CHARNOCK: Does that mean the increase that has been granted or the increase that has been taken?

Mr. DRYSDALE: Taken.

Mr. CHARNOCK: Because there is a difference. The rates that the Board of Transport Commissioners allow and the government confirms are, of course, the maximum rates; but the carriers are at liberty to charge less, if they so desire, and they have done so in the matter of agreed charges. If you are figuring on the basis of the increase that has been taken, you may get an entirely different figure. I have no way of checking that at the present time.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Charnock, I should like to clear up this question of your position in regard to the suggestion of the British Columbia government on this tapering of freight rates.

In your brief you suggest that due to the cumulative effect of these horizontal increases, it has worked out to the marked advantage of the short-haul operators and has worked a hardship on the long-haul operators. That is what the government of British Columbia is suggesting, that because of the long distance it has worked a hardship on the long-haul operator. Therefore, the longer the haul the lower the rate of increase that should have been made. So that in this present legislation the decrease that is going to be made should be made on that basis, that there should be a higher rate of decrease in the long haul. Would that not fit in with your brief?

Mr. CHARNOCK: The actual case, while we have both had increases, British Columbia is at one end of the string and we are at the other. Whereas British Columbia has the benefit of the tapering, we have not. My main objection is that the factor of tapering should not be lost sight of.

Mr. BROWNE (*Vancouver-Kingsway*): There is tapering of freight rates within a province. Naturally the longer the haul it would be projected further, but you make a complaint in your brief that you are at a disadvantage with other parts of Ontario where they have shorter hauls, and the fact that British Columbia is a little further away, does not affect the situation. They are complaining of the same situation as you but they are saying it should apply to us.

Mr. CHARNOCK: That we should both get consideration on the basis which we have—in other words, that we should get relief on the same basis as what we have been. But if you will see me after the meeting I will show you the scale whereby these charges were arrived at. It will probably save a lot of time if I can just simply tell you that in the hearings before Mr. Justice Kearney—who, I think, deserves a very considerable amount of appreciation for all his work—I said to him one day when we were in the heat of this discussion, to make a scale quite equitable without error detectable, universally

acceptable is a task quite diabolical and a miracle symbolical. If you do not believe that, I will show you enough evidence to convince you.

Mr. STYFFE: On that point may I add a comment? I just wanted to point out in relation to lumber I made the remarks on lumber in connection with pulpwood as the example. I mean, we are not trying to disturb things in British Columbia but the west coast fellows have the through rate to Toronto and parts east which they enjoy. Then, this 17 per cent increase which we are objecting to has not been applied to them.

The situation rate-wise is, that on certain classes of lumber comparable to what we can produce in our area, they are now able to land lumber in Ontario at a few dollars a thousand less than we can. That means that we will have to absorb the 17 per cent or whatever part of it comes about, after this, as subsidy and we are going to have to make a further reduction in our selling price to meet their competition. That competition is very severe to us for other reasons other than freight. Those reasons are, that in our territory we are attempting to develop a volume lumber business in more or less inferior species to what they have, smaller trees—jack-pine as opposed to their western spruce, fir and so on. But our costs are quite high because we are operating with a much more uneconomical tree; it is smaller, and our lumber industry is also smaller now, too, because we have to rely pretty well on our local market which restricts the extent to which we can expand the industry.

Mr. BROWNE (*Vancouver-Kingsway*): I quite realize your position and I would like to point out here what we are discussing is a rise in the non-competitive class and commodity rates, that it is not a true comparison with the competitive rates. That applies in many aspects of business across the country. In this reduction here we are considering the non-competitive class and commodity rates and it is a rise in those rates with which I was dealing.

The CHAIRMAN: I am sure we thank Mr. Styffe and Mr. Charnock for their very able brief on behalf of the northwestern Ontario situation.

We just have one reporter with us this morning. I hesitate to call for a recess because of the trouble that we have of getting a quorum. However, I think it is only fair that we recess for five minutes to give him a breather, because he is going right through for the morning. Immediately after we will have Mr. Arthur Mauro, counsel for Manitoba.

Mr. CHARNOCK: May I express a word of thanks to the members who are here today for their kind consideration of Mr. Styffe and myself. You asked some questions that were perhaps a bit difficult to answer, but you did it in such a nice way, I want to express my thanks.

—Recess.

The CHAIRMAN: All right, gentlemen, we are ready to go again. We will now call on Mr. Arthur Mauro, counsel for the government of Manitoba.

Mr. ARTHUR MAURO (*Counsel for the government of Manitoba*): Mr. Chairman and gentlemen, we had not initially planned on making any presentation before this committee. We were instructed to attend and hear the discussion and debate on the presentation of this particular bill. Needless to say the government of the province of Manitoba was in favour of this interim subsidy and as I have mentioned we were here simply in a capacity of holding a watching brief to see the passage of this bill. Unfortunately—or fortunately, I do not know which—we were also present when Mr. Magee presented the submission on behalf of the Canadian Trucking Associations and I feel conscience-bound to make certain remarks here so that many of the members who have not had all the facts at their disposal, would not go away having only the distorted facts presented by my very good friend, Mr. Magee.

Mr. Magee and I have discussed this since he presented it, but I did want at least to put on the record some comments and some other approaches to this problem of transportation in Canada.

In effect the truckers' submission said that they are against subsidy in principle and, secondly that the matter of discrimination in the case of freight rates is more myth than fact.

As to Mr. Magee and the truckers being against subsidies, while I would not agree with them in this particular case, nevertheless I would uphold their right to come here and oppose subsidy. Had he gone that far I would not have objected; but on the second point he struck at a very serious problem of the western provinces; and when he comes through with the allegation that what has been going on for years, in the seemingly endless struggle on this matter of freight rate increases, is only emotional propaganda, we in Manitoba feel compelled to set the record straight.

As to this question of discrimination in freight rates, the Canadian Trucking Associations mentioned at page 8 in their brief:

Theoretically, a series of postwar decisions by the Board of Transport Commissioners has raised the maximum level of railway rates by 157 per cent. . .

They also state that, "such an increase in freight rates never took place"—that this was the permissive level but that the increases did not take place. Again on page 10 "the very fact is that we have had a total railway increase in Canada of 58.3 per cent":

It is clear that the effective, as opposed to theoretical, increases in the railway rates do not bear out the theory that the burden of railway rates has become unbearable. Because of the existence of highway competition, and because of federal government action, notably the immensely complicated task of equalizing the railway freight rates, the actual increase in railway rates is not out of line with other price increases in our economy—all freight rate emotion and propaganda to the contrary.

Then we had presented to us what has become somewhat trite to those of us who are interested in the freight rate problem—the hackneyed value of revenue ton miles.

Mr. Horner from Alberta, I think, pointed out to the committee, by his examination of Mr. Magee that it is at best a very invalid approach to this question of transportation costs because as the haul gets longer the revenue ton miles decrease and revenue per ton mile decreases. But this is not the principle as proposed by the maritimes and western Canada. We are concerned with the actual cost of moving goods into and out of our markets and I shall, instead of countering with other revenue ton-mile figures or any other percentage figures, give you the actual figures involving the movement of goods into the western Canadian market. I am sure that subsequently you may hear from Mr. Mann concerning the maritimes. These are the facts as to the cost picture to our citizens in western Canada.

In 1949 the cost of shipping machinery intra the eastern area, what we might term central Canada, was \$7.97 per ton over an average haul of 282 miles or, if you want to think of Mr. Magee's figure, 2.8 cents per ton mile. In 1957, after the increases from 1949 to 1957, in the central provinces to move that same machinery the cost had risen from \$7.97 to \$17.58 for a haul of approximately the same thing, 290 miles. The other was 280 miles. This had gone up to 5.91 cents per ton mile, and Mr. Magee's argument on the per ton mile looks pretty formidable.

Let us look into the western region from Port Arthur or Armstrong, where in 1949 it cost a citizen of Manitoba to bring in that same ton of machinery

from the eastern region \$31.44 as opposed to \$7.97 in the east, or only 2.4 cents per ton mile. Therefore, taking it on the per ton mile basis it looks as if the west is certainly getting a pretty fair deal in comparison with the eastern region.

By 1957 that same ton of machinery that had cost the farmer in Manitoba \$31.44 now costs him \$64.67. The per ton mile rate only goes up to 3.34 cents but the man who is trying to run the farm, who is trying to operate a business in Manitoba does not figure the difference on the per ton mile basis; he says, "What does it cost to get that stuff into western Canada and what does it cost to get my stuff back into the market?"

Automobiles in the east in 1949, \$26.10, and in 1957, \$29.77 a ton—a \$3 raise. In western Canada in 1949 it cost us \$92.30 to move that same automobile and in 1957 \$116.69.

Explosives for the development of our northern country, in Manitoba particularly, and in Alberta, Saskatchewan and British Columbia—in the eastern region and central Canada a ton of explosives in 1949 cost them \$20.64, in 1957 it is only up \$1 to \$21.77. In the western region in 1949 to move a ton of explosives cost us \$53, and in 1957, \$87. You can take here your per ton mile but it costs the person who was moving explosives from the east to the west an additional \$30.

In the field of what might be termed a luxury item, the item of candy, there is a great movement east and west in Canada. In 1949 in the east it was \$14 per ton; in 1957 it dropped to \$8.81, due to competitive factors that Mr. Magee pointed out, because here in central Canada these competitive factors are really at work. From east to west in 1949 it cost us \$39 as opposed to \$14 to move a ton; and in 1957 our cost went up to \$66.51 a ton, while the eastern rate was dropping to \$8.81 a ton.

Canned goods, a food product, moving from east to west, in the eastern region in 1949, \$10.95, and in 1957 they dropped to \$9.41, due to the competitive factor that the trucks could move these canned goods and other competitive factors in the eastern region. But in western Canada in 1949 it was \$37.53 to move a ton as opposed to \$11 a ton in the east, and in 1957 it had risen to \$48 as opposed to \$9 in the east.

I have additional figures here of increases to \$68 as opposed to \$12 in the east; \$91.55 as opposed to \$11 in the east. I am not giving you any mumbo-jumbo about any ton miles or other sorts of statistical figures. I am giving you the actual cost figures to citizens living in the western region on those items involved in their cost of living today, as opposed to the former period.

I might add too that those figures I have given you were all taken from the Waybill Analyses, the same document that the Trucking Associations analyzed for you the other day.

Our costs in Manitoba on an average to-and-from Manitoba basis is \$12.81 per ton and this includes the movement of grain. The all-Canada average is \$6.83 and the all-United States average is \$6.40. So when we take a particular interest in this matter we suggest that it is based on reality and not on emotional propaganda. If, to our good friends in the east, we seem overly concerned and it maybe seems emotional to people down here, to many and most people in the western region it means their very economic life or death.

I want to make it clear that I am not here to oppose the truckers as such. As I say, I think they have not only a valid reason to be here but they had something important to say, and as counsel for the province of Manitoba I feel too that I represent that transportation element, made up of the truckers in the province of Manitoba. I do feel that many of the things that were said by the Trucking Associations could be better presented at a royal commission, where this whole matter of transportation would be gone into and investigated with a view to determining some solution.

The other principal point raised by the Trucking Associations was this matter of subsidies, and I think I should dwell on it a moment because there are certain words in our vocabulary that are really categorized—words like subsidy, emotional propaganda,—they are tip-off words, and we are supposed to be against things like this. They are what Galbraith in his book "Affluent Society" called conventional wisdom. It is supposed to be a bad thing. Subsidy may or may not be a bad thing, and I am not here to discuss subsidies. They have been with us a long time and in this transportation business they have been with us since 1867. The truckers may want to change all this, but we have to go back and re-do the whole fabric of Canadian transportation because there would have been no Canada unless there had been a rail line, and there would have been no rail line had there been no subsidy from the federal government. If there is any question as to whether or not they are continuing, I have here a page out of the Montreal Gazette of Wednesday, April 15: "Canadian National Railways operating \$51,600,000 in the red." If that is not the biggest and fattest subsidy that has been continually in operation here in Canada, I do not know what is. But these are not bad in themselves.

The Canadian nation was constructed with a transportation set-up east and west when it should have been north and south; and in order to do this we had to introduce certain policies that made it equitable and feasible for certain regions to live under this system. We have therefore the Maritime Freight Rates Act, we have the toll-free canals in central Canada, the trans-continental rates to the west coast and statutory grain rates in the prairie regions, as part and parcel of the fibre of economic development in this country. You do not start toying with one of these many things to create an entirely new concept of the movement of goods in this country of ours.

The brief from the Trucking Associations suggested that competition will take care of all this—let the competitive spirit in a free enterprise system take care of it. This is the ideal, gentlemen, it is what the elephant said to the chickens—every man for himself—it is not quite a fair situation to start off with.

They talk about competition and yet it just does not operate in this country as we might want it, in the ideal.

For example, there is the great waterway of the Great Lakes that comes up into the heartland of this country. In Manitoba we are very close to this waterway. Yet, do we get the maximum benefit of the cheap transportation of goods from central Canada via the Great Lakes into the head of the lakes area, and then overland to Winnipeg? We certainly do not get the maximum benefit, because as rail rates go up they allow the Canadian Steamship Lines and the water carriers to raise their rates to maintain a certain differential, and we are the losers as a result of that.

Then we have a rail line going into the United States and up into Manitoba via Pembina and Noyes. Do we get the benefit of a through rate to Winnipeg from the south? You would think so, but we do not. There is a combination of local rates as if the goods came to the Canadian border, the train stopped, the goods were taken off one train and reloaded and hauled the 67 miles into Winnipeg. It does not take place, of course; the train goes right through or the cars are attached on another train and taken through, but we lose the benefits of our location.

I want to say this because yesterday the minister—and I am sorry he is not here today—said in jest, that these distortions in rates emphasizes the price we pay for being where we are: "Well, you live in British Columbia, it is a nice province, and what you lose on the plywood you pick up on the apples". I want to make it clear the minister was speaking in jest but I always watch these jests too. I am concerned about that because it is one of the theories, that that is part of the price. We hear this a lot: "this is one of the prices you

pay for being a Canadian citizen". We do not say that we do not want to pay our share. We are not against freight rates; they have a place in our economy. What we have opposed at these freight rate hearings, and will continue to oppose, is the distorted share paid and being paid by the smaller portion of the economy.

We are concerned—and I hope I will not be accused of being emotional or spreading propaganda—about these horizontal increases which tend to make western Canada colonies of central Canada. We have tariff barriers to stop competitive products from coming into the western region, and yet we do not set up a transportation system which permits the western region to get their products into the large populated area.

When we talk about improving the economic situation in the maritimes—and I do not want to interfere with Mr. Mann's submission—we must remember if the manufacturers are going to set up in the maritimes, they must be permitted to get their goods into central Canada, at reasonable rates. Similarly, we in Manitoba, Saskatchewan and Alberta are faced with the same problems. I would like to see the day—and I hope it is in our lifetime—when we have super highways across this country up into the north of Manitoba that can, in effect, compete with the railways. Mr. Magee's argument would then become all the more valid. However, trucks cannot compete unless we build highways, and highways cost money; and right now we do have the railroads and they are our means of bringing the products into the market.

I say, Mr. Chairman, again I do not want to be taken as opposing the submission of the truckers in principle. I do not agree with it, but I did not come here to take any side. I have tried to present to you some general reasons behind what has been termed emotional propaganda. The facts are that it means a lot to the economy, particularly the economy of agriculture in Manitoba, when they are caught in this cost price squeeze. I think the only hope lies in this royal commission inquiry and the province of Manitoba made it quite clear that we are not in favour of general rail subsidies in principle as a means of solution, but rather that if any interim subsidy was to be given it must be tied into a royal commission inquiry, or some type of inquiry, that would look into and investigate this whole transportation picture in Canada and come forward with some long-term solution. It is for this reason that we have presented these comments here today.

Thank you very much.

The CHAIRMAN: Any questions?

Mr. DRYSDALE: Mr. Chairman, I appreciate very much Mr. Mauro's view of the freight rate situation across Canada, but I feel that most of his remarks are of general application and would be guided more towards the forthcoming royal commission on transportation.

I would like to ask specifically what comments he has on Bill C-38, which is the matter presently before us.

Mr. MAURO: I certainly want to agree with Mr. Drysdale, that my remarks were general because I was replying to other remarks that were also general.

Mr. DRYSDALE: As to C-38, you are in favour of the subsidy?

Mr. MAURO: That is right.

Mr. DRYSDALE: And are you in favour of the 7 per cent decrease to be applied by the Board of Transport Commissioners?

Mr. MAURO: I am in favour of the method which Mr. Knowles described as to the manner in which the subsidy would be applied.

Mr. FISHER: If I may remark, before I ask you some questions, Mr. Mauro, I think we can be grateful to Mr. Magee—at least he did not use the loaded word, and that is "handout". What about the argument that one of the bene-

ficial effects of high freight rates is, in points such as the maritimes and the west, that by creating such a barrier it has the important effect of developing the local industry?

Mr. MAURO: We certainly hear that, Mr. Fisher, and I can only say that obviously under any particular action results are not all bad. There are some important effects but we have looked it up; our economic advisors in the province of Manitoba have estimated the costs versus the losses under any other system, and we find that the disadvantages of these increases by far exceeded any temporary benefits or small benefits by individual manufacturers.

Mr. FISHER: Mr. Charnock suggested earlier there was an intimate relationship between northwestern Ontario and Manitoba. Can you say that and can you elaborate on the link?

Mr. MAURO: Mr. Fisher, as I know you are aware, we have just recently organized the Canadian Lake Head Port Association which consists of representatives of Port Arthur's and Fort William's city councils, the provinces of Manitoba, Saskatchewan and Alberta. The underlying theme of this association, the reason for its creation was the realization that northwestern Ontario, especially the Canadian lakehead, were the ports for the prairie region of Canada. Also that we were very intimately bound together in an economic sphere and that what injured one directly or indirectly injured the other and that we should look at this from a mutual standpoint. I have great hopes for the development of what is now a completely informal organization until something that will, I hope, bring about some improved results for this whole region—the prairie provinces and northwestern Ontario.

Mr. BADANAI: I was going to ask the same question which Mr. Fisher asked. I was going to ask Mr. Mauro to comment on the statement made by Mr. Charnock.

Mr. MAURO: I might say for Mr. Badanai's benefit that just to show you a single instance of the effect of increased freight rates, the Canadian Car and Foundry, one of the largest industries of the lakehead region said recently it was shortly going to close its doors, the reason allegedly being the high freight rates for the movement of its goods into the Montreal and Toronto regions. They suggested they could better produce and manufacture these in Montreal.

Mr. BELL (*Saint John-Albert*): I wonder if I might ask Mr. Mauro if he heard the comments and proposals made by Mr. Guest in regard to the so-called taper system and that would be separating this proposal from this legislation, for the future?

Mr. MAURO: Yes, in the context of this legislation, Mr. Bell, I will not approve of it because I think this legislation was to rectify that which was done by the 17 per cent case. I do agree that Mr. Guest—as I know he will before the royal commission, and has every right to—will bring forward what is certainly a valid argument for the province of British Columbia concerning these rate increases.

Mr. DRYSDALE: Do you feel that the mistake, shall we say, in the taper should be perpetuated for the present, rather than have it corrected with this legislation?

Mr. MAURO: I do not think this legislation calls for that change.

Mr. FISHER: One of the points raised by Mr. Magee and the truckers, when they were appearing before us, was the question of maintenance costs and maintenance of way costs. Have you any views as a group, in that regard, towards the whole problem involved in the fact that the maintenance of way costs for the trucking industry are so much below the maintenance of way costs for the railways?

Mr. MAURO: I think that Mr. Magee's statistics concerning the number of for hire trucks on the highway as opposed to the private trucks and inter-city trucks, you will remember he gave a figure of 5.62 per cent being for hire trucks, is somewhat misleading. Mr. Magee will correct me if I am wrong because the next question to Mr. Magee should have been: what percentage of the ton mileage on highways is for-hire trucks. While they are few in numbers, that 5.62 per cent is the registration, all the wear and tear on our highways is not caused by the numbers of vehicles on the highways but the weight per axle. While they only bear 5.62 per cent of the vehicle registrations, for-hire trucking is a far greater percentage of the tonnage moved over our highways.

I have not yet had it satisfactorily demonstrated to me that the truckers are paying the amount that it costs the provinces to maintain these thruways. I am not taking any position on it because Mr. Magee comes back with some very cogent arguments concerning sales taxes and one thing and another, which have to be taken into consideration. However, there can be no question in my mind as to the comparative costs of maintaining thruways and highways and maintaining a similar length of track because the maintenance costs on the railway are fantastic. I think if we are ever going to solve this transportation problem in Canada, we are going to have to take some refreshing new views on line abandonments, of changes in our railway line structure, because we cannot continue to demand that the railways give services, such as they have been giving, at rates which do not make a proper return on their investment.

Certainly the province of Manitoba's view is that this royal commission will have to make a frank appraisal and reappraisal of this whole problem.

Mr. FISHER: Has Manitoba given any suggestion to the interdepartmental committee or to the government as to what they think the terms of reference of this commission should be?

Mr. MAURO: We have not.

Mr. FISHER: Since the matter has been raised here I do not think it would be impertinent for me to ask you to give a suggestion as to what you think the terms of reference should be.

Mr. MAURO: I think, Mr. Fisher, our feeling on it is, that the terms of reference be broad enough so as to permit the commission to make a complete and thorough investigation of the transportation picture in Canada, and I hope that is not taken as a facile type of answer. That is our feeling about it. I think the terms of reference should be broad and general, to bring in the truck, rail and lake rates and all these other rates.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, just for the record might I ask a question? Was this interdepartmental committee not dealing particularly with the maritime provinces? I think that is important.

The CHAIRMAN: Can you answer that, Mr. Knowles?

Mr. L. J. KNOWLES (*Commissioner, Board of Transport Commissioners*): I did not hear the question. Would you kindly repeat it?

Mr. BELL (*Saint John-Albert*): Yesterday the representatives of the railways made a brief statement on the interdepartmental committee, a four-man committee that has been reporting to the cabinet, and I understood at that time the reference was mainly with respect to the problem of the maritime freight rates.

Mr. KNOWLES: I think the minister's statement was correct, but I am not a member of the committee, neither is any other official or member of the Board of Transport Commissioners. It is purely a Department of Transport committee as I understand it.

The CHAIRMAN: I think Mr. Scott, who was here yesterday, is on it. Probably we could arrange to have him here this afternoon.

Mr. BELL (*Saint John-Albert*): It is a delicate matter here and I do not think Mr. Mauro would be in a position to make recommendations to it, but I would like to have it cleared up, if anybody has knowledge, because I think it is extremely important.

The CHAIRMAN: We will try to have Mr. Scott here this afternoon, Mr. Bell.

Mr. BROWNE (*Vancouver-Kingsway*): I would like to ask Mr. Mauro one or two questions in regard to the trucks. Mr. Mauro said he was not satisfied that the trucks were bearing their share of the costs of maintaining the highways, but I believe you do not have any figures to show differently.

Mr. MAURO: No, what I said was I have not had it shown to my satisfaction any figures that determined the over-all costs being shared by for-hire trucks as opposed to other vehicles. I have not seen any evidence.

Mr. BROWNE (*Vancouver-Kingsway*): In connection with the costs, I thought you raised a rather interesting point in connection with the maintenance of way costs. The railways costs are apparently higher than those of the trucking industry. Do you think a great deal of that is within their own control and the fact they do not maintain any private land, and that the railways rates would not be so high if they could eliminate some of that?

Mr. MAURO: To maintain rail and put in new rail demands very large capital expenditure. There is all the difference in the world. If the government would come along and build rail lines and charge the railways a licence fee for running over the lines—because obviously one of the expensive items in our economy today is money itself, the obtaining of large capital sums.

Assuming that the truckers are paying their fair share, the difference is that the truckers pay it over the life span of the highway, over a period of years, as part of their operating expenses. They buy a licence in 1959 and in 1960 but the railways,—they have a large capital expenditure in land, rail, say, from the Hudson bay route up into Moak lake or Mystery lake,—they must pay the shot and go into the money market and obtain that money and lay it out.

Mr. CAMPBELL (*Stormont*): Effectively what you are saying is that the development and maintaining of the transcontinental highway is in fact subsidizing the industry at the expense of the railways?

M. MAURO: No Mr. Campbell you are not going to me into that position.

Mr. CAMPBELL (*Stormont*): Is that not what it amounts to?

Mr. MAURO: No, I do not know whether or not the truckers are in fact paying their fair share of the costs of construction and maintenance of the highways. What I am saying is, even if the truckers are paying their fair share I think we will agree that there is a difference in spreading your costs by way of operating costs over an indefinite number of years and on the other hand, as compelled in the railway situation, to spend these fantastic sums of money all at one time as a capital expenditure.

Mr. CAMPBELL (*Stormont*): The equivalent would be for the truckers being compelled to go into highway construction themselves.

Mr. MAURO: Yes, or the other equivalent would be for the Canadian government to build the rail lines and allow the railways to pay just a licence fee.

Mr. BROWNE (*Vancouver-Kingsway*): Do you not feel that there are a number of other people who can use highways, other than truckers, and that therefore the people of Canada are getting the advantage because of that fact, the same as they do because of other competitive conditions that exist?

Mr. MAURO: That is completely correct.

Mr. BROWNE (*Vancouver-Kingsway*): It is not the fault of the truckers that other people are able to use the highways and possibly get the advantage.

Mr. MAURO: I hope I have made myself clear on this. I am not here putting in a case for the railways as opposed to the truckers. I am only answering a question. I think everything is rosy across this country and if we continue on, the situation which Mr. Magee suggested, will develop.

Mr. HORNER (*Acadia*): I have a question. I would like to commend Mr. Mauro on his brief. I think it was very ably presented. I was very pleased to see that somebody would get down to the actual costs of the items—particularly in western Canada—and get away, perhaps for a while, from the per ton mile. However, I would like to ask this question as to whether or not the brief, as stated for Manitoba, is just not a little more so for Alberta particularly in regard to the products of agriculture?

Mr. MAURO: You have sitting over there at that table, one of the greatest "apologists" for Alberta in the history of Canada. I refuse to enter into competition with him as to the case for Alberta.

Mr. WRATTEN: Mr. Chairman, the witness mentioned a short time ago about free tolls in canals. What canals are you referring to?

Mr. MAURO: The Welland, particularly.

Mr. WRATTEN: You realize the Welland canal is coming under toll?

Mr. MAURO: Only to cover the cost of deepening it to the requirements of the seaway—to that extent of the cost. The manufacturers of central Canada have had the full benefit of that open canal for a long period of time. We are not against it; it is part of the transportation policy of Canada and it was so good that the president of the Steel Company of Canada gave a very learned dissertation concerning the effects of any toll on the Welland canal as to manufacturing in, I think it was, Hamilton.

Mr. WRATTEN: By the same token, you received the benefits of that free canal too.

Mr. MAURO: I tied in the toll-free canals, sir, as part of the Maritime Freight Rates Act being one of the things, free canals in central Canada another, the transcontinental rates as another, the Crowsnest rates as another part of the act and one vital point that we want to look at when reviewing the whole picture.

Mr. WRATTEN: I quite agree with that, but it was just the way you termed it here—about free canals in eastern Canada and the higher freight rates in western Canada—that I took objection to.

Mr. FISHER: I refer you to this question of railway maintenance costs. One of the factors that exists, is it not true, is that the volume of freight traffic moving over the railway really has nothing to do with the maintenance of way costs—or very little to do with it?

Mr. MAURO: Right.

Mr. FISHER: And that is one of the advantages that the truckers have?

Mr. MAURO: I think that is perhaps correct, Mr. Fisher.

Mr. FISHER: In this general question, do you think it would be one of the valid considerations of any royal commission on transportation to examine this problem, let us say, in terms of equity or competitive justice?

Mr. MAURO: I think probably you will see that these matters are brought before the commission, Mr. Fisher. Certainly there have been inclinations from various sections of Canada that one way to assist the railways would be on a capital loan basis at very low interest rates which would permit them, for

example, to improve their maintenance set-up, bring in automation and technological advances in terminal facilities and so on which would bring down their costs.

The railways have made very great advances in efficiency and economies over the past short period and as I say there are those in the transportation who suggest that if the government would provide them with the necessary capital now to bring about, or speed up, the modernization that this would be a solution. There are others who say this is not the whole answer, that you must go further than that.

Mr. CAMPBELL (*Stormont*): Have there been any studies made on the efficiency of railways and trucking? Perhaps instead of building the Pine Point railway we should be building the Pine Point highway. Because of their necessity in times of war it is essential that we maintain, and perhaps subsidize two transcontinental lines. Perhaps we should discourage railways from expanding in that direction. To retain the two transcontinental lines appears to be one of the necessary disadvantages of being a Canadian nation, but should we be increasing this liability if a highway would be a more efficient means of transportation?

Mr. MAURO: Mr. Stechischin of the Manitoba Transportation Commission told me that the railway cost is one-quarter to one-fifth of the truck cost for moving the same amount of commodities over the same distances. I do not know what that means, these statistics always floor me—but I think it is generally accepted that there is no more efficient way of moving large amounts of commodities, of bulk goods, overland than by rail, as opposed to trucks.

Mr. DRYSDALE: Mr. Chairman, there have been some comments made in the past with regard to the truckers, and if it was constitutionally possible to have them under the jurisdiction of the Board of Transport Commissioners, because the truckers and the railways are competitive—although I do not think they are comparable as far as costs are concerned. I was wondering if Mr. Mauro has any views, or would be in favour of the truckers brought under jurisdiction of the Board of Transport Commissioners, if that was possible.

Mr. MAURO: The province of Manitoba has taken no position on this, Mr. Drysdale. I think there is a situation developing where, if the truckers are going to come forward—and properly so—seeking redress in comparison with the railways for federal dollars, I see the day where they are going to have to come under some form of federal regulation, Mr. Chairman, of a transportation commission, such as we have governing the railways. However, we have no views on that.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Mauro, in the light of these figures you have just given us now in regard to the costs of the railways in moving freight being considerably less than the trucking industry, why should the rates be higher than in those areas where there is no truck competition? What would be the logical explanation of that? If their costs are lower than trucking, presumably trucking would not be doing any business, and should their rates not be down?

Mr. MAURO: These rates, of course, are average rates. As I say, most statistics are taken on an average basis. Many of the commodities that we move are not in the competitive range of trucking. Mr. Magee said that there is nothing that is outside the potential competitive field. That is right—potentially—there is nothing outside of the potential competitive field of trucking, but I want to see trucks move ore from Steep Rock at the same rate as the Canadian National Railways or maybe up from Lynn lake to Fort Saskatchewan, at the same rate as the railways.

First of all we have to construct the highway for them where there is no highway and, secondly, these large bulk commodities in Canada today, with our present road system it is not feasible. We just have not got the roads; but in central Canada we are getting some of these super highways and we are getting a basis for moving bulk commodities in large amounts. There are many regions in this country however, who are far behind and will not be catching up for quite some time.

Mr. BROWNE (*Vancouver-Kingsway*): One of the complaints we hear from the provinces generally in freight rate situations is that the competitive rates are becoming less and less all the time.

Mr. MAURO: Certainly, and as we narrow that basis there are items such as large agriculture equipment and iron that a railway can move with any number of flat cars, that trucker cannot compete in; and the base keeps getting narrower and narrower and keeps bearing more and more on an increase.

Mr. BROWNE (*Vancouver-Kingsway*): There is one thing I would like to clear up. I notice in the last statement they made to the Turgeon commission they recognized there were certain disadvantages to distance. I rather took from your remarks that you felt they should not have to bear the effects of that distance.

Mr. MAURO: No, we have always taken the position that there are geographical factors of life in this country and that we in Manitoba say that we will have to bear a proportion of the cost to move goods into a particular region, but that we should not have to bear a disproportionate cost.

You will recall before the last commission that there were suggestions for alternative methods of realizing freight increases that would bear more and more on both the short haul and the long haul.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, something similar to Mr. Guest's suggestion of the tapering of rates?

Mr. MAURO: No, something not similar to Mr. Guest's suggestion. We say something more or less akin to the bridge subsidy with so much a hundred plus a percentage increase.

Mr. MCPHILLIPS: You said that the cost per ton of moving machinery in 1947 was \$31.44 and in 1957 \$64.67.

Mr. MAURO: That is right, 1949, not 1947.

Mr. MCPHILLIPS: That does not equal the 1957 per cent increase in freight rates.

Mr. MAURO: I am not saying that the increase has gone up to the permissive level. I am simply saying it has gone up appreciably in dollars and cents and certainly in excess of the 59 per cent suggested by the Canadian Trucker Associations. There are various commodities that have not gone up the 157 per cent and those which have.

Mr. BROWNE (*Vancouver-Kingsway*): Would you agree that the average has been 58 per cent, or do you have an opinion?

Mr. MAURO: I say the average is higher but I do not have it.

Mr. HORNER (*Jasper-Edson*): Mr. Chairman, I was just going to follow that along a little. In the truckers' statement, they did not have a figure for class and commodity rates. I wondered if you had anything on class and commodity rates, the actual?

Mr. MAURO: Mr. Stechishin did not take those off. We can make those figures available to you.

Mr. MCPHILLIPS: Are you saying that in Manitoba it costs more to ship from Manitoba east, than it does to ship from a point in the east to, say, Winnipeg?

Mr. V. M. STECHISHIN (*Manager, Manitoba Transportation Commission*): I think you are talking about shipping in the reverse direction?

Mr. McPHILLIPS: You ship some commodity, we will say, from Winnipeg to Toronto. Is the rate higher than shipping the same thing from Toronto to Winnipeg?

Mr. STECHISHIN: It would vary with the commodity. They are very rarely the same, except on class-rated goods. Grain, of course, will ship cheaper into Toronto than they can ship grain from Toronto to Winnipeg. On the other hand, there are certain articles that cost more to ship from Toronto to Winnipeg than it does from Winnipeg to Toronto. There is no relationship between the two, except on straight class-rated goods where the rate is the same in both cases.

In most cases the rates would vary.

Mr. McPHILLIPS: In most cases it would cost more?

Mr. STECHISHIN: It would depend again on the commodity. If the commodity was grain you would probably pay less going out than coming in, but if you have manufactured articles you would probably pay more coming in than going out. I do not know what the total circumstances would be. The truckers have put some ton mile figures in. If you leave out the movement of western grain I think the rates would be higher from the east to the west, than from the west to the east.

Chart 4 of the brief, which is based on the rate per ton mile shows an average rate from the west to the east of 1.4 cents and from the east to the west of 2.92 cents. That is taking all commodities and that is not only Manitoba, but all western Canada.

Mr. BROWNE (*Vancouver-Kingsway*): I would like to ask Mr. Mauro a question. He mentioned being in favour of something similar to the bridge subsidy. I wanted to raise the point that I have had a number of complaints from the fruit growers in British Columbia. They told me they knew that particular subsidy helps goods from central Canada come into Manitoba but it has the opposite effect on those goods of British Columbia. In the case of fruit they would be getting poorer fruit into Manitoba instead of coming from British Columbia.

Mr. MAURO: I said that one alternative was akin to the bridge subsidy, the Bridge Subsidy, is regional subsidy and that is why your fruit people are complaining. I used the context that applying a general rate increase along the same basis of so many cents per hundred plus a percentage increase. There is nothing similar.

Mr. BELL (*Saint John-Albert*): May I ask Mr. Mauro or Mr. Stechishin this question? Yesterday Mr. Roberts of the Canadian Pacific Railway said that the railways transferred some classification after the 17 per cent increase came into effect and that had the result of reducing the increase. I wonder if you have an example in Manitoba of shippers finding that their competition in central Canada or elsewhere had this favourable consideration given to them in rates, and that some people still had to abide by the 17 per cent increase itself?

Mr. STECHISHIN: I cannot think of any specific case. The average shipper, of course, does not concern himself too much with what the terminology of the rate is and he does not care whether it is shown in the tariff as a class, a commodity or competitive rate. He says, "This is my rate".

When the rates went up 17 per cent, the railways put them on as a general increase on all rates inclusive, although they issued what they called a master tariff just saying, "Where a rate says so and so you make it now read 17 per cent higher".

On specific complaints from shippers, they would remove a portion of that increase. If the rate increase was on a commodity rate and they took part of the increase off, the railways would then designate that rate in their tariff as a competitive rate and that is what I think Mr. Roberts meant by transferring from one classification to another.

The effective rate, the rate the shipper paid, was no longer a commodity rate or class rate; it was then a competitive rate. But as to actually being measured by the removal of the increase on some rates and not on others, I have not had any complaints in that regard. There are always complaints about a specific rate being too high or too low, but I do not think of anything being in that particular context as being related to their taking an increase, and not someone else.

Usually a competitive situation exists in a certain market; and when the rate is reduced, it is reduced for all people who compete in that market.

The CHAIRMAN: Any other questions, gentlemen?

Mr. DRYSDALE: Do you feel that the Crowsnest grain rates should be equalized?

Mr. MAURO: Equalized with what?

Mr. DRYSDALE: Brought into line with the rest of the rates.

Mr. MAURO: I think the Crowsnest grain rates were a valid agreement entered into by two people who knew what they were doing.

Mr. DRYSDALE: In 1897?

Mr. MAURO: That is another strange thought that goes across this country. The Crowsnest Pass rates have been re-adjusted. They existed since 1897; they came into effect then, but I think the last time they were looked at was in 1925. What would be the difference, Mr. Drysdale—the Canadian Pacific Railway made a certain deal with the city of Winnipeg in 1881 regarding taxes on city owned land. They were to have the land in perpetuity, tax free. We know the city of Winnipeg have gone to the Privy Council a couple of times with the object of getting that contract cancelled. The Privy Council said “Oh no, this is a bona fide contract you entered into; it is a contract and the Canadian Pacific Railway has acted as a result of it, don't renege”.

I want to make this clear however, that the Canadian Pacific Railway has made grants to the city of Winnipeg gratuitously.

I think at the time of the Crowsnest rate the Canadian Pacific Railway were granted 250,000 acres of land, a monopoly that extended into southern Alberta and into the Kootenays and had money given to them as a subsidy. If we are going to look into the Crowsnest rates, we should look at everything the Canadian Pacific received and put it into the pot.

Mr. DRYSDALE: The reason I raised this point, Mr. Mauro, was that in the Turgeon commission report the recommendation,— or I believe the suggestion of the prairie provinces—was to equalize all of the rates except for the Crowsnest rates and I was trying to find out what Manitoba's viewpoint was as to whether that had changed, or whether they still accepted the Crowsnest?

Mr. MAURO: We have seen no reason to change our feeling about the “Crow”.

The CHAIRMAN: Thank you for your presentation, Mr. Mauro. I am sure the committee will give it every consideration.

I thank you gentlemen for your assistance this morning and we will meet again this afternoon at 3:30. We will adjourn now and this afternoon we will have Mr. Mann, Executive Manager of the Maritime Transportation Commission and Mr. Frawley, representing the province of Alberta.

Thank you very much gentlemen.

## AFTERNOON SESSION

The CHAIRMAN: Well, gentlemen, I see we have a quorum.

I do not know how many of you have the brief which you received yesterday, which was given by Mr. Blair on behalf of the Great West Coal Company and the Manitoba-Saskatchewan Coal Company. But there is a little change to be made in that brief. On page four, those of you who have it, will note that at the end of the second paragraph it says: "the present mine price averages \$2 per ton". That should read, \$1.87 per ton. Mr. Blair has just brought it to my attention.

Now, we move over to the maritimes for a witness. Mr. H. A. Mann is executive manager of the Maritimes Transportation Commission. I now call on Mr. Mann.

Mr. HOWARD A. MANN (*Executive Manager, Maritimes Transportation Commission*): Mr. Chairman and gentlemen: when we came to Ottawa we had not thought that we would make a statement to this committee. Rather we had arrived here with a watching brief only. However, as the proceedings of the committee got under way several of the members expressed the hope that some views would be expressed by the provincial representatives, and then as matters developed further, and the Canadian Trucking Association submitted its excellent brief, again some of the members said they would like to have the reaction of the provincial representatives on that submission as well.

In view of that, what I shall try to do today is two-fold. I shall try first to deal with bill C-38, and secondly, to deal, not fully, but with some of the points raised by the Canadian Trucking Association.

Now, with regard to bill C-38, what we have done there is to try and assess the effect the bill might have on the traffic which is of importance and interest to the provinces of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland.

In our assessment of the bill we have relied on the document, so to speak, the standard reference in this hearing, the waybill analysis of the Board of Transport Commissioners, as a source of statistical information. But we have also relied on our knowledge of the traffic of the Atlantic region in order to see whether this knowledge would supply data which, while more sympathetic, or a little warmer than cold statistics, would nevertheless bear out the conclusions drawn from the figures.

In our statistical investigations we have determined from the waybill analysis that the Atlantic provinces have a greater proportion, a greater amount of non-competitive traffic, than any other area in Canada. That conclusion holds true whether you analyze the data by revenue or by tonnage.

In order to prove that conclusion, we have prepared from the waybill analysis three statements which, I believe, have been distributed to the members of the committee. They are the ones which are stapled together.

I must apologize for my slip-up in the distribution system. These statements are being distributed now. As I was saying earlier, our statistical analysis has convinced us that the Atlantic provinces have a higher proportion of noncompetitive traffic than any other rate region, or any other rate territory in Canada.

I would respectfully refer you to statement number one which is a tabulation of intra-territorial movements showing by revenue and tonnage the percentage relationship of each type of rate to the total movement within each territory. Those are movements originating and terminating within the same territory.

You will readily see that, within the Maritime Rate Territory, 69.05 per cent of the traffic by revenue is classed as commodity rated traffic as against

54.48 per cent in central Canada (Ontario and Quebec) and 50.05 per cent in western Canada.

Statement two contains the same tabulation; only this statement refers to traffic outbound from one region into other regions. There again it is quite apparent that the maritime rate territory which, by revenue, has 69.72 per cent of its traffic in non-competitive and agreed charges, leads the rest of the country in this dubious distinction.

In respect to inbound traffic into various rate territories, the figures are to be found on statement three. The picture there, too is more adverse to the Atlantic provinces because almost 78.98 per cent of the traffic that we receive from other parts of Canada travels into the Atlantic provinces on non-competitive class and commodity rates.

Now it is quite apparent to us from the statements that, both by revenue and by tonnage, we have the highest proportion of non-competitive rates in respect to inbound, outbound and intro-regional traffic.

Since bill C-38 applies to non-competitive traffic and will hold the 17 per cent increase down to approximately 10 per cent, this bill is, according to our statement, of considerable benefit to us. Certainly, even this hold down does not restore completely the situation as it existed before the 17 per cent increase. No hold down can.

As I understand it, the bill is an attempt to lessen the impact of the increase on that part of the traffic which, for one reason or another, has never become competitive enough to force the railways to publish either competitive rates or agreed charges on it. The bill does that.

It lessens the severity of the impact of the 17 per cent increase on that type of traffic to the extent of the hold down, and it does so in respect to much of our traffic, as our three statements have attempted to show. But it also does so in an important way. And here I am departing from the general statistical approach in order to show, by way of example, what this hold down in our non-competitive rates will mean to us.

We have an important lumber industry. Its most stable market, unhampered by currency or tariff restrictions, is central Canada, Ontario and Quebec. But in that market our lumber men compete with lumber of the same or similar kind shipped within that region. There was a reference made this morning by Mr. Styffe to the effect that his part of the country ships jack pine and spruce. We are shippers of spruce.

Not very long ago the rail rates on lumber from points such as Val d'Or, Amos, Senneterre in Quebec and Kapuskasing, Hearst, and Nakina in northern Ontario to, say, Toronto or Montreal were commodity rates. Now, as of a comparatively recent date, they have become competitive rates. Our lumber rates, however, still are commodity rates.

When the 17 percent increase became effective last December 1, it was applied to the competitive lumber rates in Ontario and Quebec as well as to our commodity lumber rates. It did not take much imagination for us to predict at that time that the increase would either be lessened or taken off entirely from the Ontario/Quebec rates. It was removed entirely from these rates effective February 16, 1959. Our rates, however, retained the increase. Obviously the effect of this was to widen the freight cost differentials between our shippers and Ontario/Quebec shippers in the markets which they both must reach.

Here, graphically, is an example of what has happened. To Montreal, the rail distances from Dalhousie, New Brunswick, and Val d'Or, Quebec, are within four miles of each other. Before the 17 per cent increase the rates were identical—41 cents per 100 pounds. On December 1, 1958, both rates became 48 cents per 100 pounds as a result of the 17 per cent increase. Then the increase was taken off the Val d'Or to Montreal rate. It reverted to the pre-17

per cent level, and it again became 41 cents. But the 17 per cent stayed on the Dalhousie, N.B. rate. As a result, the rates which for an identical mileage had been identical prior to the 17 per cent increase are now 7 cents per 100 pounds apart. The Dalhousie shipper must pay \$1.40 more per 1,000 board feet to get his lumber into Montreal. He either absorbs that \$1.40 or he does not sell. No emotionalism there; no provincial propaganda about freight rate distortions; it is just the difference between sale or no-sale.

As I understand it, bill C-38 will correct this situation to quite some extent. The 7 cents differential which our shipper has suffered will be reduced to a 4 cents differential or his absorption of a \$1.40 per 1,000 board feet of lumber will shrink to 80 cents. In a highly competitive market, I am told that is important.

Innumerable examples can, of course, be cited to show that the bill, if passed, will be of benefit to our shippers who move goods into the rich central Canadian market which is so very vital to the Atlantic provinces. But they would merely duplicate the information I have tried to develop on lumber.

The bill will, of course, also be of benefit to consumers in the Atlantic provinces and to those of our industries which must get some of their materials of production from outside the region. Take our canning industry, for instance. The rates of tin cans from Hamilton, Ontario, to Middleton, Nova Scotia, are class rates which took the full 17 per cent increase. Rates on tin cans from Hamilton to Montreal, however, more under an agreed charge and they were not touched.

The bill will, by way of the subsidy, allow us some of the benefits which the canner in Montreal has had. And I might add that it will not be harmful to my good friends in the trucking industry, since the highway carriers appear not to be particularly anxious to take empty tin cans from Hamilton to Middleton, N.S.

That is one of the many examples where bill C-38 will remove some of the hurt of the 17 per cent increase from those of our producers who must bring in some of their materials of production from outside the region.

The third and last instance which I want to cite pertains to traffic moving within the Atlantic provinces themselves. I understand that a good portion of potatoes shipped within central Canada move by truck. In fact, I was told that roughly 98 per cent or thereabouts, of potato movements in Ontario is by truck. That, of course, holds true—not to quite that extent—in the maritime provinces. It does not hold true, however, in the case of the consumer in Newfoundland. He gets his New Brunswick potatoes, or his Prince Edward Island potatoes, by way of commodity rates I would respectfully suggest that he will likely continue to get his potatoes from New Brunswick or Prince Edward Island via commodity rates until that happy day when the first amphibious truck is welcomed by the mayor of St. John's. In the meantime, however, bill C-38 will remove some of the burden of the 17 per cent increase from the Newfoundland consumer.

I have tried, Mr. Chairman and gentlemen, to show by way of statistical information in a general way that bill C-38 will be of benefit to the Atlantic provinces which have the highest proportion of non-competitive traffic in Canada. I have also tried to focus the ameliorative effects of that bill a little more closely by giving a few examples from actual experience in the hope that they will put some warm flesh on this cold statistical skeleton.

Certainly, from the point of view of the Atlantic provinces, bill C-38, bearing in mind that it does not claim to be a lasting, final and complete remedial instrument, is a desirable piece of legislation.

We are, sir, of course, not unmindful of the effects which a subsidy such as that contemplated by bill C-38 might have on the trucking industry. We have an important trucking industry in our provinces, the collapse of which

would have grave consequences for the Atlantic region. But no such collapse will result from bill C-38, and I have no better authority for this statement than the remarks made by Mr. Magee on page 5 of the Canadian trucking associations brief, and I quote: "The expenditure of \$20 million on a twelve month reduction on the class and commodity rates of our competitors, the railroads, may have little if any immediate"—and the word "immediate" is underscored—"impact on the trucking industry". That is the end of the quote.

Now may I deal with some of the matters raised in the extremely able presentation made to the committee by the Canadian trucking associations. Following the presentation of the brief submitted by Canadian trucking associations, as I mentioned earlier, some of the members of the committee felt that they would like to have opinions expressed by the provincial representatives, on the points made in that submission and I hope I have your permission to deal with some of these points now.

We would like to deal with some of these points for yet another reason, and to refer to this reason may I quote from page 6 of the Canadian trucking associations' submission I think that all of us representing provinces are quoting the same passage, because the passage, I am afraid, stuck with us and struck us rather deeply, and perhaps you will forgive me if I repeat it again. "Freight rate increases in Canada since World War II have, through propaganda and emotional, rather than reasoned, response been whipped up into a public issue of far more serious proportions than the facts justify".

It comes as a distinct shock to those of us who have laboured in the admittedly tangled and overgrown vineyard of freight rates to be so curtly labelled as mere propagandists and whippers-up of public opinion. While I may be biased about the work done in my part of the country, my rather close association with my colleagues representing the western provinces certainly leads me to a different conclusion than that they are propagandists and have an emotional approach to the freight rate issue.

I do not intend to meet the case so forcefully presented by Canadian trucking associations. To do so fully would require more preparation than has been possible for us. At any rate, I would suggest that it is a case which is, perhaps, better made to the forthcoming royal commission than within the framework of a discussion of Bill C-38.

What I would like to do is to deal with only a few of the important matters raised in the submission of the trucking industry. I would like to confine my remarks as much as possible to the Atlantic provinces. In commenting on the submission of the Canadian trucking industry, I would like to emphasize as much as I can that the trucking industry, the motor carrier industry, in all its segments is of importance and of very great importance to the Atlantic provinces. I hope that we have shown both by the action of our four provinces and by the close cooperation which has existed between the Maritime Transportation Commission and the Maritime Motor Transport Association, which is Mr. Magee's regional affiliate in our part of the country, that we regard the motor carrier industry extremely highly. I noticed a passing reference that the Canadian Trucking Association brief had to the effect that perhaps our Commission might be well advised to devote as much attention to the trucking industry as we appear to have devoted to other carriers. I hope this sentence crept into the submission inadvertently. I am sure that the representatives of the trucking industry will remember, for instance, that the question of the introduction of a uniform regional bill of lading for the trucking industry was brought to the attention of the trucking industry in the Atlantic provinces by the Maritimes Transportation Commission. We worked very closely with the industry on this and we hope we will have a model result from it.—The

extremely carefully prepared and ably presented brief of Canadian trucking associations endeavours to show on rail revenue per ton mile that the index of authorized rail rates is entirely meaningless in the assessment of the impact of freight rate increases on regions or types of traffic. Instead reliance is placed by C.T.A. on an index of average revenue per ton mile, which is admittedly much below the other index.

Of course—and Mr. Mauro pointed it out extremely forcibly this morning—in so far as the shipper is concerned, the railway revenue per ton mile is rather meaningless. I had pondered, following the accusation levelled against us in the C.T.A. brief, whether we should go, for instance, to the Dominion Steel and Coal Corporation and tell them that they had an emotional approach to their freight rate problem. I had wondered, in the light of the C.T.A. brief whether that great company and ourselves had not perhaps, by propaganda, whipped up the freight rate issue completely out of proportion. Had we not done this? The facts are there on the basis of revenue per ton mile. After all, while freight rate increases of 157 per cent have been authorized since the end of the war, the ton mile revenue on billets and blooms from Sydney to Montreal has only risen by 74 per cent. Perhaps, this would not be a cause of major concern.

Then I looked at the rates. In 1948, \$4.30 per gross ton. In 1957, \$10.02 per gross ton, a rise of 133 per cent. If concern over such an increase is emotionalism, if it is propaganda to be appalled at such a rise, then I am afraid we will have to be emotional about it.

Canadian trucking associations point in their brief to the growth of competitive rates. From this, at page 18 of the brief, the conclusion is drawn that because of the growth of competition a further shifting of the freight rate burden on the Atlantic and western provinces is impossible and that, therefore, the argument about regional imbalance and distortion in the rate structure due to an unequal distribution of the competitive factors is no longer based on facts.

Certainly, competitive rates have grown in the Atlantic provinces and we are glad of it; and they will continue to grow. But there is one thing one should bear in mind. There are vast differences between competitive rates when it comes to general freight rate increases. It is following a general rate increase that the man-sized competitive rates of Ontario and Quebec are separated from the boy-sized rates in the Atlantic provinces. A competitive rate is no insurance against general freight rate increases when you are in our part of the country. For instance, we compete in Montreal with Toronto producers in the sale of electric stoves. Our competitive rate into Montreal went up by 17 per cent last December; Toronto's competitive rate was not touched. We have kept track as much as possible of exemptions in the competitive rate tariffs of the railways both in the maritimes and in central Canada. We know from this check that we are mere amateurs in the maritimes, when it comes to escaping rate increases on competitive rates. I am afraid, therefore, that merely to point to the growth of competitive rates is not sufficient. The quality of these rates, their strength to withstand the onslaught of rate increases,—that is part of the real issue. On that test, we in the Atlantic provinces are sadly deficient.

Canadian trucking associations come to the conclusion, albeit for what we think is the wrong reason, that railway rates increased faster in the maritimes and elsewhere in Canada and that the average level of railway rates is higher than the national average. I respectfully refer you to page 25 of this C.T.A. brief in this connection. At page 26, the following page, the C.T.A. submission gives reasons for this discriminatory burden which has

been placed on the maritimes. I would like to quote from page 26. "The following conclusions are apparent:

1. Subsidized rail rate reductions in the maritimes, with their inherent weakening of the railways' competitors, did not divert the impact of railway rate increases.

2. The rail subsidy that has existed in the maritimes since 1927—about the year of the birth of intercity trucking—reduced the competitive force of trucking there and thus prevented the maritimes from enjoying a railway rate experience as favourable as that of western and central Canada."

The sole reason shown for the conclusion that the maritimes have the least developed trucking industry in Canada is a measurement of net ton-miles per capita in the various provinces. This is shown on the chart following page 25 of the C.T.A. brief. We wondered, of course, how valid such a line of reasoning was and I regret to say we believe the method used is not productive of meaningful results. I am making this bald statement on the authority of our own analysis of the bureau of statistics motor transport traffic statistics which underlie the C.T.A. conclusions.

We have prepared a statement, which is in your hands, which shows the net ton-miles by provinces for the trucking industry in 1957. If you compare the figures shown under the for-hire column of that statement with the figures shown on chart 7 in the C.T.A. brief, you will notice the figures are not identical. The printed figures filed by Mr. Magee two days ago referred to gross ton-miles.

I had an opportunity to speak to Mr. Magee about this matter. I do not know whether or not he agreed with me that gross ton-miles are not a proper index; but he was good enough to have the calculation re-run, giving the members of the committee the net ton-mile figures per head of population in addition to the gross ton-miles which were printed. There is still a difference between us, but that difference is due, I suspect, mainly because Mr. Magee took the intercensal estimates for 1957 as his previous figures and we took the census figure for 1956. I do not think the deviation is significant.

The general picture is not materially altered. I would respectfully like to refer you to the column marked "For-Hire" on this sheet. I would ask you to please look at the figure for Nova Scotia which shows that the province of Nova Scotia produced 150 net ton-miles per head of population in 1957. I would then ask you please to look at the province of Manitoba which, in 1957, produced 137 net ton-miles per head of population. The conclusion of this is relatively obvious. If rail subsidies indeed inhibit the development of the for-hire segment of the trucking industry, it is inconceivable that the rail-subsidized province of Nova Scotia should produce more net ton-miles per capita than the unsubsidized province of Manitoba.

But the method employed by Canadian Trucking Associations to measure the importance of the trucking industry in the various provinces is shown to be completely unreliable when we look at the private trucking segment of the industry. Private trucks, of course, are vehicles owned by a commercial concern which carry, without compensation, the goods of the owner of the vehicle. Our figures—and they are shown in column 1, private inter-city—show that New Brunswick produces more net ton-miles per capita of this type of trucking than the province of Ontario. I have lived in both provinces and I think those of us who are familiar with New Brunswick and with Ontario know that that is a *reductio ad absurdum*. There is no question about it.

Industry owns infinitely more vehicles in the province of Ontario than in the small province of New Brunswick with its widely-spaced small population centres producing practically no density of traffic.

I have shown the Farm truck figures merely to show that if indeed as we are told we are deficient in one segment of the trucking industry, it is with some pride we can look at the figures for a little province like Prince Edward Island in respect of the utilization of Farm trucks.

It does, in the light of these figures, seem impossible to say that the maritime trucking industry has lagged in its development as a direct result of railway subsidization under the Maritime Freight Rates Act. There is no direct evidence so far produced which would prove that a subsidy to the railways leads to an automatic decline of the trucking industry. For instance, despite the "bridge subsidy", which has been in effect for quite some years now, the growth of trucking between central and western Canada has been astounding.

I would respectfully ask you to turn to page 30 of the Canadian Trucking Associations brief and to the section numbered 3. The statement is made there that the highest rate increases occurred on the movements between the maritimes and central Canada—67.4 per cent from central Canada to the maritimes and 55.6 per cent from the maritimes to central Canada. The brief goes on:

Here, of course, truck competition is weakest, although the potential for development of the long-haul trucking industry is a good and a fertile field for the same interest by the maritimes transportation commission which the commission has displayed towards other aspects of the freight rate problem.

While I certainly believe and hope that highway transportation between central Canada and the Atlantic provinces will continue to grow, I cannot quite share the optimistic view inherent in the Canadian Trucking Associations' submission that all will be well with the maritimes when our provinces get more trucking competition. I do not expect much of our crude gypsum, our coal, our ore, our pulp wood to move by truck over the long hauls to central Canada, nor do I expect to see truck movements at reasonable rates on some of our requirements from central Canada such as ferro-alloys from Welland to Sydney or pig iron from Sault Ste. Marie to Sackville, New Brunswick.

While competition with the railways will undoubtedly increase with the St. Lawrence seaway as suggested at page 31 of the Canadian Trucking Associations' brief, we in the Atlantic provinces will not likely share in such benefits. As a matter of fact, we might very well find our net position to be less favourable as a result of such competition.

In essence, the stand taken by Canadian Trucking Associations is that the free play of competition between rail and truck is the best way of bringing about a satisfactory solution of the transportation problem in Canada and that competition is the answer to the admittedly disproportionately high transportation costs of the Atlantic provinces.

It is for this reason that Canadian Trucking Associations opposes Bill C-38 and I note that the brief submitted by the trucking industry quotes with approval statements made by counsel for the Canadian National and Canadian Pacific railways in 1955 to the effect that competition is the best regulator. I may be wrong, but to me it seems that the logical conclusion of the argument of free competition as the best regulator and that free competition might redound to the ultimate benefit of the public is to say that economic regulation of transportation should be abandoned altogether. That suggestion has indeed been made. It has been made in the United States where somebody has gone so far as to advocate the abolition of the Interstate Commerce Commission, which is the counterpart of the Board of Transport Commissioners in this country. That, as I am instructed, is not the view taken by the trucking industry of this country at all, nor of its provincial segments. In fact,

so far as I know, the trucking industry advocates control in some measure of its own rates and I do not think that it advocates the complete de-regulation of railway rates.

All this, of course, leads us far from the purpose underlying Bill C-38, but I felt that some remarks should be made by us on some of the matters raised in the most able presentation made to this committee by Canadian Trucking Associations. If I may now refer back very briefly to what I said at the outset, that as far as the Atlantic provinces are concerned and for the reasons we have tried to develop, we feel that Bill C-38 will grant the part of the country from which I come a measure of relief, which it would not be able to get in the absence of that bill.

Mr. CHAIRMAN: Thank you, Mr. Mann. Have the committee any questions to ask?

Mr. BROWNE (*Vancouver-Kingsway*): Well, I was just going to ask, first of all, if he did not think that perhaps it was a rather unfair inference in the Canadian Trucking Associations' brief when speaking of the emotionalism and relating it to the maritimes in particular. I feel that they went to some lengths in their brief in pointing out that the maritime rates have been on the basis of a subsidy for a great number of years, which it pointed out was \$12,500,000 in 1957. I quote this one sentence:

If railway subsidization was successful in achieving anything for the maritimes one would expect that the rate structure in the maritimes would be as favourable as for any other part of the country.

The facts prove this expectation wrong.

1. Railway rates increased somewhat faster in the maritimes than anywhere else—by 71 per cent in the maritimes as against 24 per cent in the west and 48 per cent in central Canada.

I think perhaps they were not accusing the maritimes of emotionalism when they pointed out that because of the lack of trucking competition in that area that rates had gone up faster there.

Mr. MANN: I think your point is extremely valid. The only thing I can say about this is that no distinction was made in their brief when it introduces this passage between the maritimes and any other part of Canada. In fact, there can be no distinction made. There has been no difference at all in the intensity or the tenor in which the Atlantic provinces have joined with the western provinces in the representations they have made both to the Board of Transport Commissioners and to the cabinet and to the royal commissions which have sat on the matter.

However, while I appreciate the courtesy extended to us, we would hate to abandon our right to this dubious distinction we have achieved of being labeled as propagandists.

Mr. BROWNE (*Vancouver-Kingsway*): Do you agree with the brief submitted by the Canadian Trucking Associations, that there is less trucking in the maritimes as a whole? They dealt with it as a region. What is your opinion of those figures?

Mr. MANN: I think the difficulty I would have in answering that, Mr. Browne—I certainly have no intention of being evasive in answering any question—the difficulty I would have would be to apply a quantitative factor to the answer. I do not know how to express less as less. I cannot tell you. I can say this, from observation you can certainly say and see that in the Atlantic provinces we do not have regionally owned enterprises which are on a par with the large carriers that you find in central Canada, such as Strathdee, Intercity or Motorways. Our enterprises tend to be smaller. It may indeed be that the smaller enterprise is more suited to the region or that

the history of our economic development has been such as to favour the small operator. It may indeed be that the existence of the small operator is a good thing. It is hard to say.

All these things stand in the way of my saying to you there is less or there is the same or there is more.

Mr. BROWNE (*Vancouver-Kingsway*): There is one other point which you made. It seems clear that the private operators seem to be a great deal more prevalent in the maritimes than, say, the for-hire operators.

Mr. MANN: I did not make that point.

Mr. BROWNE (*Vancouver-Kingsway*): I mean in the statistics you point out to us that this is the point that became apparent.

Mr. MANN: I said that, Mr. Browne, in the hope that I could show at least to myself, that to use the method used by Canadian Trucking Associations to measure the importance of the trucking industry in the various provinces by means of net ton miles per capita, is invalid.

Mr. BROWNE (*Vancouver-Kingsway*): What I wanted to bring to your attention in that regard, was do you feel that the effect of private operators would be the same as for-hire operators, they would not be in direct competition with the railways to the same extent that the for-hire would be, and that their effect might not show up on the competitive rates to the extent that a for-hire would. Therefore, it would not really be a valid comparison?

Mr. MANN: If I only had the prevalence of private carriers that these statistics indicate, I might agree with you but I do not think I have them. There is probably an explanation. It may indeed be that the net ton mile quantity is produced by the fact we have a few private carriers carrying ore. I do not know, I cannot tell.

All I am trying to do by compiling this exhibit is simply to show you cannot use that method used by the Canadian Trucking Associations to show the committee that subsidies destroy the trucking industry. That was the point of the statistics.

Mr. BROWNE (*Vancouver-Kingsway*): Would you not feel that if there were two forms of transport and one was getting a subsidy and the other was not, that there would be a principle there which would certainly tend towards one or the other?

Mr. MANN: It would appear to be so.

Mr. DRYSDALE: You made a certain point with considerable emphasis in your submission in regard to the non-competitive rates being an extremely high percentage. Perhaps I missed the point, but by virtue of the Maritime Freight Rates Act, 20 percent and 30 per cent, is not that just what you would expect the rates would be in competition?

Mr. MANN: No, I do not think so, sir. If that were so, then there would be no competitive rates at all and no agreed charges at all. We have a subsidy on potatoes, for instance, 30 per cent of that part of the haul which lies east of the Levis-Diamond Quebec boundary and yet there is an agreed charge on potatoes, both in New Brunswick and Prince Edward Island. That has been doubled, although perhaps there is some reason for a subsidy based on competitive rates.

I am just trying to clarify my own thinking. That act sets statutory rates in essence in the maritime provinces. If those rates were on a non-competitive basis back in 1927, would they not continue on that basis?

Mr. MANN: No, you can change them as conditions change.

Mr. DRYSDALE: But because of their relatively low level I guess they would not become competitive, would they?

Mr. MANN: They are not all that low. For instance, I have pointed to the lumber example. Let me go back to that for a minute. I have mentioned that the distance from Dalhousie, New Brunswick, to Montreal was within four miles of the central Canadian one at Val d'Or. If what you said held true, of course, our rate to Montreal should have been lower by the amount of the Maritime Freight Rates Act subsidy that applies on it. It is not so. The Maritime Freight Rates Act holds the rate down but it does not hold it down forever.

Mr. DRYSDALE: Has the Maritime Freight Rates Act developed a sacrosanct character as far as you are concerned? In other words, in this forthcoming royal commission would the attitude of the maritimes be that they would be prepared to abandon these statutory rates and perhaps have the board set a level and then decide whether a subsidy was necessary?

Mr. MANN: I would be very surprised, sir, if there would be one voice heard from east of the Levis, Diamond and Boundary that would advocate the abolition of the Maritime Freight Rates Act.

Mr. DRYSDALE: What is the viewpoint of your region with regard to the Crowsnest rates agreement? Do you think those statutory rates should be maintained?

Mr. MANN: We feel, of course, that the statutory rates system is the one great rate system that the western provinces have. So far, with all the discussion that has gone on about the grain rates we are still perhaps a long way from a complete factual analysis of it. I would refer you to the remarks made by the Turgeon commission, the royal commission on transportation, which I think said that after 10,000 man-hours expended by the Canadian Pacific Railway Company to prove the point, the conclusions were just not proper. Therefore, we cannot tell whether the Crowsnest rates are compensatory or non-compensatory and what should be done with them.

Mr. DRYSDALE: Perhaps I am taking a very naive view of the whole situation—

Some Hon. MEMBER: Agreed.

Mr. DRYSDALE: I am getting support from the farm delegation—but from an examination of the rate structure looking at it on an economical basis, it seems to me that the discussion of the Crowsnest and also the maritimes is very, very short of equitable, looking at the whole picture. I would emphasize that I am certainly not negatizing the idea of subsidy to the maritimes and also to the grain shipper, but I think we should have the rates put in on an equitable basis across Canada, and then if a subsidy is necessary, find out to what extent the subsidy is needed.

Mr. MANN: Mr. Drysdale, might I make a very clear and definite differentiation between the Crowsnest rate and the Maritime Freight Rates Act?

Mr. DRYSDALE: Yes, please.

Mr. MANN: The Crow rates are stable; they do not move. The maritime freight rates do move and have moved very rapidly. They are not inhibiting, to my knowledge, the board in the exercise of its functions. If they do, the board at least has never said so. I cannot see any way—I am subject to correction by the members of the board who are present—that the existence of the Maritime Freight Rates Act inhibits the board from discharging its proper functions in the disposition of freight rates.

The question arose briefly in the so-called 30 per cent case. We always seem to have deviations in numbers—the 30 per cent case became the 21 per cent judgment. In the 30 per cent case that question I believe, was settled once and for all.

We have never had any relief from general freight rate increases by virtue of having the Maritime Freight Rates Act. So there is a very definite distinction between an unchangeable rate and a changeable rate system such as the Maritime Freight Rates Act.

Mr. DRYSDALE: But you are happy with the Maritime Freight Rates Act as it is now?

Mr. MANN: No, we are not.

Mr. HORNER (*Jasper-Edson*): I just wondered if these figures in this table included the assistance from the Maritime Freight Rates Act?

Mr. MANN: No, Dr. Horner, the rates are taken from the waybill study and the waybill study publishes figures at the rate paid by the shipper. That rate does not include the Maritime Freight Rates Act.

Mr. CREAGHAN: First of all, Mr. Mann, in conclusion you made a statement on the net ton mile per head of population to the effect that the maritime trucking industry is not lagging behind the rest of Canada, or words to that effect. With that part of your statement I am inclined to disagree, in looking at the table.

In the first place on three headings you show Newfoundland and secondly, the only column I think is of any consequence today is the for-hire column. If I am wrong in that, please correct me. But the for-hire column would indicate to me the trucks that are for hire are in competition with the railways. The private inter-city is not in competition with the railways and the farm vehicle is not in competition with the railways. But if you confine yourself to the for-hire column you will find the maritime has eight, nine and ten places with the exception of Newfoundland.

If I am right that the for-hire is the column that is in competition I do not think your statement is correct, when you say the maritimes is not lagging behind.

Mr. MANN: Would you like me to answer that?

Mr. HORNER (*Jasper-Edson*): Those are your figures.

Mr. MANN: If I may answer it, there are a number of points you have made. First of all, with regard to Newfoundland you would expect Newfoundland to be at the bottom of the list, you would expect it to be at the bottom of the list because Newfoundland has, I believe, just about 290 miles of paved road at the moment. That is, I think, about 98 per cent of it—apart from the road from Corner Brook to Deer Lake on the west coast—98 per cent is in the Avalon peninsula on the east coast, where about one-third of the population of Newfoundland lives and where trucks are concentrated.

Therefore, what you have there is a series of short-haul movements, developing very few ton miles. There is very little distance. You would not expect to find any different figures as far as Newfoundland is concerned.

Also the total absence of truck-carrying facilities between Newfoundland and the mainland makes it rather self-contained in transportation.

The for-hire segment is by far the most important one in so far as competition with the railways is concerned, but it is not the only one. It is conceivable—as matter of fact, that private carriage is a very important consideration for the railways. Let me give you a theoretical example. For instance, if a refinery now ships its outbound products by rail tank car and decides tomorrow to put on its own fleet of trucks or to build a pipeline, the pipeline or the privately owned tank truck of the refinery becomes a competitive means to the railway.

The third column, the farm column, may or may not be important in our scheme of things. As I said, I put these figures together to see what I could analyse out of this very carefully prepared brief of the Canadian Trucking Associations.

Perhaps the relatively important index of our farm truck segment—and we lead Canada in farm truck utilization by net ton miles, Prince Edward Island first, Nova Scotia second and New Brunswick following not very far behind—it is possible that a lot of carriage that may be available for hire somewhere else is performed by the farmer himself. He will come to town and pick up something and take it back on his own truck, something that would ordinarily under normal circumstances come within the for-hire segment.

Does that answer your question?

Mr. CREAGHAN: Yes. I have another question on this same table. I am wondering if the fact that the Canadian National Railways has been gradually abandoning lines in the maritimes, would be any reason for the increase in the second column, private inter-city. In other words, the poor Canadian Pacific or Canadian National service within the maritimes would automatically leave the field wide open for inter-city trucking, and in that case you have got the maritimes in pretty good shape in so far as New Brunswick and Nova Scotia is concerned—New Brunswick in particular.

Mr. MANN: It may be possible that that is the case. I should think that it would also be reflected in the for-hire segment because the vacuum created by the abandonment of a train line is quite often filled by the extension of for-hire service; in fact, the increases in for-hire services are often precedent to the abandonment of the branch line.

Mr. CREAGHAN: Do you know whether these figures include mileages put in by Smith Transport and railway subsidiaries, or is it private interests inter-city?

Mr. MANN: Frankly, I do not know what they include. I would not think that Smith Transport is classed as a private trucker. It could be a private domain of Canadian Pacific, but I would think it would come under the for-hire segment.

Mr. HORNER (*Jasper-Edson*): My question was referring to Mr. Mann's remark on the Turgeon report, stating that they could not go along with the railroads on their argument that they were losing money on the Crowsnest freight rates on the movement of grain. I was wondering whether he would agree, as the Alberta wheat pool has maintained quite steadfastly, that the Canadian Pacific has never proved that they have lost anything by moving grain under the Crowsnest rates. I wondered if he was in agreement with that statement.

Mr. MANN: I think this is something along the lines, Mr. Horner, of what the Turgeon Royal Commission said. I am looking for the passage now.

Mr. HORNER (*Acadia*): That is the point I wanted to bring out, because there is a continual reference to the Crowsnest rate as a subsidized rate. And if they have never proven that it was, I do not see how they can refer to it as being a subsidized rate.

Mr. MANN: Here it is it. Let me quote from page 244 of the Royal Commission on Transportation of February 9, 1951:

No useful attempt could be made to test the accuracy of this assertion within reasonable bounds of time and expense. The problem implies the determination of the costs attributable to the handling of a particular commodity, or the performance of a particular service, by a railway which handles a great variety of commodities and performs services of many kinds. Nevertheless, the Canadian Pacific Railway

company, while admitting the great difficulty of the task, endeavoured to furnish the commission with an approximation of the cost of transporting the western grain crop. For this purpose a study was submitted by the company which, it was said, had required in its preparation the application of more than 10,000 man-hours (4 man-years). The year selected for this study was 1948.

It is probable that this study, which the company's officials prepared with the expenditure of much time and the application of great expert knowledge, contains information which the company will find valuable for its own purposes. But the difficulty of the task undertaken is shown by the fact that, after applying to the problem the formulae, which appeared to them the most appropriate, the company's experts could arrive at no more definite conclusion than that stated in the company's brief: "Therefore, while the exact dollar deficiency from the Crowsnest grain rates in western Canada is not available, it will be seen that it is somewhere between \$13,769,000 and \$16,947,000". And the time taken and the skill employed in arriving at this indefinite result covered the operations of only one year (1948). The study does show a minimum deficit of a high figure; but it is not possible to say what might be the product of the application of some other formulae asserted to be more accurate.

I think that is sufficient to cover what you had in mind, Mr. Horner. As far as we are concerned we do not know. There may be some merit in the fact that they are not compensatory, or there may not be any merit in it.

Mr. DRYSDALE: Let me quote from the *Toronto Saturday Night* for April 11.

One calculation of the effect of these grain rates is that if they had been increased between 1914 and 1948 by only half as much as other rates have been increased, Canadian Pacific would have collected in the year 1958 alone \$58,000,000 more than it did. It is almost impossible to calculate how much grain shippers have saved altogether in the 60-odd years since this agreement was made.

But what the railways emphasize is that they have to get the money to operate from somewhere, and in fact what is saved by the grain growers has to be paid by other shippers.

My point is this: when I keep raising this particular point about the Crowsnest pass rates, I am not arguing one way or another as to whether the Crowsnest rates are entitled to a subsidy. But it seems to me to be logical that if the rates are supposed to be on an equal basis across Canada, then if they want to subsidize them by \$58 million, I think we ought to see just what subsidy we are putting into it.

Back in 1897 it has been said that the Canadian Pacific Railway knew what they were doing at that time. Perhaps they did. But they also tied in the Canadian National Railways in the same agreement, when they did not participate in it. It keeps striking me that at least logically we should investigate the Crowsnest pass rates and the maritime rate increase and if a subsidy of only \$12 million, or a subsidy of \$58 million is required, let us see just what we are paying for.

Mr. MANN: May I again repeat the point which I made earlier that there is no similarity whatsoever between the Maritime Freight Rates Act and the Crowsnest pass rates.

Mr. DRYSDALE: I am not trying to make them comparable. I am only trying to anticipate. This is a sort of junior freight rate commission which is sitting now. We seem to be getting a preview of what will appear before the royal commission later.

I am sure that the commissioners are quite interested. And by mentioning this point I am trying to inject ideas or suggestions as to things which might possibly be covered when you get into the big commission.

Mr. MANN: Within the framework then of this junior royal commission, please allow me to say again that the railways do not lose one cent by virtue of the Maritimes Freight Rates Act. However, the view might be expressed that the railways do lose money under the Crowsnest pass agreement, but they do not lose money in connection with the Maritime Freight Rates Act. In fact, I would venture to suggest that if it were not for the Maritimes Freight Rates Act the railways would lose money, because if it were not for that act, some of our traffic which just manages to pass over this competitive hump—that traffic would dry up, it would never leave home.

Mr. DRYSDALE: As far as the railways are concerned it does not matter to them where they get the revenue, or whether they ship grain from western Canada for the rest of the people in Canada, or whether they raise the rates by a tremendous volume. They require a certain amount of money and they get it, It would appear logical that if the railway was getting revenue in a sort of equitable basis across Canada that the organization or groups such as the farmers receive their subsidy direct, and that there should be this equitable basis. We can see what this group is receiving from shippers perhaps in other parts of Canada. I know it does not affect the railways at all. They will get whatever millions of dollars they require, and it does not matter from what section of the economy it comes.

Mr. MANN: If I recall the part we took in times past, if it was proved that the Crowsnest pass rates were non-compensatory, then our part of the country at that time said it was agreeable to the payment of subvention to the railways to make up for the loss, if such loss had been established.

Mr. BELL (*Saint John-Albert*): May I refer to this problem to which Mr. Roberts alluded yesterday. You mentioned an example, a situation whereby a lumber shipment from Val D'Or to Montreal, and from Dalhousie to Montreal were similar, and that the 17 per cent increase was applied to both of them. Did the railways refuse you a rate from Val D'Or to Montreal to put our shippers from Dalhousie to Montreal at an unfair advantage? Now, what prompted the railways to do that? Was it done at the instigation of the shippers at Val D'Or, and did our shippers at Dalhousie apply for a similar reduction? I am assuming they were both competitive rates to begin with.

Mr. MANN: If I may say so, even in this field there are always some exceptions. If you have a situation where—I am giving this theoretically, because I think it will explain it better—you have our commodity rate and the Val d'Or rate to Montreal has a commodity rate before the 17 per cent increase, and they both take the 17 per cent increase and then the Val d'Or rate to Montreal is held down by the railways—the 17 per cent increase is taken off—the Val d'Or rate would be transformed into a competitive rate. If it had been so transformed into a competitive rate from a commodity rate, it would not be eligible for the subvention contemplated by bill C-38.

Why was it transformed into a competitive rate? It might have been transformed into a competitive rate because the shippers at Val d'Or went to the railways and said to the railways, "if you do not take the 17 per cent off, we will either buy our own trucks or we will ship by truck". If they can make a satisfactory case with the railways that would convince the railways that competition, either actual or potential, exists, then the railways would do something about it, and presumably the removal of the 17 per cent increase from the Val d'Or rate indicates that the railways must have satisfied them-selves that the traffic was subject to competition erosion.

As to the Dalhousie shipper, he has, of course, the same means at his disposal. Efforts have been made to convince the railways to reduce the rate. As a matter of fact, we are negotiating on behalf of the Maritime Lumber Bureau at the moment with the railways to do something to restore this balance that existed before the 17 per cent increase. There are many factors in these negotiations. I am sure you would not want me to go into them in detail now. But that is just roughly what happens; the competition pressure on commodity rate traffic might make it subject to a transference into the competitive category, which would take it out of the purview of bill C-38.

Mr. BELL (*Saint John-Albert*): What did Mr. Roberts mean when he said, "We like to move as fast as we can on this"? Surely he is saying competition theoretically exists after the 17 per cent increase, as existed before?

Mr. MANN: Not quite. There is always this, and this is where we talk about attrition factors. If you have a general rate increase of a small percentage—say, one per cent—the volume of traffic which would, by virtue of that increase alone, make the traffic more subject to competition would be very small. But if you have an increase in the order of 17 per cent you are creating an umbrella for competitive carriers and more traffic than under the one per cent increase would become subject to competition erosion.

Mr. BELL (*Saint John-Albert*): You mentioned another example, electric stoves, and that is exactly similar, really?

Mr. MANN: I was trying, with that example, to do simply this, that to point to competitive rates statistically in regions is a matter which is interesting, informative and valuable; but there is one element missing, and that is the element of the effect of the competition.

If I have a competitive rate and you have a competitive rate, my traffic may be less subject to competition than your traffic, so therefore the increase might be put on mine. But if it were put on yours, your traffic would be less.

Mr. BELL (*Saint John-Albert*): Have you other examples of discrimination in this way whereby the railways rates—

Mr. MANN: Yes, we have a lot of them. We find, for instance, on canned goods to Montreal from Middleton our traffic moved on class rates. We are increased by 17 per cent. The Leamington canner moved under an agreed charge and took no increase at all. We had a differential against us of 23½ cents per hundred pounds. We now have 60½ cents to absorb, on the Montreal market.

I mentioned the electric ranges. The differentials there have increased from 64 to 83, which our shipper has to absorb. We have iron and steel from Sault Ste. Marie to Orillia, for instance, which was increased slightly. Ours took the full 17 per cent increase.

Mr. BELL (*Saint John-Albert*): Then do I take it from that there is widespread discrimination?

Mr. MANN: I would think so.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I think that is a very serious matter, because that leaves a virtual discretion at the hands of the railways to nullify a 17 per cent increase on shipments within central Canada, and the outside shippers in the maritimes are faced with this extra competition. And even this subsidy bill that is before us now only reduces down to 10 per cent the effect of it. They still have the competition to meet. But the shipper in central Canada has the whole 17 per cent in some cases now.

Mr. MANN: As I mentioned earlier, Mr. Bell, we made a tabulation of exemptions from the 17 per cent increase in central Canada in the Canadian National Railways competitive tariff, and we made the same tabulation in the equivalent C.N.R. tariff for the maritimes. There is no question about this, when

you look at the items, when you think of the vast tonnages and the high value freight that moves between what we call the trailer van and incentive rate circuit of Montreal, Toronto, Hamilton, London and Windsor that has been totally exempted, practically, and when you compare that with the few exemptions which we have on our competitive traffic—mainly petroleum products; in fact, almost exclusively so. There is no question that although we have had exemptions from the increase due to competition, the competition in our part of the country just is not strong enough and we just do not get the same kind of treatment. We cannot escape general increases, such as central Canada can.

Mr. BROWNE (*Vancouver-Kingsway*): I think you have a very valid point there. You have said that competition can get one rate down, but it does not get the other one down.

Mr. MANN: That is right.

Mr. BROWNE (*Vancouver-Kingsway*): You have also shown that even though the maritime freight moves under a subsidy, the subsidy has not kept it down. Does that not bring the problem to this? What we are faced with is ever increasing subsidies, so providing more competition, and undoubtedly continuing increase in those subsidies? Is that not going to keep competition from ever getting anywhere?

Mr. MANN: I think that is a very valid point. There is one ingredient missing in the mix. When you can get a city of 1,500,000 people removed 334 miles from a city of 1,700,000 people, I think we would have competition. I do not know whether you are familiar with the maritimes, but we have a small concentration of 85,000 people in Saint John. I hope I am not going to be resented when I say there is very little between Saint John and Moncton, and in Moncton,—this is not a qualitative analysis; this is a quantitative analysis—we have 42,000 people, I think. We have 200 miles from Moncton to the largest concentration in eastern Canada in the maritimes, 165,000 people.

Mr. BELL (*Saint John-Albert*): Do you not feel that we have to accept our geographical positions? I do not think they can be overcome. That would apply to anywhere. We have to realize that there is going to be a further cost on transportation in those cases.

Mr. MANN: Yes, quite; but what you asked me was, what competition would bring about—the millennium. The thing is, can we have the kind of competition that brings the semi-millennium in central Canada now? That is the point. The cause, the intensity of it by the demographic situation does not exist.

Mr. BELL (*Saint John-Albert*): If we added a further subsidy, how could that competition ever get there? Would it not perpetually get worse and worse? We have been shown that it has acted to the detriment now, and it will go on further.

Mr. MANN: I was hoping I had made it clear that I did not think the Maritime Freight Rates Act subsidy has had an inhibiting effect on the maritime industry.

Mr. BELL (*Saint John-Albert*): In these examples which you gave, Mr. Mann, you said we received a reclassification in petroleum products. Did you have to give examples of other competition, such as truck competition, to the railways, to get this reclassification and the resulting reduction of 17 per cent?

Mr. MANN: It was not a reclassification. We had a competitive rate before, but the competition with this product was strong enough to prevent the railways from increasing the rate; it was a competitive rate not increased.

Mr. BELL (*Saint John-Albert*): In these reclassifications, changes or reductions which the railways have made in central Canada and by which we have tried to prove they have discriminated against us, do you think in your opinion they just sit and arbitrarily decide these things?

Mr. MANN: I would think that they must have satisfied themselves and, since the board has not disallowed any of these rates, presumably the board—I think that is going too far—the rate has not been challenged and, therefore, it must be presumed that competition actually or potentially exists unless the board rules otherwise.

Mr. BELL (*Saint John-Albert*): In your remarks you said we are amateurs in the maritimes in respect to this matter; and then you say their strength to withstand the onslaught of rate increases is a real issue. I feel it goes to the root of our case in the maritimes; and I recognize Mr. Browne's point very seriously that truck competition may be more of an answer than it appears at the present time, except the population and geography that has been mentioned.

Mr. MANN: Well now, the situation is as you mention there. The intensity of competition between the two carriers is an issue which should not be overlooked, because it is that intensity that determines whether a rate can go up or whether it cannot go up. A situation may be competitive but only weakly so. It may be such a situation that if the railway increases its rate by X per cent and it knows that the trucker will also increase his rate by X per cent, the railway would go ahead and do it. If, however, the situation is such that an increase of X per cent will lose the traffic to the trucks, the railway will not increase their rates. Now, the point I was trying to make was while there are agreed charges in our area and the C.T.A. point out how they have grown; while there are competitive rates in our area, that any difference is not enough of an analysis; it must be shown also whether or not these competitive rates can be increased following a rate increase. So the quality of the strength of the competition determines what happens to it. I do not know whether that answers your question.

Mr. CROUSE: From your remarks, it would appear it is almost impossible to have a national transportation policy. These problems are being dealt with at the present time by the transport commissioners on a regional basis, making changes where it suits them, and leaving the rate increase applied to the maritimes and to the west and we are penalized accordingly due to our position.

Mr. MANN: I think the conclusion might be drawn that in effect what we have now is a regional system. It might also be suggested that perhaps a national transportation policy for Canada must consist of a series of regional terms.

Mr. CROUSE: Is it possible to get any figures on the reductions that have been made for various reasons since the 17 per cent increase?

Mr. MANN: Oh, yes.

Mr. CROUSE: I mean the total number, or something like that, that would give us an indication that there has been a greater number made since this increase than there would have normally taken place during a year of operation.

Mr. MANN: I do not know whether we can do it on that basis; but what can be done is to make a comparison of two equivalent tariffs, one for central Canada and one for the maritimes and list the items in each of them that have been exempted from the 17 per cent increase. You will see from a listing that the number of commodities included in the exemption from the 17 per cent increase in Ontario and Quebec is in excess to those that have been exempted in the maritimes.

Mr. DRYSDALE: What do you mean by exempted; was there not an over-all 17 per cent increase?

Mr. MANN: Yes, of course.

Mr. BELL (*Saint John-Albert*): But they were exempted later.

Mr. MANN: When the board issues a judgment and authorizes the railways to increase rates, their judgments are permissive. In respect to competitive rates, the board does not issue a judgment. The competitive rate is within the discretion of the railway.

Mr. DRYSDALE: Yes, I understand it now.

Mr. HORNER (*Jasper-Edson*): I wanted to ask Mr. Mann if that exemption with regard to these rates also applies to western Canada; in other words, there have been exemptions in western Canada on the recent 17 per cent increase.

Mr. MANN: Yes.

Mr. HORNER (*Jasper-Edson*): But not nearly as many as in central Canada.

Mr. MANN: I do not think so, but I am not qualified to answer.

Mr. HORNER (*Jasper-Edson*): You did not make a study of that when you did the other?

Mr. MANN: No. I am sorry to be so parochial but we did not.

Mr. HORNER (*Jasper-Edson*): There should be a statement made to clear up the record in regard to our British Columbia transit. We feel the Crownsnest rates should stay statutory so people cannot monkey with them; and we feel the Canadian Pacific Railway has been adequately subsidized by the assets which they received and the returns from those assets.

Mr. CREAGHAN: Mr. Chairman, I think the answer to the question I am about to ask should be given by either Mr. Knowles or Mr. Kerr. Apparently there has been a lot of concern yesterday and today over the fact that the railways put the 17 per cent on and then in many areas reduced or eliminated it. You used the word "permissive". Is it compulsory for the board to put in the word "permissive" in its judgment or could it not say "keep uniform" and make everybody in Canada absorb the increase? Could the board in its judgment say that the railways shall put it on across the board and extend it to agreed charges and private contracts so that every shipper would share the increase and it would be much more acceptable to the country as a whole?

Mr. BROWNE (*Vancouver-Kingsway*): If they did that they would lose business to the competition.

Mr. KNOWLES: I think that is a legal question with Mr. Kerr had better answer.

Mr. CREAGHAN: I directed it to the three of you.

Mr. KERR: One of the members here said that might result in the railways losing the traffic. If the board compelled them to put in a rate of 17, 20 or 10 per cent increase and the shipper will not ship it that way, should we as a board put in a rate that will not move the traffic? It would be a cheaper rate and would not mean anything.

Mr. CREAGHAN: The companies come to you with a request to raise their rates 20 per cent, they build up a good case that they need it to keep in business, and you grant them permission to do it rather than order them. Then what they do is, instead of coming back to you every three years they come back every year and the minority of the people in Canada are paying it. A few people are paying the burden of these series of increases since 1948 and I think it is unfair to the people of Canada as a whole.

Mr. KERR: Whatever powers the board may have, it will not compel the railways to carry a rate which will not move the traffic. The rate would not be any good to them.

Mr. CREAGHAN: It might keep them from coming to you every six months.

Mr. KERR: They would not make a profit and would not have any traffic to carry. They might get some profit at a lower rate, but not at a rate which will not carry traffic.

Mr. CREAGHAN: Is that not what the railways have been doing over a period of years? They have been putting in a series of increases on a minority of the people and not on all the people and as a result of that competition has grown up in the preferred cargo and the truckers are going after a certain type of cargo, and the railways are leaving that alone and gradually going to the outlying areas like the coal producers or the maritime shippers probably to the detriment of the whole country.

Mr. BELL (*Saint John-Albert*): Do you have any figure available which will show that the deductions, or elements of the 17 per cent increase after its effective date in central Canada, have been abnormal or out of line with the general charges to competitive traffic which would normally take place during a similar period?

Mr. KNOWLES: We do not have any such figures. I could not tell you. However, my impression is the railways have only taken the 17 per cent increase off here and there where they were compelled to do so by competitive conditions.

Mr. BELL (*Saint John-Albert*): I was going to ask for clarification of the matter about which I was asking questions this morning. I understand there is an official from the Department of Transport here. It was along the lines of the interdepartmental committee—the four civil servants who are working on rates and reporting to cabinet. I understand that is only for maritime freight rates.

I further understand there is a committee of the cabinet headed by Colonel Brooks, which is dealing with the entire freight rate problem and in particular this legislation.

The CHAIRMAN: Mr. Darling from the Department of Transport is here and he may wish to answer your question.

Mr. H. J. DARLING (*Chief, Economics Division, Department of Transport*): The only aspect in connection with the freight rates in which this departmental committee is engaged is the study of the possible changes or revisions in the structure of the maritime freight rates legislation.

At the time that this investigation of the interdepartmental committee was announced, an interim solution was made by increasing the subsidy from 20 to 30 per cent, and the committee was charged with the duty of seeing whether or not that was adequate or should be in any way revised or other changes made in that. The other aspects of the committee's work are not directly concerned with freight rates.

Mr. CROUSE: If we had competition in the east and west, to what source would the railroad then look for their revenue? I think this is important because we are apparently being charged the full effect of this increase while the central provinces which have the ability to pay are being let go, as we would say in Nova Scotia, scot-free.

Mr. MANN: Of course, that is one of the crucial points of this whole problem. Where would they go? I do not know and no one does. You might have various ways of meeting it. You either subsidize the whole affair or make sure the railways get a share of the traffic by regulating the other carriers. There are various ways of meeting it.

Mr. DRYSDALE: I would like to ask Mr. Knowles a question. I am going around the big circle and perhaps am getting back to the questions I asked previously. The thing which mystifies me on these base commodity rates is when the 17 per cent increase was granted I would assume there would be X number of shippers coming under these class and commodity rates benefitting from the 17 per cent. We could take an arbitrary figure, say 50,000 shippers. You apparently evolve a figure of \$20 million to assist shippers who were still paying the 17 per cent rate at the time this legislation comes into effect. Have you any idea at all as to what number of shippers will benefit, because I cannot understand how the figure of \$20 million was evolved. Has it gone down to, say, 25,000 shippers getting the benefit of the 17 per cent rate, less the 7 per cent, which would, in effect, be the 10 per cent rate?

Mr. KNOWLES: We have no idea what number of shippers used the increased rates. You will find generally that the same shippers who were using the normal rates are also seeking some competitive rates also. I would say any large business uses every kind of rates and some of their shipments will go in the ordinary class rates and commodity rates, and other shipments will go at competitive rates and other shipments at agreed charges.

I wish to say that the board did not arrive at the \$20 million figure. That is a figure set by the cabinet. I do not know how they did it. They said we are going to give you \$20 million and we want to throw that back on the highest rate traffic.

Mr. DRYSDALE: Well, the thing, you see, that bothers me particularly about this, if we do not really know what the basis was, is that I can see if they base it on my hypothetical figure of, say, 50,000 shippers of the initial 17 per cent who would have this \$20 million benefit, then if through the competitive factor as it went down to 25,000 shippers then we could see where we could give them the same 7 per cent advantage for only \$10 million. I am only trying to save the taxpayer some money.

Mr. CREAGHAN: It would only be 10 per cent, then.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Knowles explained to the committee that they took the amount of freight moving under these rates and made an estimation of what would be lost—attrition, as they described it—and calculated to what amount the subsidy would go, and it came out to 7 per cent.

Mr. KNOWLES: That is correct. Our information shows that there is about \$248 million worth of traffic which came under the 17 per cent increase. After allowing for attrition on that traffic there is \$248 million left. Now, 7 per cent of that is within one-quarter of a million dollars of \$20 million. We do not know how many shippers there are paying the \$248 million.

Mr. DRYSDALE: That is my problem.

Mr. KNOWLES: I cannot tell you, but I think they would be the same shippers. The same shippers would get the 7 per cent reduction as are paying the 17 per cent increase.

Mr. DRYSDALE: You have no idea where it is concentrated: quite easily a few shippers or a tremendous number. You have no idea. That is what I am trying to ascertain.

Mr. KNOWLES: It must be a very large number of shippers. There are 56 per cent of them in western Canada, 26 per cent in central Canada and 16 per cent in the maritimes, according to our waybill study of the way this traffic is made up in the provinces.

Mr. McPHILLIPS: I would like to ask Mr. Knowles if the Board of Transport Commissioners has checked to see that the railways are still being compensated for the costs they incur after they take this 17 per cent off?

Mr. KNOWLES: If we think the rates are still compensatory after they take the 17 per cent off?

Mr. MCPHILLIPS: Yes.

Mr. KNOWLES: No, we have not made any investigation on that except we have one case under investigation. This matter has been mentioned here twice. We have two complaints about the reduction that has been made on lumber for northern Ontario and Quebec. We have called upon the railways to give us this information. That is under investigation at the present time. I cannot say anything more about it because it is sub judice and we do not want to say anything more about what we are going to do or what we will do. That particular complaint that has been mentioned here is under investigation and that is as far as I can go.

Mr. MCPHILLIPS: It would be quite possible then for the railways to be hauling certain traffic in central Canada below cost?

Mr. KNOWLES: Well, you come to the question of what it costs in the first place. I do not think so, because their average return is about two cents per ton mile and that is half a cent per ton mile more than the average of all traffic, 1-1/2 cents per ton mile. I do not think they are losing any money on competitive traffic, at all.

Mr. KENNEDY: May I ask Mr. Mann if there is any indication or trend, in the maritimes regarding the forthcoming opening of the St. Lawrence seaway?

Mr. MANN: Yes, Mr. Kennedy. You want me to mention something about the effects of the St. Lawrence seaway?

Mr. KENNEDY: Yes.

Mr. MANN: Well, we have had one indirect effect as affecting our transportation as such. As a direct result of the opening of the St. Lawrence seaway, the price of feed grades of wheat has gone up to the Atlantic consumer. That is one direct result of it. This indirectly has resulted—there is a connection there—in an increase of 15 cents per hundred in the price of flour to maritime consumers.

The VICE CHAIRMAN: Does that answer your question, Mr. Kennedy?

Mr. KENNEDY: Yes.

The VICE CHAIRMAN: Are those all the questions we have of Mr. Mann?

Thank you very much for your presentation, sir.

I would ask permission of the committee to have these charts that Mr. Mann has given to you printed as an appendix to the proceedings of today. Is that agreeable?

Agreed. (See appendices A and B).

The VICE CHAIRMAN: We have one more witness, gentlemen, and that is Mr. Frawley from the province of Alberta. He has a very short presentation, he says. We do not want to leave out any of the regions.

Mr. J. J. FRAWLEY (*Counsel for the province of Alberta*): Mr. Chairman and members of the committee, I would not be here speaking to you at all except for the fact that we were invited and it was more or less intimated to us that the provincial governments would answer Mr. Magee's representations.

I repeat again, I have no instructions from the government of Alberta with respect to this bill. We certainly should be satisfied with the bill. We were certainly not the most silent of the provinces that clamoured for some treatment of this kind, so that we have nothing at all to say by way of objection to this bill except to say in passing that it leaves us with a 10 per cent increase in freight rates which is just as discriminatory, just as unfair in its application

to western Canada as the 17 per cent that was authorized by the board. As long as the Minister of Finance tells us that he can only let us have \$20 million then I think what has been worked out is a very fair way of spending the \$20 million. Speaking personally I want as little tinkering with that \$20 million as is possible.

I am here to object to Mr. Magee's presentation because he said he does not want this bill passed. I want it to pass and I hope to be able to tell you in a very few minutes, why I think some of the things Mr. Magee said are unfounded. If I did not speak at all it might be, thought or implied that I supported Mr. Magee.

I think I should say, though, that I find it rather embarrassing to take sides against Mr. Magee. It is rather notorious that the climate in Alberta is very favourably disposed towards the trucking industry. We do not discourage the truckers. There is good reason for that. We think a strong, virile trucking industry particularly in long-haul traffic is a very fine thing for the freight rate structure. We have been fighting the battle of the truckers—I think that is not too strong an expression—for quite some years because we are afraid that through the medium of Agreed Charges which are growing at a surprising rate, that it could very well be that the trucking industry will be knocked to its knees. We do not want that in Alberta.

That is why I say it is a little embarrassing to have to part company with Mr. Magee. However I am sure he knows that after this is finished we will resume the friendship we have always had.

Mr. Magee said that we have only had a 58 per cent increase in freight rates. Because the time is short, I will not say very much about that because Mr. Mauro and Mr. Mann dealt with that. I know to the contrary, of course. I know that some traffic, not all the traffic—that is all, really, that Mr. Magee said—but I know that some traffic in my province has paid 157 per cent more and is now paying 157 per cent more than was paid on April 6, 1948. I have here a statement of freight rate increases which we filed with the cabinet last November.

All Mr. Magee is saying is, that when you mix it up, when you take all the revenue which the railway earns, the short-haul revenue which is high per ton mile, the long-haul revenue which is low per ton mile, the sand and gravel which is low per ton mile, the boots and shoes which is high per ton mile, when you mix it all up you come out with the revenue per ton mile. The Canadian Pacific Railway's revenue per ton mile in 1957 was 1½ cents and the Canadian National Railways' was 1.6 cents. That does not mean anything to the committee in my respectful submission, it does not mean anything to challenge the veracity of the statement that some of the traffic has paid 157 per cent. That, after all, is the crux of the case we put before the cabinet.

We put to the cabinet that because all the traffic did not take freight rate increases the situation had reached a completely intolerable situation.

I would like to say—because Mr. Magee said we went to the cabinet crying for a subsidy—we did not. We went to the cabinet to submit that the situation as disclosed in the railways' own exhibits has now reached a stage where we have got to the end of the road in western Canada, in any event, and in the maritimes. We wanted no more freight rate increases until there had been a complete re-appraisal of the freight rate structure. That was the primary position we put to the cabinet: "We want a re-appraisal of the freight rate structure. If in the meantime—because next Monday morning a strike is coming—you have to do something with this 17 per cent that has been authorized, and that is pretty obvious, this has to come out of the privy purse" and that is where the cabinet took it from.

They also said "We will give you this thorough re-appraisal of the freight rate structure". That is what Alberta wants. I challenge Mr. Magee more for what he said regarding distortion—to which I am now going to refer—than I do for his statement that we are not now paying 157 per cent more than we paid prior to April, 1948.

I object to what Mr. Magee said at page 15 of his brief. He said:

If we could go beyond the national figures on the amount of freight rate increase and ferret out the actual increase in the railways' revenue per ton mile by regions and between regions of Canada during the past decade we would have authentic facts about the alleged "imbalance" and "distortion"—.

He put those words in quotation marks and I would not be surprised he took them perhaps from the brief we submitted to the Board, or to the cabinet:

—in the freight rate structure on which the eight provincial governments expressed themselves so eloquently—

I assert, gentlemen, that there is distortion in the freight rate structure and it is that distortion that took us to the cabinet. When you have the admission on the railways' own figures that 75 per cent of the increase which they are seeking is going to be extracted—and I use that word extracted in its full meaning—from 35 per cent of the revenue, that is the Canadian National. I am looking now at the Canadian Pacific picture—this is Canadian Pacific's own exhibit 58-22 which you will find reproduced in full in the judgment of the Board—when you have reached a situation in the freight rate structure where 73.53 per cent of the increase that you are asking from the Board must be taken from 32.03 per cent of the revenue, then I say it is certainly not only time for a halt but it is almost too late.

We should have had a halt long before because it is not only this last 17 per cent increase that should be criticized on this same ground of unfair application but the last one and the one before that and the one before that.

For several years now the railways have been extracting from the normal rates—those rates to which the government of Canada has now sought to give some relief—the railways have for years been extracting from those rates the full measure, almost the full measure of the freight rate increases that they go to the board periodically to obtain. So much so that speaking for Alberta I am no longer concerned in opposing the railways' cases to the board for a freight rate increase. I will confine my opposition to the way in which they are going to take the increase from the people, because they are taking it from my people in a very unfair and a very distorted way. This statement shows that grain and grain products represent 9.38 per cent of the traffic. If you are looking at Exhibit 58-22 you will find the dollars but not the percentages. The document I have in my hand is a railway exhibit on which I have worked the percentages and grain and grain products represent 9.38 per cent of the revenue and takes no increase. Then you find international, overhead and other traffic related to that traffic represents—29.62 per cent of the railway's revenue, and you find that takes no part of the increase. I am speaking of Canadian increases. You find that coal and coke takes 4 per cent but competitive rates which represent 12.32 per cent of the revenue is allegedly going to take 17.6 per cent of the increase. I stop there and say that is a figure which you have to query, because they hope to put 17 per cent of the increase on competitive rates. They would be put on to start with. No, I cannot say that. Actually, in connection with the last case there were some segments of the competitive rate structure that they did not put any increase on at all or even endeavoured to.

They went out to western Canada two years ago and put on very, very low truck competitive rates out of Winnipeg—the so-called incentive rates—the incentive being to try and get some of the traffic the trucks had taken from them. They put in a very low level of rates and they did not put on any of the 17 per cent, they did not attempt to put any of the 17 per cent increase on them. The competition was such that they could not.

We now come to agreed charges. They represent on this document 11 $\frac{3}{4}$  per cent of the revenue and it is more now. They are taking—and it is amusing, I worked out the percentage largely for the purpose of looking at it, agreed charges are going to take 1.75 per cent of the increase, and that is only because in a few agreed charges there are escalator clauses and those will take any authorized increase. In the case of the Canadian National they estimate that they will get from the agreed charges .8 per cent—eight-tenths of one per cent of the increase. So for practical purposes agreed charges are out in so far as increases are concerned.

Then, we come to the hard core of the freight rate structure, which is called “all other freight traffic” in the railway exhibit. Those are the normal class and non-competitive commodity rates, which are the subject of this bill. They have now shrunk as of the date of this exhibit 58-22 to 32 per cent. That is the traffic which the railways say must take three-quarters of this increase.

Is it any wonder that these “emotional” provinces said that the time has come when we want a complete halt. I am bold enough to think we made a pretty good case to the federal government and I will go further—this is only my opinion—that if there was not a strike coming the next Monday morning we would not have had any part of that 17 per cent allowed to come into effect. “All right,” the government would have said, “here is your re-appraised.” But obviously they could not do that. Mr. Mann’s statement that he made at the conclusion of the case pointed out that. We did not go in there asking the government not to give these railway workers their wages. I think they understood precisely what we were saying.

When Mr. Magee says there is no distortion in the freight rate structure I could talk for a much longer time than you would be willing to listen to me. I will just give you a very few examples. I wonder whether Mr. Magee thinks it is distortion when a farmer in Alberta finds that he has paid a freight rate increase of 157 per cent on his farm machinery over April 1948 when the farmer in Ontario, buying from the same factories in the United States has only paid a total rate increase of 112 per cent, because, you see, he brings his farm machinery in on one of those single factor joint through international rates.

Those are rates in which the railways divide the revenue. On those rates, it is joint; they are single factor general through rates. They are the rates which get the American increases—they get no Canadian increases. I put it to you there are the two farmers. I put that to you when you talk about distortion in the freight rate structure. A pipe mill in Edmonton has to pay a freight rate of \$1.81 on the coiled steel which it has to buy to make pipe, and a mill at Port Mann in British Columbia pays 95 cents from the same steel mill then when the railways go before the board for a freight rate increase—and Edmonton has to pay 17 per cent on top of its rate, while the mill in Port Mann pays zero increase because it has an agreed charge, I call that a distortion in the freight rate structure. Yet Mr. Magee says it is just emotional, that there is no distortion in the freight rate structure.

This distortion extends even into the province of Saskatchewan—I find that on the same coiled steel for the mill in Regina they have to pay \$1.81 as against the 95 cents which is paid to the west coast. I am only stating that now because I want to rebut the statement made that there was no real distortion, only an alleged distortion in the freight rate structure.

I say that to my friend Mr. Magee instead of coming before this committee and asking to have this bill not reported out, because that is the point of it as far as I am concerned I learned a long time ago never to underestimate your opponent, no matter how much you think there is little substance in his case, because you are not the judge. That is why I thought I should say what I had to say however little it might convince you.

I say that instead of Mr. Magee's endeavouring to put up the average revenue per ton mile against the impact of this 157 per cent freight rate increase, he should be worrying about agreed charges. That is the serious situation in so far as the trucking industry is concerned.

On March 31 of this year there were 626 agreed charges in effect. I give you this to indicate the speed at which they are climbing. On April 15, just two weeks later, there were 642 agreed charges in effect. They are coming into the board's office at the rate of two per day.

In 1955 a royal commission sat to consider the subject of agreed charges. You will be surprised to know that that royal commission recommended that the board's control over agreed charges be almost completely removed. I do not know whether you realize it, but the board now has virtually no control at all over agreed charges. They are just a rubber stamp. They did have control but the railways objected before the Royal Commission on Agreed Charges, so now there is no control over them. That is one thing which has speeded up these agreed charges.

There is another thing which affects Alberta and Saskatchewan more particularly. The same royal commission recommended that something we had in the railway structure for some time, the one and one third rule, should not apply to agreed charges. It was simply an exception of agreed charges.

We know what the situation is with coiled steel going into Port Mann for 95 cents and into Edmonton for \$1.81. If they did not do that through an agreed charge they could not charge us more than 95 cents plus one third and bear in mind that it is 700 miles less of a haul. There is a lot more I could say about it, but I shall rest at this point and rely on what Mr. Mauro and Mr. Mann have said. But before I sit down I must take a few minutes to say something about coal, because my friend Mr. Blair came before the committee by way of appeal from the last judgment of the board.

The first thing I want to say about Mr. Blair and his clients, the Estevan operators, is that they could have appealed to the cabinet.

When we were there protesting against the distortion in the freight rate structure and they could have had a complete reappraisal of the situation.

Mr. Blair's strip-miners in Estevan could have been there and could have protested against the board's refusal to continue the B.T.U. differential which we enjoyed for some time. We, in Alberta, enjoyed the differential of one and a third for a time and then lost it. And those people lost the differential when the board changed its mind—and properly changed its mind, in our opinion—because as far as we are concerned in Alberta, we do not think lignite coal should get any preferential treatment over our coal, particularly when we have lots of cheap coal, and sub-bituminous coal.

Mr. Blair talks about coal worth \$2 a ton at the mine-mouth in Estevan. I can show him so much coal in the Drumheller Valley for \$1 that it will be coming out of his ears. That is one reason why I submit, with great respect, this committee should reject Mr. Blair's submission. The next reason is that the board has just completed its hearing on equalization of freight rates on coal, which they are required to do by the national freight rates policy laid down in the 1951 amendments to the Railway Act, and I think we might well wait to see what the board brings out of that deliberation.

The next thing, and perhaps the most important thing I want to say is that the place for Mr. Blair to go, if he says there is a need,—and I was quite interested in what the minister said yesterday about the need of various segments of the industry—for special consideration is, in my opinion, the Dominion Coal Board. That is what the Dominion Coal Board is there for. When the maritime coal operators want to get into the Toronto market, they go to the dominion coal board and get relief; and if what I see in the newspapers is true, they have been getting quite a bit of relief lately. And when we want to get into Japan, we go to the dominion coal board; and it is to the credit of the dominion coal board—well, it is not to their credit, really; it is to the credit of the government of Canada—that we got the subvention on coal to Japan increased from \$4 to \$4.50. That is going to help a great deal. So if Mr. Blair thinks his clients need something more, I say, with great respect, let us not dilute this small amount of \$20 million, and let him go to the dominion coal board and get something from them.

Mr. Chairman, you have borne with me quite long enough. I had a shorter time than my friends, but in view of the very good presentations they made, I think I have said enough. As far as the province of Alberta is concerned, I ask you to report the bill without any amendments.

The VICE-CHAIRMAN: Thank you very much, Mr. Frawley. I am sorry to say, gentlemen, that we will not be able to get the bill through tonight. We hoped to get the bill through this evening, but we have lost a quorum. So we will have to meet tomorrow morning at 9 o'clock in room 356S. Perhaps we will be able to begin at 9 o'clock sharp.

Mr. HORNER (*Acadia*): What room was that, again?

The VICE-CHAIRMAN: 356S; it is up in the Senate.

The committee adjourned.

## STATEMENT 1

TABULATION OF INTRA-TERRITORIAL MOVEMENTS SHOWING BY REVENUE AND TONNAGE THE PERCENTAGE RELATIONSHIP OF EACH TYPE OF RATE TO THE TOTAL MOVEMENT WITHIN EACH RATE TERRITORY

Rate Territory	Type of Rate	Percentage Relationship to Total Movement Within Territory	
		Revenue	Tonnage
		%	%
Within Maritime.....	Non-Competitive.....	69.05	72.20
“ Eastern.....	“.....	54.48	49.85
“ Western.....	“.....	50.05	38.83
“ Maritime.....	Competitive.....	29.14	26.39
“ Eastern.....	“.....	34.08	40.15
“ Western.....	“.....	8.40	11.27
“ Maritime.....	Agreed Charge.....	1.81	1.41
“ Eastern.....	“.....	10.44	10.00
“ Western.....	“.....	10.46	7.77
“ Western.....	Statutory.....	31.09	42.13
“ Maritime.....	Competitive and Agreed Charge	30.95	27.80
“ Eastern.....	Competitive and Agreed Charge	44.52	50.15
“ Western.....	Competitive and Agreed Charge and Statutory.....	49.95	61.17

NOTE: Exclusive of US Related Traffic and Traffic Rated as "Mixed Shipments"

SOURCE: The Board of Transport Commissioners of Canada, Waybill Analysis, 1957  
Maritimes Transportation Commission November, 1958

## STATEMENT 2

TABULATION OF MOVEMENTS FROM ONE RATE TERRITORY TO OTHER RATE TERRITORIES SHOWING BY REVENUE AND TONNAGE THE PERCENTAGE RELATIONSHIP OF EACH TYPE OF RATE TO THE TOTAL MOVEMENT FROM THAT TERRITORY

Rate Territory	Type of Rate	Percentage Relationship to Total Movement from Territory	
		Revenue	Tonnage
		%	%
From Maritime.....	Non-Competitive.....	69.72	71.36
“ Eastern.....	“.....	57.64	70.79
“ Western.....	“.....	53.17	54.07
“ Maritime.....	Competitive.....	11.19	12.47
“ Eastern.....	“.....	18.30	15.85
“ Western.....	“.....	43.92	43.59
“ Maritime.....	Agreed Charge.....	19.08	16.17
“ Eastern.....	“.....	24.06	13.36
“ Western.....	“.....	2.91	2.33
“ Maritime.....	Competitive and Agreed Charge	30.17	28.64
“ Eastern.....	Competitive and Agreed Charge	42.36	29.21
“ Western.....	Competitive and Agreed Charge	46.83	45.82

NOTE: Exclusive of US Related Traffic and Traffic Rated as "Mixed Shipments"

SOURCE: The Board of Transport Commissioners of Canada, Waybill Analysis, 1957  
Maritimes Transportation Commission November, 1958

## STATEMENT 3

TABULATION OF MOVEMENTS INTO ONE RATE TERRITORY FROM OTHER RATE TERRITORIES SHOWING BY REVENUE AND TONNAGE THE PERCENTAGE RELATIONSHIP OF EACH TYPE OF RATE TO THE TOTAL MOVEMENT INTO THAT TERRITORY

Rate Territory	Type of Rate	Percentage Relationship to Total Movement into Territory	
		Revenue	Tonnage
		%	%
Into Maritime.....	Non-Competitive.....	78.98	86.71
“ Eastern.....	“ .....	56.75	63.66
“ Western.....	“ .....	50.36	51.12
“ Maritime.....	Competitive.....	19.11	10.71
“ Eastern.....	“ .....	35.98	26.06
“ Western.....	“ .....	18.22	19.20
“ Maritime.....	Agreed Charge.....	1.91	2.58
“ Eastern.....	“ .....	7.27	10.28
“ Western.....	“ .....	31.42	29.68
“ Maritime.....	Competitive and Agreed Charge	21.02	13.29
“ Eastern.....	Competitive and Agreed Charge	43.25	36.34
“ Western.....	Competitive and Agreed Charge	49.64	48.88

NOTE: Exclusive of US Related Traffic and Traffic Rated as “Mixed Shipments”

SOURCE: The Board of Transport Commissioners of Canada, Waybill Analysis, 1957

Maritimes Transportation Commission November, 1958

## APPENDIX “B”

NET TON MILES PER HEAD OF POPULATION BY PROVINCE PRODUCED BY THE TRUCKING INDUSTRY IN 1957

(Figures in brackets denote rank among Provinces)

## TYPE OF TRUCKING

Province	For Hire	Private Intercity	Farm
Newfoundland.....	25 (10)	28 (10)	1 (10)
Prince Edward Island.....	94 (8)	75 (8)	458 (1)
Nova Scotia.....	150 (6)	146 (6)	151 (2)
New Brunswick.....	86 (9)	266 (1)	103 (5)
Quebec.....	216 (5)	223 (3)	86 (7 & 8)
Ontario.....	381 (2)	265 (2)	122 (4)
Manitoba.....	137 (7)	48 (9)	41 (9)
Saskatchewan.....	264 (4)	168 (4 & 5)	134 (3)
Alberta.....	600 (1)	108 (7)	86 (7 & 8)
British Columbia.....	276 (3)	168 (4 & 5)	92 (6)

SOURCE: D.B.S. 1956 Census Figures

D.B.S. Motor Transport Traffic Statistics, National Estimates 1957

PREPARED BY: Maritime Transportation Commission  
April 15, 1959.

## EVIDENCE

THURSDAY, April 17, 1959.  
9:00 a.m.

The VICE-CHAIRMAN (Mr. Howe): Gentlemen, it is nice to get away to a good start this morning. We are still on clause 1 of Bill C-38. We pretty well finished with the witnesses last night. However, there was one question that Mr. Charnock asked of Mr. Magee, that he wanted to have answered. I will ask Mr. Magee to reply to that question.

Mr. John MAGEE (*Executive Secretary, Canadian Trucking Associations*): Mr. Chairman, and hon. members of the committee. The question asked, I believe, was, are truck rates based on costs.

For the trucking industry, just like other businesses, costs are the most important ingredient of rate-making. No trucker could afford for long to move freight at rates lower than his costs. Individual trucking enterprises which are by their very nature smaller than nearly all railway undertakings, have to and do pay the closest attention to their costs on particular hauls and operations, and will try to quote rates which will give them a reasonable return over and above their particular costs.

In costs they would include both capital costs, such as depreciation and interest, as well as their out-of-pocket expenses.

While costs thus defined will set the minimum limit for rates, the ordinary free enterprise criteria of competition, changes in equipment, changes in method and attractiveness of and frequency of service will enter into the actual rate-making. Foremost among these influences are, of course, the rates of our main competitors, the railways. Trucking firms will have to charge within the rate pattern set by their formidable rivals and will attempt to be truly competitive by any means open to them.

This adaptation to railway rates predominantly takes the form of increasing efficiency, cutting down operating costs, increasing payloads and generally adopting better methods.

In brief, then, we have a constant and continuing relationship between costs of the trucking firm, railway rates and improvements in technological and operating efficiency of the motor carrier.

The VICE-CHAIRMAN: Thank you Mr. Magee.

We are now down to the bill. Gentlemen, shall clause 1 carry?

Clauses 1 and 2 agreed to.

On clause 3—revision of rates.

Mr. CHEVRIER: Mr. Chairman, on subclause (1) I would like to move that the words "increased by seventeen per cent" in lines 18 and 19 be struck out. The object of that motion is to allow the application of the subsidy to those rates which have not been increased by the full 17 per cent. It is in lines 18 and 19; the words after 96300 "increased by seventeen per cent" be struck out so that the application of subclause (1) would go to all rates that have been increased by any amount up to 17 per cent.

Mr. HORNER: (*Jasper-Edson*): Mr. Chairman, I oppose this motion on the ground that it is going to increase the discrimination against both eastern and western Canada.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I just want to say that we feel, I think, in the maritime region—this is my own personal view and Mr.

Mann made the point very clearly—that there was this 17 per cent horizontal increase and the present legislation lets this down in the same horizontal way. We feel satisfied with the legislation the way it is. We therefore oppose this motion of Mr. Chevrier's.

Mr. HORNER (*Acadia*): Mr. Chairman, I also oppose the amendment, because in striking out those words it would mean, to my belief, that the 7 per cent reduction would go on rates that were already reduced from 17 per cent due to competition; then the truckers and the other forms of competition would have a bigger beef, shall I say, against this act. I think it is better the way it is.

Mr. DRYSDALE: Mr. Chairman, I think I would be opposed to Mr. Chevrier's resolution on the basis of the explanation we have been given by the commissioners and by the minister, that the intention was to benefit only those rates which had been increased to and were maintained at the 17 per cent. To make this alteration would defeat what the intention of the bill was.

The VICE-CHAIRMAN: We have a motion by Mr. Chevrier. Have we a seconder?

Mr. BADANAI: I will second it.

Mr. CHEVRIER: May I just answer this question of discrimination? I think that on the contrary this makes the impact of the horizontal rates less aggravating to the increase on horizontal rates, and that is the purpose of making it, so that all the rates that have been increased will also be decreased. I do not think it can be said that it extends the application of the discrimination because of the horizontal rate increases.

Mr. HORNER (*Acadia*): Mr. Mann in his testimony yesterday showed that as far as the eastern area and the central area were concerned, the central area had had a much higher percentage of decreases in the 17 per cent than the eastern area, and I very strongly suggest, the western area. That is the basis of my suggestion, that it would amount to discrimination.

The VICE-CHAIRMAN: We have a motion by Mr. Chevrier, seconded by Mr. Badanai that the words "increased by 17 per cent" in lines 18 and 19 of clause 3 (1) be struck out. Those in favour of the motion? Those opposed to the motion?

Motion negatived.

Mr. McPHILLIPS: Mr. Chairman, in regard to subclause (2) of clause 3, in the fourth line there appear these words, "and the traffic in respect of..." Now, none of the witnesses, of course, had anything to say about this, but what is the effect of that? Does that give the board the further power to pick and choose as between what type of traffic is going to be relieved?

Mr. CHEVRIER: We have not got rid of (1) yet.

Mr. L. J. KNOWLES (*Commissioner, Board of Transport Commissioners*): That clause simply ties it up to the first clause with regard to the reduction in class and commodity rates.

Mr. McPHILLIPS: But that does not really answer the question. We understand it is class and commodity rates; but do those words in effect give the board the right to pick and choose in that area of class and commodity rates as between one type of traffic and another? Can they relieve one type and let another type take the full shot?

Mr. KNOWLES: Well, as far as I am concerned I pretty well understand it and I know the direction contained in the first clause "the board shall" do so and so, and that is to order a reduction in the rates that were increased 17 per cent, all rates that were increased 17 per cent, all normal class and commodity rates.

Mr. MCPHILLIPS: Yes, but this subclause (2) goes on and says what you may do in your order. It says:

In any order made by the board under this section the board shall specify the manner in which rates shall be revised and the period, not exceeding one year, during which and the traffic in respect of which the revised rates shall be applicable.

Would that not give you the power to prefer one type of traffic over another?

Mr. KNOWLES: I do not think so. It simply confirms what we are trying to do in subclause (1).

Mr. MCPHILLIPS: In other words, "and the traffic in respect of which" could come out and it would not alter it?

Mr. KNOWLES: Well, I am not a lawyer, but I would think that those words simply confirm what is in subclause (1); and if you want to take them out I do not think it will make any difference. The Department of Justice drafted these clauses and it would take a lawyer to say whether we should do this, that or the other, under this act. I know if I had to sign this order I would know exactly what I was doing. I will not pick or choose at all. I will put the reduction on the class and commodity rates that were increased 17 per cent.

Mr. DRYSDALE: Mr. Chairman, I think in subclause (1), about the third line, it says:

Forthwith upon the coming into force of this act, the board shall by order require the companies to revise such of their class rates and commodity rates...

I think that would come in with Mr. McPhillips' interpretation of these class and commodity rates which take that 17 per cent reduction, and I think subclause (2) would be all right.

Mr. MCPHILLIPS: You see, Mr. Chairman, when the word "traffic" is used it indicates distinctly a particular type of freight carriage. Mr. Knowles says he is not a lawyer; I am a lawyer, which makes me a little leery of these words. It could well be that with these words in there the board could say, "Well, out of these various types of traffic they all will not be 17 per cent, but we will decrease this particular traffic, marine paint," or something else, and leave the doors wide open for them to pick and choose.

Mr. CROUSE: Is not that picking and choosing limited because in line 4 of subclause (1) it says:

Rates ..... in effect at the commencement of this Act .....

Does that not limit the powers of the board?

Mr. MCPHILLIPS: That is the whole field of the 17 per cent but when you come to subclause (2) and narrow it down, then can they prefer one type of freight carriage against another, both of which have taken the 17 per cent?

The VICE CHAIRMAN: It is too bad we have not somebody from the Department of Transport here. If we had one of the lawyers here who drew this up, he might be able to explain why this clause was put in, "traffic in respect of which". What do you feel about that, Mr. Knowles?

Mr. KNOWLES: I think if the committee has any doubt about it, they should have a legal opinion on it. I am not a lawyer but that was drafted, I think, by the assistant deputy minister of Justice.

Mr. CHEVRIER: If I can be of any use on this—I think the practice is to have a legislative committee of the cabinet deal first of all with the bill and then it goes to Justice. While I am not commenting either one way or the other

on it, I would think Justice have gone into the wording of that very carefully, so that it carries out in its second part what is in the first part. I think it is just to describe more clearly what the form of the order shall be.

If I understand it, the order is all ready and raring to go. Am I right in that?

Mr. KNOWLES: I beg your pardon?

Mr. CHEVRIER: If I understand it the order is ready to be filed at any moment.

Mr. KNOWLES: No, it is not, Mr. Chevrier. The chief commissioner has asked everybody who has anything to do with this to suggest a draft of the order. I have three drafts now and it is up to the board, the whole six of us, to determined whether this one is right or that one, or whether we will use a combination of all three.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, would it be in order for us to express a sort of worry over this in a legal way and still report the bill back to the house, if there are no other amendments. At that stage, then, the legal officers of the Department of Transport could have a second look at it and Mr. McPhillips, if he wishes to, can consult them personally. There still would be time, when it does get into the house, to change that wording, if it is felt necessary.

Mr. CHEVRIER: Mr. Chairman, I think if there is any doubt in the minds of the committee the thing to do is to stand the clause and get some advice.

Mr. BELL (*Saint John-Albert*): We are not actually in doubt on it; we are just wondering.

Mr. CREAGHAN: Mr. Chairman, in that subclause (2) it is in my mind—and I think Mr. Chevrier agrees with me—that this certainly would be referring to subclause (1) of clause 3 where it says, "traffic in respect of which the revised rates shall be applicable" and on which the 17 per cent applies in effect at the commencement of the act. Perhaps they wanted to get it into two pages, I do not know what was behind it. However, it does not in any way hurt the purpose of the bill and it just repeats that the revision shall apply only to the 17 per cent mentioned in the first part of the section.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chairman, I think it will have a great deal of effect on the section. I would like personally to be sure that this would apply to each and every rate that has been increased by 17 per cent.

Mr. CHEVRIER: That is covered by the words "increased by seventeen per cent".

Mr. BROWNE (*Vancouver-Kingsway*): But in taking the two subclauses in conjunction, there is no clear stipulation at all that rates increased by 17 per cent have to be decreased.

Mr. R. KERR (*Chief Commissioner, Board of Transport Commissioners*): If I may say a word I agree completely with what Mr. Chevrier and Mr. Creaghan have said. In my view I am not giving any ruling here in reference to the board but in my view the marginal note to subclause (2) indicates that it is as to the form of the order.

Our view is that it only goes to the form of the order and certainly if you wish any assurance from the members of the board who are here, there is no intention whatsoever to pick and choose traffic that will receive the reduction. The traffic that will receive the reduction is specified in subclause (1).

Mr. McPHILLIPS: Mr. Knowles, in answer to my question, pointed out that those words in effect were surplusage, that they would not choose between traffic and that subclause (2) could be operable without them, so I am going to move that the words—

Mr. CHEVRIER: Before you do that, we have not disposed of (1) and I have another amendment to make to (1). You are discussing (2).

Mr. McPHILLIPS: The chairman permitted me to do it. What is your argument?

Mr. CHEVRIER: I tried to interrupt you but you were going so fast, I did not succeed. I said you were on (2) but I am still on (1).

The VICE CHAIRMAN: I do not think it has been the custom in the past to go through the bill item by item, in the clauses. However, we will listen to you, Mr. Chevrier.

Mr. CHEVRIER: I have another amendment to make at the end of 3(1), to add the words:

Provided the reduction thereby effected shall not be less than seven per cent.

That is the point I made earlier. I thought that over and above the guarantee of the \$20 million subsidy there should also be the assurance that the reduction should not be less than seven per cent.

The VICE CHAIRMAN: Would you write that out, Mr. Chevrier?

While Mr. Chevrier is writing that out, I might say, gentlemen, that the secretary has gone to get in touch with the Department of Transport to see if he can get some legal party from that department, to come over and clarify the clause that you are in doubt about. We can stand this clause until such time as we know if anyone will be here.

Mr. BELL (*Saint John-Albert*): I wonder if we could have an expression of opinion from Mr. Knowles about this? I take it that it would mean that the money would not last a full year and would probably expire earlier.

Mr. KNOWLES: If there is an increase in the traffic on which the reduction will be made, probably we will use up the money in 7, 8, 9, 10 or 11 months, if you put any specific amount on it.

Mr. HORNER (*Jasper-Edson*): It is contradictory to the foregoing part of the subclause, in my opinion.

Mr. DRYSDALE: Could you read the amendment again, Mr. Chairman?

The VICE CHAIRMAN: Yes. Have you a seconder to this motion, Mr. Chevrier?

Mr. BADANAI: I will second it.

The VICE CHAIRMAN:

Moved by Mr. Chevrier and seconded by Mr. Badanai "That at the end of clause 3, subclause (1) the following words be added; "Provided the reductions thereby effected shall not be less than seven per cent" "

Mr. DRYSDALE: So that the \$20 million is still in?

The VICE CHAIRMAN: Yes.

Mr. CROUSE: Mr. Chairman, the application of this would mean that if the money ran out in ten months, if the \$20 million were used up in ten months, it would automatically mean at that period for the balance of the year, an increase of seven per cent to the shippers, whereas if this resolution was not applied the total reduction for a twelve-month period might be six per cent but it would be spread out and be more extended.

With that interpretation I would be opposed to the motion moved by Mr. Chevrier.

Mr. CHEVRIER: That is, if that interpretation is correct. What I say in answer to that is this, that that argument applies equally to the subclause that was amended.

Mr. CREAGHAN: No, because the board has assured us that this percentage which is an estimate will fluctuate quite a bit, depending on the traffic. I can visualize some very small shipper—who might only send one parcel to some relative in the nine or ten months—might not get any reduction, and those are the people we want to benefit, the people who might send a chesterfield or chair from one family to another. That person will probably get no benefit at all because the money obviously would run out, if it were confined to a seven per cent discount.

Mr. CHEVRIER: What happens if the traffic increases as Mr. Knowles has suggested, and the \$20 million runs out and it is equivalent to five per cent?

Mr. CREAGHAN: The \$20 million cannot run out because they intend to prorate it on a percentage basis which will vary, if traffic justifies proration down to 5½ or 6 per cent, depending on the traffic.

We had evidence from an office of the Canadian Pacific Railway that many of the shippers put the 17 per cent on, and then it is reduced; so these people are automatically out now. It could be if we leave it the way it is, and not put any specific amount of percentage, that instead of getting seven per cent as you are suggesting, many hundreds of thousands of small shippers might get seven per cent or eight per cent, the way it reads now.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, this Bill is set out in a certain way and we have studied for the last three days the effect of it. We were told by Mr. Knowles particularly yesterday the reason why it was recommended in this form, and the reason why certain figures were chosen. I feel that to change this now will merely affect the desired result that we have been assured will come into being. It would go to the principle of the bill and could very easily discriminate against a certain area if this change were made. I do not say that we can assess the way it would be unfavourable to a region, but I do say that a particular bulge in the traffic in a certain area could cause discrimination against another area. That, to my mind, would be against the principle of the bill, and I am afraid I would be opposed to this amendment.

The VICE CHAIRMAN: We have a motion, gentlemen, by Mr. Chevrier and seconded by Mr. Badanai. Shall I read it again? "That at the end of clause 3, subclause (1), the following words be added: "Provided the reductions thereby effected shall not be less than 7 per cent." Those in favour of the motion will please signify. Those opposed?

Motion negatived.

The VICE CHAIRMAN: Is it agreed that we let clause 3 stand until we get some information?

Mr. DRYSDALE: I agree, yes.

On clause 4—Payments out of C.R.F.

Agreed to.

On Clause 5—Limit.

Agreed to.

On clause 6—Powers of board.

Agreed to.

On clause 7—Maritime freight rates.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, on clause 7 I wonder if for the record we could ask Mr. Mann, without going into the Maritime Freight Rates Act, if he is satisfied that this will have the desired effect as far as the purposes of the Maritime Freight Rates Act are concerned? Do you feel satisfied there would not be any difficulty with this amendment?

Mr. HOWARD MANN (*Manager, Maritime Transportation Commission*): Mr. Chairman, if I may answer the question, I think an amendment is necessary to allow the board to do a certain thing under the Maritime Freight Rates Act

in pursuance of section 3, subsection (2), subparagraph (b) of the Maritime Freight Rates Act. I think the members of the board will agree that that was necessary to be placed in this bill in order to enable the board to do this thing.

Mr. CHEVRIER: Well, it is so there will be no conflict between the Railway Act and this act?

Mr. MANN: That is right.

Clause 7 agreed to.

Title agreed to.

The VICE CHAIRMAN: Well, we will have to recess for a few minutes until these people from the Department of Transport come up.

Mr. CHEVRIER: Why can we not apply to this section the same very potent argument just used by my friend Mr. Bell, that because great consideration has been given to this, the section must be all right?

The VICE CHAIRMAN: Is that agreeable to you, Mr. McPhillips?

Mr. McPHILLIPS: No.

Mr. CHEVRIER: If it applies in one instance it should apply in the other.

Mr. BELL (*Saint John-Albert*): I am almost inclined to agree with Mr. Chevrier.

Mr. CHEVRIER: Well, if you will allow me, I think I am going to ask to be excused.

The VICE CHAIRMAN: We will have a recess, gentlemen.

—(Recess)

The VICE CHAIRMAN: All right, gentlemen, we are ready to go again. I see Mr. Scott from the Department of Transport has arrived, so probably you can ask Mr. Scott the question that related to that phrase in clause 3, subclause (2), Mr. McPhillips.

Mr. McPHILLIPS: In the fourth line of subclause (2) of clause 3 we find the words "and the traffic in respect of which." Now, perhaps I had better read the whole section:

(2) In any order made by the board under this section the board shall specify the manner in which the rates shall be revised and the period, not exceeding one year, during which and the traffic in respect of which the revised rates shall be applicable.

In subclause (1) the board's function is given, which extends to class and commodity rates which come into force at the commencement of the act and which have taken the 17 per cent. It is my belief that this was the intention; but now when you get down to the operative part of the order the words "and the traffic in respect of which," that seems to indicate that in that broad field the board could pick and choose as between which class and commodity rates bearing the 17 per cent would be reduced.

Mr. G. A. SCOTT (*Director, Economic Policy, Department of Transport*): Certainly it was not drafted with any thought that that could be done. Actually it refers, I think, to the part in subclause (1) of clause 3, which refers to that traffic which received the 17 per cent increase.

Mr. McPHILLIPS: But that has already been said, and subclause (1) does not use the word "traffic." I understand in railway parlance when you start talking about "traffic" you are dividing up a general field and under "traffic" you might have, say, a huge traffic in mixed biscuits or marine paint or anything, and if that stays in there, has the board the right to pick and choose?

Mr. SCOTT: I do not think so, no. Actually, while subclause (1) refers to the increase of 17 per cent, that is the only way in which you can state the traffic which would be subject to a reduction. The traffic which received the

17 per cent increase, this classifies it, but this part here in subclause (2) actually refers to the traffic which moves under these two types of rates.

Mr. McPHILLIPS: It is clear here you have more or less the same view as Mr. Knowles expressed. As I understand, in the final analysis these words "and the traffic in respect of which" are not necessary. They do not add anything to the powers; he says they would never dream of doing this. I do not like to put words in a statute which mean nothing. If they are superfluous they should be taken out because they could cause mischief.

The VICE CHAIRMAN: Mr. McPhillips, Mr. Knowles has indicated that as far as the Board of Transport Commissioners is concerned, that clause could be deleted, and they do not think it will have any effect on the operation of the act.

Mr. McPHILLIPS: I do not think it would at all. In fact, without it, it would say exactly what we think the intent is.

Mr. SCOTT: I think Mr. McPhillips would like to delete the words "and the traffic in respect of which".

The VICE CHAIRMAN: That is right.

Mr. SCOTT: That would be acceptable to us.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, Mr. Chevrier is not here but I made a suggestion earlier which I think is in order, and I am sure it has been done before in committees, that is, that we refer this section back to the legal officers to make certain that we are not going to make a deletion here which is going to be troublesome from the form of the order, or for any other particular reason. There would be plenty of time to make a motion in the house when this bill is reported back from committee. Mr. McPhillips could watch it personally and if he is not satisfied, he could make the amendment himself.

Mr. McPHILLIPS: That is true.

The VICE CHAIRMAN: Is that agreeable to you, Mr. McPhillips?

Mr. CHOWN: I think that is the wise course.

Mr. McPHILLIPS: That could be done and in the meantime the draftsman of the statute could consider it.

Mr. BELL (*Saint John-Albert*): In that same connection I wonder if I could ask a question relating to what Mr. McPhillips raised? This is a very important point. We said in discussion yesterday that there were a great many of the rates that had initially received the 17 per cent increase but were reclassified to competitive rates. Therefore, the increase did not take effect any more than just momentarily.

Is there any possible way that the railways could change, reduce—I do not want to use the word "reduce"—but classify back to class and commodity rates, those rates that they made competitive, and thus take advantage of this legislation which they may have avoided?

Mr. SCOTT: I really do not know what the railways can do. There would actually be thousands of possibilities and it is true if they looked at one possibility one way, they might see by reclassification actually that with trying the lower rate, they might get a higher revenue in the other class. Whether or not they would do this, I do not know.

The point really is, I think,—and this is probably a great deal over-simplified—that under the non-competitive class or commodity rates, this will not be 17 per cent. In any event the railways raised the maximum ceiling to the 17 per cent level. If they found that the traffic did not move on the commodity rates or class rates for that matter, they would put in a competitive rate. They would leave the other rate in. They would not withdraw the ones that went up to 17 per cent.

If they found that the traffic with the assistance given here on the non-competitive rates, would move the traffic, they could withdraw the other rate and you would be back to where the 17 per cent originally applied and these rates will be getting the seven per cent assistance. I do not think you can speak realistically in the case of one class of shipment.

Mr. DRYSDALE: In essence have they got two rates in effect at the same time?

Mr. SCOTT: Yes.

Mr. DRYSDALE: The maximum rate which they just leave on, and then this other rate?

Mr. SCOTT: Yes.

Mr. DRYSDALE: Then on this 17 per cent increase, no matter how far they reduced it, it would be entitled under this section?

Mr. SCOTT: For any traffic that moves on those rates.

Mr. CREAGHAN: What about in the case of an agreed charge, do they lose their non-competitive rate then?

Mr. SCOTT: The agreed charge rates are a competitive form of rate. They are really a type of contract. Regardless of the fact that those rates would be in effect there are usually other higher rates, but the traffic does not move on them.

Mr. KENNEDY: Is it not a fact that when the railways reduce their rates by 17 per cent or any amount, they become automatically competitive rates?

Mr. SCOTT: If the railways found under their normal class rates that some traffic would not move, they would extract this and make a competitive rate. Therefore, you would have a competitive rate lower than the normal rate for a particular movement. This is the rate that would be used for that traffic, but you would still have the normal ceiling rate left there. It could happen that no traffic moves on that rate but as soon as you withdraw the lower rate, everything must go back to the higher rate.

Mr. DRYSDALE: How long does it take to withdraw lower rates—three days? Mr Roberts testified, as I understand, that if they had taken the 17 per cent rate and reduced it to a lower rate, to this competitive rate, then to get that competitive rate, I suggest, to get the advantage of this legislation, perhaps he could raise it and he said...

Mr. SCOTT: Thirty days, I think.

Mr. DRYSDALE: Yes, he said it would be 30 days to get it back up. If you say there are two rates in existence at the same time, I understand there is a period of three days, so what they would have to do is cancel the lower rate and the initial one would automatically go into effect?

Mr. SCOTT: Three days for reduction, I believe.

Mr. DRYSDALE: How many days for cancellation?

Mr. A. S. KIRK (*Director of Traffic, Board of Transport Commissioners*): We provide in our tariff rules, when a competitive rate may be established. We are being importuned to establish the same rule to increase the competitive rate. At the moment it is not anything more than 30 days unless we grant relief from that rule—we are considering that now.

Mr. DRYSDALE: It is not actually an increase, it is merely a cancellation because you have in essence the two rates in effect.

Mr. KIRK: Actually when a competitive rate is cancelled, it is an increase in rate.

Mr. DRYSDALE: Yes, I realize that is the effect, that is what is happening, but actually when you have two rates in effect, what do you have to do to cancel one?

Mr. KIRK: The question of two rates being in effect goes into the tariff structure, of course. For example, if you were to modify a class rate then you cannot tear the whole class rate tariffs apart and take out the class rate. You may only establish a competitive rate on one shipment whereas you have several hundred class rates. So that the class rates are always there.

Mr. Scott is mainly right when he said what he did about commodity rates. Not in every case are commodity rates left in force after a competitive rate is established, depending entirely on the circumstances. For one reason, a good many competitive rates are published and may have a very limited effective period. They may run for only 30 days and may run for 10 days, may run for the summer and are cancelled in the winter. There are probably thousands of that kind of rate in Canada.

Mr. DRYSDALE: What I am trying to get clear in my own mind is, what if anything, can the railways do to bring back into the 17 per cent category, how much time is required. We had a time quoted by Mr. Roberts of 30 days and I have heard three days.

Mr. KIRK: At the present it is 30 days unless we grant relief from that rule.

Mr. DRYSDALE: It would be within your discretion if you wished, to grant all the increase back up to the 17 per cent so they would come into this act?

Mr. KIRK: Yes.

Mr. DRYSDALE: We have been unable to get any figures as to the average number of people who were affected when the 17 per cent went up and I am trying to ascertain, approximately, how many shippers would be affected by these rates?

Mr. KIRK: It is almost impossible to foresee.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, we had Mr. Knowles' statement that he did not believe that there had been an abnormal amount of movement of rates from the 17 per cent to competitive rates. If we accept that—and I am ready to do it, even though we did have one or two examples in central Canada of it that seemed to be unfair—even if we do accept that, then I suppose there is not any need of worrying about a transfer back because then it would be just a normal course of operation, if we accept the first premise that there was no unnecessary movement in the beginning.

Mr. DRYSDALE: If you do not know what "normal" means, you do not know how extensive any variation is from that.

Mr. BELL (*Saint John-Albert*): We are accepting Mr. Knowles' statement, in a general way, that he said he did not believe there were any abnormal movements made since the 17 per cent increase went on by the railways, in order to give an unfair position.

Mr. DRYSDALE: This relief is being given to shippers and they have no idea whether it could be 100,000, 200,000, 50,000 or 10,000. There is no area in which we, as a committee, can assess what effect it is going to have. The assurance of being normal or abnormal conveys absolutely nothing to me when I have no yardstick by which to measure it.

Mr. BELL (*Saint John-Albert*): If you do not have any yardstick, then you have to be guided by the experts and Mr. Knowles has made this statement.

Mr. DRYSDALE: We are trying to analyse the validity of the legislation and we have been wasting four days on it. They might as well tell us everything is fine and pass it.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chairman, I think this is a very important point. We have, I think, been under the impression that for the rates taking the 17 per cent increase and then reduced down to a competitive rate, there would be no way in which the shipper could then benefit under

this subsidy. However, now we are told that there are two rates in existence and if in actual fact one rate is in existence where the rate has been increased by 17 per cent—and assuming it does take 30 days to cancel a competitive rate and that competitive rate is cancelled—in 30 days it goes back to a rate which was in effect before this act was passed, and that might mean that every rate would take the 17 per cent originally then, though it had not been used. The man was under a competitive rate but would still be under the first rate that was in effect at the time of the passage of this act, and would become applicable to the subsidy.

Even if he did not get it for 30 days he would still come under it.

Mr. KNOWLES: As I understand it, the 17 per cent increase has got to stay in effect right up to the time of the passage of this act in order to get the reduction.

You are basing a lot of your remarks on a wrong assumption. For example, supposing a normal rate last year was \$1, it is advanced to \$1.17. The railways find that in order to get that traffic it has to put it down to \$1.13 and this bill comes along and reduces the \$1.17 to \$1.10; the normal rate would then be lower than the competitive rate and the competitive rate is of no effect. The lowest rate is always applied and the competitive rate will be taken out of the tariff sooner or later, if this reduction stays in effect.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, nobody is going to be excluded from this subsidy because of the fact that he was on a competitive rate which was established after the 17 per cent?

Mr. KNOWLES: That is quite right. It does not matter if the normal rate has been reduced by the company and is somewhere between \$1.10 and \$1.17 because the shipper is going to get the benefit of the \$1.10, if this bill is passed.

Mr. BROWNE (*Vancouver-Kingsway*): I think that is quite a different impression from what the committee has had up to now, because Mr. Guest from British Columbia raised this point and certainly my impression all along had been that there would be no way for anybody who was under those circumstances, to benefit by the subsidy. This concept now seems to indicate that he would be able to benefit.

Mr. KNOWLES: That is quite right, yes.

Mr. BELL (*Saint John-Albert*): Are you not saying, Mr. Knowles, that once the reduction was made from the 17 per cent, that you did not see any benefit in reverting back to the 17 per cent category?

Mr. KNOWLES: I do not see any necessity for it, because the normal rate is in the tariff and it will be increased by seven percentage points, and if it is lower than the competitive rate or the agreed charge, or any other rate, it is going to apply.

Mr. CREAGHAN: Mr. Chairman, I have been here off and on for four days and just at this moment I am familiar with the intent of this legislation. I want to ask one other question on the same point. Clause 3, third line in brackets "other than competitive rates"—are those words necessary because we have got merchandise that could be shipped, either on a commodity rate or competitive rate if the change has been made since December 1? On this line which I have just referred to it says in brackets "other than competitive rates".

The solicitor and Mr. Knowles in answer to Mr. Browne indicated to me for the first time in the four days, that if a certain type of shipment became competitive since December 1 last, I understand only this morning that it was getting no assistance and now it can get the seven per cent assistance.

Mr. CHOWN: Or any part thereof.

Mr. CREAGHAN: Yes.

Mr. BELL (*Saint John-Albert*): The word "competitive" refers to class rates according to the information here.

Mr. PHILLIPS: I would like to ask Mr. Mann how this new interpretation would affect his viewpoint of the bill.

Mr. MANN: The one Mr. Creaghan used, in the brackets "other than competitive rates"?

Mr. PHILLIPS: Yes. I agree with the members who have said this is a new interpretation. It was by interpretation that the rates of, say 15 per cent would not benefit from this bill. However, this morning I am told they can. How does that affect your interpretation of the act?

Mr. MANN: I was really addressing myself to the question Mr. Creaghan asked and I think you have in mind something similar to that, whether the words "other than competitive rates" has anything to do with spelling out class rates and commodity rates; and I take it, Mr. Creaghan, it is your suggestion that it is a redundancy.

Mr. CREAGHAN: That is right.

Mr. MANN: I just referred this to Mr. Knowles here a short while ago. I am not sure whether it would come under this, and I do not know that Mr. Knowles is. We have a condition in the summer time, a run to Newfoundland, under Canadian National tariff C-89 which is a class rate tariff essentially but is marked as a competitive tariff. It is a competitive class rate, a rather peculiar animal. I do not know, I am not sure in my mind whether the over-riding thing is class rate, commodity rate or whether the over-riding thing is "other than competitive", in this case. I should think that is a very rare border-line case. I would like to have Mr. Knowles' interpretation.

Mr. SCOTT: Mr. Chairman, before Mr. Knowles answers that, I think it was realized by the Department of Justice that there could be cases of the type mentioned by Mr. Mann but these are—and I think the one he mentioned is—a relatively small case so far as the volume of traffic that can move on it. It was thought at the time, without tying the board down too specifically because it would be utterly impossible to cover these specifically in any way, that these would be items that the board could look at when they were given this authority and they could take such cases as Mr. Mann refers to into consideration.

The VICE CHAIRMAN: Shall clause 3 carry?

Agreed.

The VICE CHAIRMAN: Shall I report the bill with the following recommendation: the words "and the traffic in respect of which" appearing in lines 18 and 19 of subclause (1) of clause 3, should be examined to further determine their effect upon the application of the provision of the bill?

Agreed.

The VICE CHAIRMAN: Thank you very much, gentlemen.

—The committee adjourned.















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